

creative nation:

advancing Britain's creative
industries

Edited by Cathy Koester

cultural
leadership
programme



THE SMITH INSTITUTE

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advancing Britain's creative
industries

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Preface

Wilf Stevenson, Director, Smith Institute

The Smith Institute is an independent think tank which has been set up to undertake research and education in issues that flow from the changing relationship between social values and economic imperatives. In recent years the institute has centred its work on the policy implications arising from the interactions of equality, enterprise and equity.

Britain's creative industries are increasingly seen as a mainstream rather than marginal element of our economy. Design, advertising, music, film and TV, fashion, computer games and publishing produce a higher proportion of our total wealth than anywhere else in the world. UK firms register more trademarks and designs with the EU than any other country. The global market value of the creative industries has increased from \$831 billion in 2000 to \$1.3 trillion in 2005: more than 7% of global GDP. In the UK, KPMG predicts 46% employment growth and 136% output growth in the creative industries between 1995 and 2015. Between 1997 and 2004 the creative industries averaged 6% growth, around twice the rate of the economy as a whole. Far from being "economy lite", our creative sectors should be seen as "economy central". It is clear therefore that our creative industries have a key role in supporting the UK's future wealth.

This collection of essays brings together the views of many leading figures within Britain's creative industries to offer an important insight into this most dynamic sector of the British economy. The comments, viewpoints and essays collected here cut across a wide range of issues germane to the current success of creative industries. Taken together, they offer a practical account of how government can better engage with creatives to ensure that this remarkable economic contribution continues into the future.

The Smith Institute thanks Cathy Koester for agreeing to edit this collection, and for conducting the interviews that form the backbone of this monograph. The institute gratefully acknowledges the support of EMI plc towards the creative industries project and thanks the Cultural Leadership Programme for their support of this publication.

Foreword

Rt Hon Tessa Jowell MP, Secretary of State for Culture, Media and Sport

The importance of the creative industries sector to our economic future cannot be overstated. The creative industries have a combined gross value added (GVA) larger than that of the financial services sector, employ nearly 2 million people in the UK and accounted for £13 billion worth of exports in 2004. But they also face immense challenges in the speed of technological change and increasing global competitiveness. Those challenges at the same time present us with great opportunities. China is a fascinating example of this, as I found on a recent visit. As a country, it is producing four times as many graduates as a decade ago, but it is also eager to learn from, and enter into partnership with, UK companies.

I do not think there is another country better placed than the UK or with greater depth of talent to grasp these exciting prospects. Across all of our creative industries we have international icons, demonstrating the huge strength of the innovative talent in the UK, from Sir Elton John to Sir Martin Sorrell, JK Rowling, Richard Curtis, Sir Norman Foster, Vivien Westwood and Sir Andrew Lloyd Webber.

This report contributes to the rich debate on how the UK can best cope with and harness the technological and global changes confronting our creative sector. The contributions also show that there is no common agreement on the solutions. I may not necessarily agree with all the opinions in this report, but I do welcome the energy of the debate.

I am very much looking forward to working with industry and our stakeholders in finding some solutions in the context of our Creative Economy Programme, which we launched at the end of last year to investigate these issues for the creative industries. The challenge for government is to ensure that we can provide an environment that unleashes creativity, supports innovation and enables UK creative industries to continue to be a motor of prosperity, here and in the wider world.

Biographies of contributors

Ian Anderson

Ian Anderson is known throughout the world of rock music as the flute and voice behind the legendary Jethro Tull. He was born in 1947 in Dunfermline, Fife, but his family relocated to Blackpool in the North of England in 1959. Following a traditional grammar school education, he moved on to art college to study fine art before deciding on an attempt at a musical career.

Jethro Tull was formed in 1968 from the amalgamation of two blues-based UK groups. Still enjoying a lengthy and on-going career, Jethro Tull has released 30 albums, selling more than 60 million copies since the band first performed at London's famous Marquee club. After undertaking more than 2,500 concerts in 40 countries throughout three decades, Jethro Tull plays typically 100 concerts each year to long-standing as well as new fans worldwide.

Widely recognised as the man who introduced the flute to rock music, Ian Anderson remains the crowned exponent of the popular and rock genres of flute playing. Anderson also plays ethnic flutes and whistles, together with acoustic guitar and the mandolin family of instruments, providing the acoustic textures that are an integral part of most of the Jethro Tull repertoire.

Anderson has recorded four diverse solo albums in his career: 1983's eclectic-electric *Walk Into Light*; the flute instrumental *Divinities* album for EMI's classical music division in 1995, which reached number one in the relevant Billboard chart, and the critically acclaimed acoustic collections *The Secret Language of Birds*, released in 2000, and *Rupi's Dance* in 2003.

He lives on a farm in the South West of England where he has a recording studio and office, and declares a lifelong commitment to music as a profession, being far too young to hang up his hat or his flute – although the tights and codpiece have long been consigned to a forgotten drawer.

Andrew Burgess

Andrew Burgess is a producer/director for ITV Productions in London. Programme credits include three series of *I'm a Celebrity Get Me Out of Here* and the Gordon Ramsay-fronted series *Hell's Kitchen*, both for ITV1. Burgess started his career in television in the

press department at London Weekend Television, before moving across to the production arm of the company.

Matt Calais

Matt Calais is a producer/director for ITV Productions in London. Programme credits include *Hell's Kitchen*, *Airline*, *Transformed* and, most recently, *I Smack and I'm Proud*, all for ITV1. Calais started his career at ITV in 1998 on a work experience placement and has been there ever since.

Yvette Cooper MP

Yvette Cooper is the MP for the constituency of Pontefract & Castleford in West Yorkshire. Since May 2005 she has been the Minister for Housing and Planning in the Department of Communities & Local Government. Cooper has previously held the position of Parliamentary Undersecretary of State in the Office of the Deputy Prime Minister and the Lord Chancellor's Department, and held the post of Parliamentary Undersecretary of State for Public Health.

She has been MP for Pontefract & Castleford since 1 May 1997. Before entering parliament, Cooper was economic columnist and leader writer on the *Independent* newspaper. She worked as policy adviser to Labour's Treasury team in opposition between 1990 and 1994 and as policy adviser to the Bill Clinton presidential campaign in 1992. She was educated at Eggars Comprehensive, Alton Sixth Form College, Oxford University, Harvard University and the London School of Economics. She lives with her husband, Ed Balls MP, and their three children, and splits her time between London and Yorkshire.

Tony Hall CBE

Tony Hall became chief executive of the Royal Opera House in 2001. He set up ROH2, a department under the former ballerina Deborah Bull, devoted to supporting new artists and developing new audiences. Until 2001, he was chief executive of BBC News; he launched Radio 5 Live, Britain's first 24-hour news and sport radio, BBC News 24, BBC News Online and BBC Parliament. He built the BBC news-gathering network into a world leader. At present he is also chair of the Theatre Royal Stratford East, Joan Littlewood's old theatre; a non-executive director of HM Customs & Excise board; and a non-executive director of the board of the University for Industry. In April 2004 he was appointed chair of the Sector Skills Council for the Creative & Cultural Industries.

Dr Michael Harris

Dr Michael Harris is a research fellow at NESTA, the National Endowment for Science, Technology & the Arts. NESTA is working to increase the UK's capacity for innovation. It invests in all stages of the innovation process, backing new ideas and funding new ventures that stimulate entrepreneurship.

Jude Kelly OBE

Jude Kelly is the South Bank Centre's new artistic director and chair of culture and education for London's successful bid for the 2012 Olympic Games. An award-winning theatre director, she recently staged Leonard Bernstein's *On the Town* for the English National Opera and *The Importance of Being Earnest* with Ridiculusmus at the Barbican.

Kelly has a 26-year career founding various theatres and arts centres. She became the first artistic director of the West Yorkshire Playhouse in Leeds, the country's largest regional theatre. She also has directed over 40 productions for stage and screen and received the OBE for services to the theatre. In 2002 she founded Metal to champion the need for continual investment in artistic investigation and the creative process.

Kelly is much in demand as a commentator on and spokesperson for the arts, having represented Britain within UNESCO on cultural matters, served on the arts advisory committee for the Royal Society of Arts, and jointly chaired with Lord Puttnam the Curricula Advisory Committee on Arts & Creativity. She is chair of Common Purpose International Trust, a board member of the British Council, a member of the London Cultural Consortium, and visiting professor at Kingston University and Leeds University.

Duncan Kenworthy OBE

Duncan Kenworthy has produced three of the most successful British films of all time: *Four Weddings and a Funeral* (1994), *Notting Hill* (1999) and *Love Actually* (2003). Together they have grossed more than \$900 million at the box office worldwide.

He began his career in television, working on *Sesame Street* for six years in New York and Kuwait, and then joining Jim Henson in London, where he was associate producer of *The Dark Crystal* (1982), co-creator and producer of *Fraggle Rock* (1983-87), and producer of Anthony Minghella's *Storyteller* (1988) and *Greek Myths* (1990) series. As an independent he produced a mini-series of *Gulliver's Travels* (1996) and the feature film *Lawn Dogs* (1997).

He has won five BAFTA Awards and three Emmies, as well as being nominated for three Golden Globes and an Oscar. He received an OBE in 1999 for services to film, and is the current chairman of the British Academy of Film & Television Arts.

Kristine Landon-Smith

Kristine Landon-Smith is joint founder and artistic director of Tamasha and has directed all of the company's shows. Her 1996 production, *East is East*, was nominated for an Olivier award and her original production of *Fourteen Songs, Two Weddings & a Funeral* won the Barclays Theatre Award for Best New Musical. Her production *Strictly Dandia* was a sell-out success at the Lyric Hammersmith in both 2004 and 2005.

Her freelance directing work has been with the Royal Court Theatre, Bristol Old Vic, Palace Theatre Westcliff, Nitro, Yellow Earth Theatre and more recently with the Royal Danish Theatre, directing the Con:FUSIONS Workshop.

Kristine Landon-Smith jointly won, with Sudha Bhuchar, the 2005 Asian Women of Achievement Award for Arts and Culture.

Her first short film, *Midnight Feast*, went on to be screened at the 11th Raindance Film Festival. Landon-Smith's radio credits for BBC include *A Yearning; Women of the Dust*, which won Commission for Racial Equality Race in the Media Awards; and *Lysistrata* (BBC World Service). In November 2005, she directed *The Trouble with Asian Men* at artsdepot and in 2006 has directed *A Fine Balance* (based on the novel by Rohinton Mistry) at Hampstead Theatre and Tamasha's first children's play, written by Sudha Bhuchar, *Child of the Divide* at Polka Theatre. She is currently working on remounts of *The Trouble with Asian Men* and *A Fine Balance* – due to be performed in autumn 2006 and early 2007.

Sir George Martin

Sir George Martin is one of music's most versatile and imaginative talents. In 1962 he signed the Beatles to EMI and produced every record they made. In his long career as a producer, he made over 700 recordings in a vast range of genres, and produced a record-breaking 30 number one singles.

With three other producers, Martin founded Air Studios in the 1960s, which to this day is one of the most successful studio operations in the world. He brought a host of artists into recording studios and became the pre-eminent producer of comedy recordings with performers such as Peter Sellers, Spike Milligan, Jonathan Miller, Peter Cook, Dudley Moore,

Alan Bennett, George Burns, Steve Martin, Sir Anthony Hopkins and Jonathan Pryce.

Martin set up his own music publishing company in the 1970s and as a record producer has worked with an vast array of artists including: Jeff Beck, America, Kenny Rogers, the Mahavishnu Orchestra, the Bee Gees, Dire Straits, the Little River Band, Cheap Trick, Neil Sedaka, Jimmy Webb and Ultravox, Peter Gabriel, Kate Bush, Sting, Sinead O'Connor, Lisa Stansfield, Elton John, Elvis Costello, Jon Bon Jovi, Cher, Meat Loaf, Carly Simon and Carl Perkins.

A musician and composer in his own right, he wrote the music for many films, including the Grammy-winning *Live & Let Die*, and composed the David Frost theme *By George* and BBC Radio One's signature tune *Theme One*.

He served as producer and consultant for major music events including the 1993 Prince's Trust Concert; UNESCO's 1994 benefit in Japan; the 1997 Music For Montserrat concert at the Royal Albert Hall; and the Queen's Golden Jubilee concert, Party at the Palace. Sir George Martin produced Elton John's tribute to Diana, Princess of Wales, which gave him his 30th number one hit single.

He was knighted in 1996 and inducted into the American Rock & Roll Hall of Fame in 1999 for his outstanding contribution to music. He is author of three books and produced the music for a live Beatles show that opened in Las Vegas in June 2006.

Vivien Lovell

Vivien Lovell is a visual arts curator and art consultant with expertise in commissioning permanent and temporary art within the designed environment. She founded Modus Operandi in 1999 as an independent consultancy. Lovell has been a pioneer in the public art movement since the late 1970s.

She currently heads public art schemes for clients including the BBC, the City of London, the Crown Estate, Guy's & St Thomas' Hospital, Liverpool Housing Action Trust, the Barbican Arts Centre, the Greater London Authority (Victoria Embankment) and the church of St Martin-in-the-Fields. Previous projects include award-winning regenerative art programmes for Mitsubishi Estate Co in Tokyo and the Phoenix Initiative in Coventry.

Formerly founder-director of Public Art Commissions Agency (1987-99), Lovell led the strategy for public art in Cardiff Bay, the strategy and art programme for Birmingham City

Council, and public art commissions for clients including London Docklands Development Corporation, the Foreign Office overseas estate department, European Passenger Services and St John's College Oxford. From 1990 to 1994 she chaired Public Art Forum and in this capacity initiated the Alliance for Art, Architecture & Design with the Royal Institute of British Architects.

Lovell lectures internationally; her areas of research include artist-designed public spaces, alternative responses to the notions of monument and memorial, and artists' ecological projects. Publications include *Public:Art:Space* (Merrell Holberton 1998) and *Phoenix: Architecture, Art, Regeneration* (Black Dog, 2004). She is a member of the Royal Academy Art & Architecture Forum and the South East England Design Review Panel.

Lucy Newman Cleeve

Lucy Newman Cleeve is a strategic consultant and producer for the arts and cultural sector. She combines research and consultancy work with a career as a practising artist. She is the founding director of Man&Eve gallery in London, which hosts a changing programme of contemporary work by emerging international artists.

She has developed projects for clients including Creative & Cultural Skills, [a-n] The Artists Information Company, Arts Council England, Culture Online at the Department for Culture, Media & Sport and the Catalyst Project at Lever Faberge.

Newman Cleeve studied theology at Cambridge and communication art and design at the Royal College of Art. Her work has been screened or exhibited at venues and festivals including Portobello Film Festival, London (2005); Camden Arts Centre, London (2004); Dundee Contemporary Arts, Dundee (2002); Hurst House, Laugharne (2002) and The Hub, Edinburgh Festival Centre, Edinburgh (1999).

Eric Nicoli CBE

Eric Nicoli has been chairman of EMI Group since July 1999. He first joined the EMI Group board as a non-executive director in July 1993 and became an executive director on 1 May 1999 when he joined the company as chairman-designate.

Nicoli is a physics graduate and, following a career in marketing at Rowntree Mackintosh, he joined United Biscuits, a leading international food group, in 1980. At UB he progressed through posts that included marketing director of UK Biscuits (from 1981), group business planning director (1984), managing director of UB Frozen Foods (1985) and managing

director of UB Brands (1986-89). In 1989 he joined the UB board when he became chief executive of the group's European operations and in 1991 was promoted to group chief executive.

Since June 2001 Nicoli has been non-executive chairman of the Tussauds Group, Britain's largest operator of theme parks and city-centre attractions, and from March 2001 to February 2004 was non-executive chairman of HMV Group.

He is chairman of the EMI Music Sound Foundation, an independent music education charity. From 1992 to 2003 Nicoli was a deputy chairman of Business in The Community and since 1992 has chaired the PerCent Club – a Business in The Community initiative to recognise corporate community investment.

Nicoli is a board member of Creative & Cultural Skills – a creative-industries-led body aimed at improving competitiveness through skills – and also sits on the steering group that advises the Culture Secretary on the government's creative economy programme.

In June 2006, Nicoli was awarded a CBE for services to the music industry.

Emma Pike

Emma Pike took up the role of director general at British Music Rights in September 2004. Shortly afterwards, the organisation launched its Respect the Value of Music lesson plans in secondary schools across the country to promote an understanding among young people of the value of creativity and copyright's role in converting talent into revenue, jobs and economic growth. BMR is now working closely with Young Enterprise on a Quickstart music programme to link creative learning and enterprise. Previously European affairs executive at IFPI's Brussels office, Emma spent two-and-a-half years representing the music industry at the forefront of developments in European copyright and international trade issues. A lawyer by training, her experience of the political arena at EU and UK level is complemented by considerable understanding of the issues currently affecting the music sector.

Adam Sharp

Adam Sharp grew up in the North East of England between the countryside of Northumberland and the city of Newcastle Upon Tyne. After school, he studied economics and politics at Manchester University while enjoying the local music that was exploding in that city.

While in his final year, he formed a sports marketing company with a close friend and entered into the high-octane world of motorsports. With a number of sponsorship deals to their credit, the would-be sports svengalis turned their attention to the lesser-known arena of yacht sailing and in particular Sydney Harbour skiffs. A couple of years' hard work led to the inaugural 18-Foot Skiff European Championships in 1992.

During this period Sharp had been asked by another college friend, Giles Martin, to assist him with his music business negotiations. Martin had been making a name for himself as a hot producer of small indie bands and was looking for a trusting counsel to manage him.

Following the disastrous withdrawal of a major sponsor only weeks before the next season's skiff championships, Adam made the difficult decision to leave sports and concentrate on the growing number of clients he had been attracting from the world of music. The chance to work within an industry that he had admired from afar as a boy was too much to ignore. CA Management was born in 1994 and duly run out of the bedroom.

His first main charges were the seminal UK rockers Velvet Jones. Critical acclaim in the UK attracted the independent label support that they needed and foreign tours to Germany, Japan and North America helped promote their debut album release. During this time, other clients were added to the roster of charges at CA Management, but none bigger than the legendary producer, Sir George Martin.

The learning curve was steep, but within a couple of years Sharp had gained a good knowledge of how the music business music works and in particular the art of music publishing. Frustrated with the publishing deals that had recently been offered to some clients, Sharp asked Sir George's advice. He mentioned a small shell company that he had formed some 30 years previously to publish some of his own works, and asked if Sharp would be interested in using that.

And so Sharp went about developing George Martin Music with the creative input of Giles Martin into a niche player in the music publishing and production market, slowly building the roster with songwriters and film score composers. Today, Sharp continues to run CA Management with its diverse interests in music, TV and film, co-runs George Martin Music with its global music publishing interests and is co-founder and director of A&Btv – a company that has been specifically set up to exploit the cult, animated kid's TV property, *Roobarb and Custard*.

David Sproxton CBE

David Sproxton is co-founder and executive chairman of Aardman. Together with co-founder Peter Lord, he has overseen the development of the company from a two-man partnership to one of the pre-eminent animation houses in the industry. David has served as producer, director or cinematographer on a number of animated projects at Aardman.

Sproxton and Lord met at Woking Grammar School for Boys, and in 1970 made their first animated film using David's Bolex camera. It was a crude piece using cut-outs and chalk drawings, yet showed enough talent for a BBC Children's Television producer to offer the pair a chance to make short animated films for his programme *Vision On*.

After graduating from Durham University, Sproxton decided to pursue film-making full-time. In 1972 he and Lord formed Aardman, and in 1976 they moved to their permanent home in Bristol, England. Their first professional creation was the character Morph, who went on to star in the BBC series *The Amazing Adventures of Morph*.

During this period, the duo made two short animated films, *Down & Out* and *Confessions of a Foyer Girl*, to which they applied the ground-breaking technique of using recorded conversations of real people as the basis for the script. Later, five more films, called *Conversation Pieces*, using the same "vox pop" technique, were commissioned by Channel 4. Vox pop was also used in Aardman's *Lip Synch* series for Channel 4, which included Nick Park's Oscar®-winning short *Creature Comforts*.

In addition to Nick Park, the studio is known for discovering and nurturing new filmmakers. These include Steve Box, who won a BAFTA Award for his direction of *Stage Fright* and co-directed *The Curse of the Wererabbit* with Nick Park; the Oscar®-nominated and BAFTA-winning Peter Peake, director of *HumDrum* and many commercials; Richard Goleyszowski, who directed the *Rex the Runt* series for BBC2 and the *Creature Comforts* series for ITV; Darren Walsh (*Angry Kid*) and Stefan Marjoram (BBC3 *Blobs* and *Presentators* for Nickelodeon).

Sproxton co-produced Aardman's first feature film, *Chicken Run*, made in association with DreamWorks, which was released in June 2000, and also co-produced the Wallace and Gromit feature *The Curse of the Wererabbit* in association with DreamWorks, which was released in October 2005. He has also been involved in the CGI feature *Flushed Away* and the continuing development of further feature ideas, as well as the many TV projects the studio is developing, including *Angry Kid*, *Shaun the Sheep* and *Chop Socky Chooks*.

Sproxtton spent nine years on the board of the Bristol Old Vic Theatre Trust. He is also a board director of Encounters Festivals, which oversees Brief Encounters (Bristol's celebration of the short film) and Animated Encounters, its sister animation festival. He is also on the board of the UK Film Council and the National Film Television School.

In Aardman's 30th year, David Sproxtton and Peter Lord are celebrating being awarded CBEs in the 2006 Queen's birthday honours list.

Wilf Stevenson

Wilf Stevenson is the director of the Smith Institute, an independent think tank, which currently centres its work on issues that flow from the changing relationship between social values and economic imperatives. Recent programmes have included reviewing which aspects of equality should inform social and economic policy; an investigation into the roles of creativity and entrepreneurship in the new economy; a programme on women in the new economy; work on pensions and savings; an analysis of crime and social exclusion; and competition policy. Before joining the Smith Institute, Wilf Stevenson was director of the British Film Institute.

Russell Taylor MBE

Russell Taylor was born in York in 1960. He read Russian and philosophy at Oxford. His first published work (co-written with Marc Polonsky) was an irreverent guide to pre-glasnost Russia entitled: *USSR – From an Original Idea by Karl Marx* (Faber & Faber, 1986).

Taylor is also a composer who has written the music (in collaboration with Steve Cooke) for seven Emmy-winning documentaries, including *The Dying Rooms* (Channel 4, 1995), *Slavery* (Channel 4, 2000), *Kids Behind Bars* (BBC1, 2001) and *Reporters at War* (Discovery 2003). His humorous book on marathon running, *The Looniness of the Long Distance Runner*, was published by Andre Deutsch in 2001.

Russell Taylor met cartoonist Charles Peattie at a Christmas party in 1986. Their collaboration, *Alex*, first appeared in the short-lived *London Daily News* in 1987. He transferred to the *Independent* and then in 1992 to the *Daily Telegraph* where he appears five days a week. *Alex's* adventures are also published in newspapers in Australia, Germany, Belgium, New Zealand and several other countries. Annual collections of the cartoons have appeared since 1987.

Taylor and Peattie were awarded MBEs in the 2003 New Year's honours list.

Alison Tickell

Al Tickell was trained as a musician and subsequently as a teacher. After a decade of performing and teaching, she consolidated her commitment to the community music sector and spent 17 years at Community Music, a grass-roots company delivering creative opportunities for young socially excluded people and providing templates for new partnerships for the community sector. Tickell instigated new partnerships between industry, education and strategic planning bodies in order to develop an infrastructure for grass-roots music activities – a sector that has flourished over the past five years and is worth about £30 million to London alone. During that period, Community Music set up and developed numerous companies that are now integral to national provision. The emphasis was on initiatives that bridged the gap between formal education provision and the music industry, in early recognition of the lost investment education provision represented to our industries and the lost talent of young people who failed to thrive in formal education. Tickell was on the project board of Creative & Cultural Skills, and is now the music industry director.

She has worked as a consultant and employer for Community Music, Community Music Wales, Community Music East, Community Music Sarajevo, Windmill of Youth Portugal, Roma, Shape, Gemini, Overtones and Oval House, and for colleges, universities and local authorities. Non-executive directorships include Sound Connections, the National Music Council, Arts Learning Partnership, Arts & the Learning City, HeARTS and Overtones. She is an adviser for the London Development Agency and for CreateKX.

Tickell sits on the Live Music Forum, the Music Manifesto Steering Group and the Music Business Forum. Her role consists of developing a nationwide strategy for aligning the education and training sectors with the skills needs of the music industry. Her chairman is Tony Hall CBE, and her panel of music industry advisers is chaired by Eric Nicoli CBE and has 20 senior music industry executives advising on all aspects of the campaign.

James Tuthill

Omlet was set up in 2003 by four graduates of the Royal College of Art in London – James Tuthill, Johannes Paul, Simon Nicholls and William Windham. Together they developed and produced the eglu, a revolutionary chicken house. They are now the UK's number one chicken house supplier, selling around 8,000 eglus and delivering over 12,000 chickens throughout the UK in the past two years. Following a successful launch of the eglu in America, they are now expanding into other markets.

Introduction

Dr Michael Harris

The contributors to this pamphlet represent several facets of the UK's "creative economy". There have been an increasing number of research reports and policy papers that have focused on the creative industries – but until now we haven't heard enough from the people who work in these increasingly important sectors of the economy.

This is perhaps surprising. Creatives are not known for being backward at coming forward. They are after all in the "attention business", and are often required to talk about their work from a creative perspective. But they have had fewer opportunities, and maybe felt less confident, in terms of talking about their part in the creative economy – their experience of establishing and managing businesses, of exploiting their creativity for economic and social ends, and of balancing creative and commercial growth.

Most of us in the music world who perform don't think of ourselves as part of the industry. But in reality we are the Spitfire fighter pilots of the music industry. We're at the front, and we're what keeps it going. You can't really escape the fact that you are part and parcel of this astonishingly large and astonishingly successful industry.

Ian Anderson

This may be in part because most "creative entrepreneurs" (in truth, not a label that many creatives would adopt for themselves) don't see themselves as working in the creative industries as such. They are, first of all, architects, designers, musicians and film-makers, and they are primarily driven by creative impulses rather than commercial motivations.

We try to do as many of the business functions as possible – but we see ourselves as product designers first.

James Tuthill

People who act or write or produce music do it because they want to share their ideas with other people, and want other people to be moved, to laugh, to cry, to be stimulated. You wouldn't do it because there is good money in it. That's not how you start.

Russell Taylor MBE

If you're a songwriter, you are driven by success, so that Paul McCartney, even with his millions of pounds in the bank, still wants to have people clapping him at the end of a

performance. He would give his eye teeth to be number one in America. But it's true he's not in it for the money. Most songwriters are like that. But do they have the commercial mind to develop their own product? Most of them don't.

Sir George Martin

So does the concept of the "creative industries" have any value, and to whom?

In general, UK policy makers have embraced the concept more readily than creatives. Indeed, the Department for Culture, Media & Sport has been a world leader in terms of developing the creative industries as a focus for policy. The concept emerged in the mid-1990s, and was formalised in the DCMS's creative industries task force (from 1997 to 2000) and the two editions of the DCMS's creative industries mapping document in 1998 and 2001. These efforts clearly demonstrated the economic value of the creative industries to the UK (taking as read their cultural and social significance).

According to the definition established by the DCMS, the creative industries comprise 13 sectors: advertising; architecture; the art and antiques market; crafts; design; designer fashion; film and video; interactive leisure software (such as computer games); music; the performing arts; publishing; software and computer services; and television and radio.

The underlying assumption is that businesses in these sectors share a common foundation, despite their differences: they rely on individual creativity and imagination allied with skill and talent, and produce wealth and jobs through the generation and exploitation of new intellectual property and content.

Without ideas we have no business. The rest is organisation and logistics. Our key assets lie in the creative people who drive the projects, backed by producers and then marketing and licensing. Although a lot of what we do could be classified as manufacturing; the real skill is in developing the ideas to fit a market or generating a market for those ideas.

David Sproxton CBE

This approach has been very useful in reinforcing the economic importance of these sectors and in challenging the traditional forms of support for arts and culture (typically, subsidies and grants). And there is no doubt that there is a strong economic case that can be made. The most recent UK government estimates suggest that in 2003 these sectors accounted for 8% of the economy – a total of £56.5 billion. In 2004, there were an estimated 113,000 creative companies and total employment in creative occupations

exceeded 1.8 million people. Exports contributed £11.6 billion to the balance of trade in 2003, or 4.1% of all goods and services exported. Compared with the financial services sector in the UK, the creative industries constitute a larger part of the economy and employ many more people.

There are some issues with these figures, most notably the wholesale inclusion of software and computer services. But, now we are moving from a phase of identifying and championing a previously underrepresented sector, we need to develop our understanding.

To move to focus on growth rather than just existence, we need to begin to differentiate between sectors, on the basis of size and potential for growth. We also need to become more textured in our definition. We need to move away from a case for similarity and homogeneity (that task has been done), and towards an understanding of the important differences between creative businesses. If we hope to grow a more mature creative economy, we need to think in terms of differentiation, but get away from exceptionalism.

So while the recognition of the importance of these sectors is welcome, we must not oversimplify, and we must realise that this is a policy definition and not an actual one. Many people in the creative industries do not describe themselves as such. However, their role in developing our understanding of the creative industries is crucial, and so it is particularly important that we get to hear about their experiences and the real issues in the sectors in which they work – which is where this pamphlet comes in.

From this, we need to develop new ways of thinking about the creative industries that are better able to draw out the differences as well as the commonalities between the creative sectors. One model that can help in this respect is to segment the creative industries into four main groupings: service providers; content producers; experience providers; and producers of "originals".

Service enterprises provide services for clients, earning revenues in exchange for devoting their time and intellectual property to other businesses and organisations (for example, advertising agencies and design consultancies).

Content enterprises produce intellectual property, usually copyright protected, which is distributed to customers or audiences thereby earning revenues through a variety of related business models such as sales, advertising or subscription (for example, film, television and theatre production companies).

Experience providers sell the right for consumers to experience or witness specific activities, performances or locations which are consumed at the time and place of performance (such as theatre, opera and dance production companies, and live music organisers and promoters).

Producers of "originals" are involved in the creation, manufacture or sale of physical artefacts, the value of which derives from their perceived creative or cultural value, exclusivity and authenticity (for example, crafts makers, visual artists and designer-makers).

I think that visual art differs from other sectors in terms of how value is created and where it resides. Validation by other artists, curators and critics is what produces value in a piece of work and the criteria used for judging [are] probably aesthetic. But there are very, very different reasons why people buy work. It's an interesting question to ask collectors, why they spend a lot of money on a piece of work. Is it because it's an investment, is it because they enjoy it, is it because they want to be seen to patronise the arts, is it because they have some kind of connection to the artist, is it because they're looking for some eye candy for their wall?

Lucy Newman Cleeve

Models such as these can help to identify the ways in which commercial and social value is created, where this value is located, and consequently how it can be enhanced (for example, through better attuned business development services). This helps us to view the creative industries as industrial sectors rather than merely as a set of creative activities based on individual talent (after all, which sectors of the economy don't involve at least some creativity based on individual talent?).

Lastly, we will need to balance our recognition of how the creative industries are different with a compelling argument about how they are also mainstream economic sectors. That is to say, there is a danger to "exceptionalism", to continually emphasising how the creative industries are different at the risk of failing to recognise how the issues faced by creatives in managing and developing businesses are similar to those faced by entrepreneurs in any other sector of the economy. Only in this way will we move to phase two of our understanding of what really is different about the creative economy.

Part I

Understanding creative individuals

Understanding creative individuals

Why do you do what you do?

Andy Burgess:

People are working in the TV industry predominantly because they want to be working in a creative industry. People who work in other industries, like finance, are doing that job because they want to earn money, whereas I don't think there is anybody in the creative industries that is working in the industry because they want to earn lots of money. They're in it because they want to do a creative job.

Jude Kelly OBE:

I was making up stories in the back garden with neighbours' children and then selling tickets to them by the time I was eight. That's what I've been doing ever since – creating stories and then asking other people to come and watch and if possible take part themselves. I'm a theatre director by trade, but you could say that the instinct to become a theatre director is about feeling compelled to tell certain stories.

Vivien Lovell:

I was always incredibly passionate about art and about architecture. One of my first memories was as a three- or four-year-old, being in Bexhill-on-Sea on holiday, and I remember running through the De La Warr Pavilion towards a mural by Edward Wadsworth. This was a wholly sensuous experience, before I knew what "architecture" or "art" were, and I thought it was just fantastic.

And at school, sitting on my own in the art room, browsing through Studio International magazine – at the time the height of glamour and the avant garde – and coming across some amazing black and white photographs of David Smith's sculptures in the open air; it was that idea of art being out of the gallery as well as in the gallery that became a passion.

Another great early influence was being taken to the Festival Hall on the South Bank – this would have been in the mid-1950s, so the building was very new, and London had that Festival of Britain post-war buzz of creativity in the air. I'm afraid to say that skiving off school to go to the Tate Gallery to look at Turner, a habitual forbidden pleasure, was also a strong influence on my choice of career.

Matt Calais:

Most of the time people working in television don't even see what they do as a job as such, especially in the early days. Because it's creative and it is often quite fun, there is quite a lot of job satisfaction. There seems to be more happy people in their work than in lots of other careers.

James Tuthill:

I worked for a kettle manufacturer once. You're given a brief by somebody else and you have to fill that brief. You can try to be creative but you can't fundamentally follow your heart. I'm not interested in designing consumer electronics. That would bore the hell out of me. That's the exciting thing about working for yourself, you can do pretty much do you want and you can take the risk if you want to. You can just follow what you're interested in.

Kristine Landon-Smith:

My work is my pleasure, and that's where we are very, very lucky in the arts. At night after I've put the kids to bed and still have work to do, I don't really feel like I'm working. Even if I'm doing administrative work, it's all about how you could produce something. It's growing the thing you love.

Vivien Lovell:

For me there is not a clear definition at all between work and leisure. This is not a job you leave behind at seven in the evening. Because it's creative, you're thinking about it all the time. It doesn't leave you.

Russell Taylor MBE:

You're never off duty because you're always thinking of ideas, often when you're shaving or in the bath and you just have to go and write it down. I work most weekends but I love my work. I wouldn't want to sit and read the Sunday papers all day. I'd rather just do some writing.

Sir George Martin:

I have great admiration for musicians. They've started playing an instrument when they're a kid. After school they go to the conservatoire and work away, and eventually emerge to make their way in the world.

By this time they're very proficient, but they're still not good enough because they've got

to learn repertoire. You can't suddenly join the LSO without knowing all of the major works.

No musician ever works without practising four, five, six hours a day and their take-home pay is not great but they work enormously hard for it. And they do it because they love the music.

Ian Anderson:

There is no division between work and leisure for me. My work has always been in my mind. It's a hobby. It's a goof-off in the sense that I like to pick up an instrument and play it just for fun. Of course I do it for a living, ie getting paid for it most of the time. But you have a relationship with your instrument that is very enjoyably and readily renewed just by the tactile sense of having it in your hands.

You don't necessarily have to turn out a great piece of music when you pick it up. Sometimes it's just tootling on it for a minute or two, just as in a marriage you pass your wife in the hallway and pat her bottom or give her a peck on the cheek. There's a reassuring normality about it, and that's my relationship with instruments. Not just physical, but a spiritual thing.

Kristine Landon-Smith:

People working in the arts are motivated partly for selfish reasons, at least to start off with, because we love what we do. I like it when people come up to us and say, "You told my story, and it's not just that, you've told it well."

Vivien Lovell:

The best compliment I could hear about the work I generated is that it changed the environment in people's lives for the better, through art. That the creativity of artists, in the public realm, working with the community and with the environment, helped create a better place artistically, democratically, socially – I know that's a high ambition, but why not? You've got to have high ambitions if you're in this field. I would like people to say, "Yes, her work made a difference." It's the best one could hope for.

Andy Burgess:

I like the idea that someone will go home and watch a programme that I've been involved with and think, "That was really good; I enjoyed that." You can say television is an educational tool or an industry, but fundamentally it is there to engage people. My best

compliment would be if someone told me they were watching a programme I had made and wanted to make a cup of tea but it was so interesting that they didn't want to miss it.

Lucy Newman Cleeve:

The best compliment I could receive about my work is that it's intriguing, that it gives enjoyment, that it's beautiful. There have been occasions where people saw my work and then wanted to have a conversation with me because of what they saw in the work. That's what I like most, when something you've created and put out into the world makes a connection with somebody.

James Tuthill:

The best compliment I could have from someone is that they really like the chickens and the chicken house. We have a thriving online forum with chatrooms and we've got galleries and we have a newsletter which goes out to thousands of people and we get really good feedback. It's all about the customer liking our products.

Russell Taylor MBE:

As a humorist. it's someone saying, "That really made me laugh." You think, "Yes, other people feel the same way. I'm not alone and what I feel is universal."

The best part is when somebody wants to buy the original artwork, which shows they really like the joke. I did a whole series about working in American investment banks and comparing it to having sold your soul to the devil, and I got so many people working in American investment banks saying, "That is my life – can I buy that cartoon?"

Sometimes, of course, the greatest compliment is that people are shocked or offended by what you do, or annoyed by it. You reflect things, you say what's ridiculous about our society. All humour is really exposing the banality of all human aspirations.

Ian Anderson:

If what you've done, whether it's just a single song or a line of lyrics or the overall effect of work over a long period of time, if you've made a little difference in somebody's life, then that would make me feel most rewarded and most humbled. If somebody articulated it in just that way – "Hey, you made a difference in my life!" – that's a big thing.

Last night I found myself just listening to some music, not because I was having to write

about it or talk about it today but for fun. And what struck me about it was that it had made a difference in my life. Listening to Beethoven's Ninth just make me think, "I'm so glad that he was a musician."

So I can say this about some of my musical heroes: they have made a difference in my life in a way that is profound and fundamental, and sometimes on a very naive level.

So that's what it's all about. It doesn't mean that you've changed the world, but you've just changed a very small part of it for one person, probably for a very small period of time. But that's more than most of us get the opportunity to do.

The freelancing nature of the creative industries

Matt Calais:

In the television industry, over 80% are freelance. We're staff, but that's unusual.

Andy Burgess:

For freelancers, anytime they meet somebody who works in the industry, they need to try to tap into them to find out whether they're somebody they can work with. We're not under that pressure. The major division between a freelancer and a staff employee is that the staff tend to get paid significantly less, but they also have the lovely advantage of going on holiday and having paid leave and all the rest of it. Freelancers tend to get paid significantly more because there is an element of job insecurity: you're only as good as your previous job.

Matt Calais:

It's a fickle industry. So with each new project and challenge there is the fear of this being the undoing of you. And you get typecast in particular types of programmes.

Russell Taylor MBE:

With freelancers, the main problem is constantly chasing up invoices and no one ever pays on time. Also, you're always in a panic about what work is coming, and you can't concentrate on anything and make a plan.

Duncan Kenworthy OBE:

The dividing line between work and leisure time is not very easy if you're freelance. If you work for a company you go home at the end of the day and that's it, the rest of it is your

own time. But when you're freelance, 24 hours a day is available to earn your living. That's true of all the creative industries. If you're serious about trying to be a freelance success, work usually has to come first.

Matt Calais:

In the early stages of production you can work a nine-to-five kind of day, but when filming is taking place and the deadline is getting closer you can end up working any time of day or night, seven days a week. There is a European directive on working hours, but we've signed that away in our contract.

Lucy Newman Cleeve:

I ended up working on a freelance basis by default – I applied for hundreds and hundreds of "proper" jobs and I just couldn't get them. I'd get to the final round of interviews with the BBC or whatever, but nobody would give me a full-time job. So I was forced to work on short-term projects to make things work.

Until you've worked on a freelance basis it can seem quite frightening, because you worry about how you're going to be able to pay the mortgage and bills, and what if you have no work?

Now I'm so pleased because I have much more control over what I do and my career has progressed so much faster by working on a project-by-project basis and moving around. If I had gone to work for one employer, I suspect I would have felt dependent on them for my career to develop. Now I realise that I'm not.

Kristine Landon-Smith:

You get to the age of 40 and that insecurity becomes very, very irritating. You've got to be in for the long haul and know what you're getting yourself into.

I would encourage my sons to go into theatre because they love it, but my boys think it's normal to be in show business. So it's partly growing up with doing something that you know is a possible way of life.

Lucy Newman Cleeve:

After university, all my friends got full-time jobs and came down to London and they were immediately in a very different financial league from mine. That was frustrating because I couldn't afford to go out to dinner or socialise with them. Choosing to focus solely on

fine art felt like resigning myself to the fact I was always going to be on the breadline and never really able to take control of my life, and I didn't want that.

Russell Taylor MBE:

When you're a freelance you've got to work out what you are doing because you love doing it, and what you are doing because you get paid for doing it. Sometimes you can do both. But usually there are a few jobs that you get paid for, and the rest are low-paid hobbies.

Creative expression is the driver of enterprising activity

Lucy Newman Cleeve:

Because I'm underwriting the gallery through my consultancy work, the gallery doesn't need to make money immediately. It's much more important to be showing work that I believe in. And also I know that if I don't believe in the work, I won't be able to promote it convincingly.

I may well put on exhibitions that I don't think will sell, just because I think they'll be interesting exhibitions. The personal rewards are very great and the process of developing an exhibition with an artist whose work I admire also benefits my own creative work enormously. But ultimately these exhibitions will have to be offset against other revenue-generating opportunities, for example, sales of catalogues, hiring out the space, sponsorship etc.

I have a problem when art becomes just a commercial commodity. To me, the art market sometimes feels somewhat artificial.

Vivien Lovell:

There are people who say, "You've been very successful; why not have a larger office?" and the answer to that at this stage of my career is that I prefer to spend time working closely with artists, architects and clients rather than being a manager of a larger team. I prefer running something small and highly effective, rather than a larger enterprise that earns more money but takes me away from my creativity as a curator and producer.

Russell Taylor MBE:

If you have a popular product, like we do, and if we were very cynical businessmen, which we're not, we could resign from the Telegraph tomorrow and set up a protected website

which you had to pay to read, and we would charge everyone 20p a day to read Alex. We'd probably get 20,000 people doing it a day, and I would make £4,000 back. But unfortunately I am not cynical or cocky or arrogant enough to do that, because I like the idea that old ladies read the cartoon and headmistresses in Essex read it, and I even heard of a sheep farmer in Cumbria who reads it.

Duncan Kenworthy OBE:

I'm using a lot of my own money right now to pay for scriptwriters to write for me because I want to keep control of the way the script develops. I don't want an American company to say, "That's fine, but where is the love interest?" or "Let's develop it in this very commercial way." I want to do it in a particular way, so I'm putting in my own money.

Andy Burgess and Matt Calais (dialogue):

If you think Britain is the creative heart of the television world, then yes; if you think it's the commercial heart, definitely not. [AB]

I judge a programme on the quality of the end project, not on whether millions of people watch it. Also you want the respect of your professional peers as well. What they value and how they judge programmes makes a difference to you. [MC]

I disagree with that. I judge how successful the programme has been by the number of people who have watched it. I'd rather have 10 million people watch it and half of them enjoy it than 100,000 watch it and get a BAFTA. I'd rather have a large number of people watching a show and enjoying it than get accolades from chin-strokers. [AB]

I'd rather have 100,000 people watch it and think the rest of the country are fools for not having watched it. [MC]

Kristine Landon-Smith:

Is there a choice to be made between maximising income and putting on what you want? They're not mutually exclusive, but as a producer you absolutely have to have an eye for that. I think we've been very lucky in that we've been able to find projects which sit within our artistic sensibilities that have been very successful. Hand on heart: creativity has led.

Adam Sharp:

When I set out to make a new remake of an old TV show, I wanted to make sure it stood

shoulder to shoulder with the original. My feeling was that if you can produce something of good quality that you like intrinsically, hopefully the commercial success will follow. It's never guaranteed, obviously, but produce something that you're proud of first.

My business partner has worked for a US studio all of her life, and from day one it was a commercial activity for her which needed to be a commercial success. It manifested itself in simple decisions on a day-to-day basis. For instance, before you spend extra time and money on something that you might think is necessary, ask: "Is it worth doing that?"

Russell Taylor MBE:

There are books on how to get into the American cartoon syndicate; but it's much more polarised. The American papers have massive banks of strips and I'm glad not to be in a bank. I don't want to be next to the plucky rabbits cartoon. I'd rather just be something unique.

But obviously the great thing about America is there are no national newspapers. You can get 500 regional newspapers and make £100 a week out of each of them, which is why everyone wants to break America because that's where you get very, very rich.

But when I looked at some websites about it, just out of interest, it just seems a very mercenary business: the approach is that I'm just going to think of a very commercial idea and make it in a very commercial style and get it out on syndicate and just make the money.

I don't think most proper creative people do it for the money. I think they do it because: (a) they don't want to do a proper job; and (b), they love doing it.

Translating creative enterprise into commercial success

James Tuthill:

We're very business-minded. We won't do stuff that's not in our interest but, at the same time, making a good product comes first and the business stuff follows. If you don't have a good product to sell then you don't have a business.

You have to be constantly innovative to have a good business. That's what we're selling: pure innovation. In the creative industries there can't be any sort of stagnation. The problem is: the kind of people who go into creative industries aren't necessarily the same

people who can run a business.

Vivien Lovell:

One has to develop a means of financial risk assessment and an aptitude for creating new business opportunities. You're always looking ahead, having an eye on the existing projects and developing new business opportunities at the same time.

Russell Taylor MBE:

I think the problem with most creative people is they're very bad at business, myself included. I'm getting better now because I've realised that if you have a successful product you get a lot of people hanging around who want to get some for themselves.

We publish and print our own books. We also design our own covers. We've actually turned it into more of a cottage industry because I just like keeping control of things. As soon as you hand over your product to some big, faceless company they don't do a very good job, because they don't care about it. They just want to go home at half past five. And then your author's royalty is 10% of the cover price and everyone else is creaming off 90% of the money.

Lucy Newman Cleeve:

Professional development is important so that people don't get ripped off. Often, artists aren't that professional. The business side of things gets done for them rather than them doing it themselves.

Kristine Landon-Smith:

On the business side, I think we all just go and find individuals who we feel might have some expertise in a particular area that we're struggling with and we get advice.

David Sproxton CBE:

Are creative people hostile to the commercialisation of their work? I'm not sure that it's hostility as much as ignorance or fear of being "controlled". Once people trust their business collaborators and see them as allies in helping get their work seen, the attitude changes considerably.

Russell Taylor MBE:

Artists must have agents, because artists are very, very bad at going in and saying, "I think you should be paying me £200,000 a year." You're more likely to say, "Just give me a fiver

now." That's why we have agents, who don't have the emotional attachment and are able to ask for ridiculous amounts of money, and get told no and haggle and get somewhere in between.

Sir George Martin:

For musicians, it's about being a good creator in the first place. It's asking an awful lot of them to be a great accountant and a great businessman and a great entrepreneur as well as being a great writer of songs. One or two people aren't bad at it. Andrew Lloyd Webber is pretty good, but to expect people to do all those multi-roles is asking too much. You've got to have good people working together.

David Sproxton CBE:

Often it's a case of the creatives simply not wanting to be bothered with the business side (tax, accounts, marketing – who wants to do all this stuff!) but are willing to let someone more experienced take care of it with their interests at heart. It's a beneficial producer/director relationship.

James Tuthill:

We employ 13 people. They do the things that we're not particularly good at. But at the same time it takes so much effort: training, giving people the tools to do their job and getting the right people on board. We're taking a lot longer to design stuff than we used to because of all the bureaucracy of running a business.

David Sproxton CBE:

Also it may be that at college these areas aren't covered, so the links with students doing business studies are not made.

Vivien Lovell:

With the exception of a year's postgraduate study in arts administration, I don't have any formal training in financial management. I developed those skills myself.

In my previous job, the board of trustees included one of Birmingham's top accountants. I hadn't done a client cash flow chart before and he guided me through the procedure. It's a question of ensuring you have the right advice but understand the system yourself.

Kristine Landon-Smith:

Because I've learned on the job, there are certain areas where I actually feel that I'm not

up to speed.

Cutting-edge business techniques and advancing technology is not something that the theatre industry is leading in, and I think the theatre industry would benefit enormously from perhaps a different skills mix. Often you are drawing from the very small pool of people who have grown their own careers in the theatre industry.

Our most recent appointment has come from Universal Pictures, and the skills that she's brought to this organisation are the sorts we didn't have before, because she's come from a very commercial environment. In future when we recruit we'll again be looking much further and wider and trying to recruit outside just the theatre pages.

James Tuthill:

Business plans, applications for funding – all those things that force you to be rigorous are good, because we're not rigorous. All of us are dyslexic in the company. None of us are particularly good at maths or interested, so to be forced into producing a document which is rigorous is really important.

Some creative people aren't disciplined enough to stick with what they've got. They're always looking for new things. I think the danger with creative people setting up businesses is they don't have the discipline to actually stick with it until they have sold it and got value out of it.

Part II

Understanding creative enterprises

Understanding creative enterprises

The EMI Story

By Eric Nicoli CBE, Chairman of EMI Group

The British music industry is an important constituent of the creative sector and is vibrant, exciting and flourishing. The latest data on the creative economy in the UK shows that the music industry contributes £6 billion of gross added value, excluding its export value, which stands at £1.3 billion, according to government website UK Trade & Investment. In the past 12 months, artists such as Coldplay, Gorillaz, Robbie Williams, KT Tunstall, Arctic Monkeys and James Blunt have ensured that British music is creatively and commercially at an international high.

As well as being culturally and socially important, music is making a significant economic impact as a serious business. It is not by coincidence that Britons buy more music per capita than is bought in any other country in the world. And it is not by accident that the UK is second only to the United States as a source of international repertoire. As a nation, Britain has produced many of the world's biggest-selling artists of all time, including the Beatles, Pink Floyd, the Rolling Stones, Queen, Radiohead, Norah Jones, Robbie Williams and now Coldplay. Music is now central to the provision of close to 100,000 jobs in the UK and our workforce is creative, flexible and highly skilled.

The impressive and sustained success enjoyed by the industry is a result of an on-going, collective commitment to building and maintaining creative excellence, underpinned by consistently high levels of investment and a progressive, outward-looking business approach.

Testament to the resilience and dynamism of the British music industry is the fact that we were the only major market outside the US to weather six years of devastating mass online piracy in which global recorded music sales declined by more than 20%.

This British success story been a result of the fundamental self-transformation that music companies, such as EMI, have undertaken to ensure we meet the ever-changing needs of consumers and artists and seize the new opportunities of the digital revolution.

The music industry was one of the first content sectors to harness the power of the internet and turn it into a viable business model in a medium in which creators could prosper. With

an overriding commitment to innovation, investment in artists and infrastructure and an ability to market our music all over the world, we have remodelled ourselves to ensure that we can continue to help aspiring musicians make a living from their unique musical talent and perhaps become global superstars.

I work for a company that has been investing in talent for more than 100 years, a company that nurtured Lennon and McCartney from the beginning of their recording careers, and continues to discover and promote ground-breaking artists and songwriters to this day.

Record companies and music-publishing companies have A&R (artists and repertoire) – or in other words, research and development (R&D) – at their core, enabling them to develop long-term career musicians and songwriters who will enjoy sustained success. The music industry reinvests more than 13% of its turnover in A&R – a greater proportion spent on R&D than in many other industries. EMI's reinvestment in global new music and musicians stands at more than 20% of our revenue.

It is that principle that saw us discover the talented James Blunt in the ranks of the British Army long before he had a recording contract, and which also helped Coldplay move, in just seven years, from tiny rehearsal rooms at London's University College to become the world's best-selling band.

But music – along with the rest of the UK's creative industries – still faces clear challenges. Aside from piracy, music faces growing competition for consumers' time and interest in an increasingly global market. As an industry, it is important that we look ahead today and invest in developing the right tools and capabilities we need for the future. Just as we invest heavily in technology, infrastructure and developing our artists and their music, we also know it is vital to invest in our people.

Our industry is blessed with a pool of immensely talented people. Apart from our artists and songwriters, whose creative endeavours make everything possible, we have executives who spot and nurture creative talent and combine that artistic appreciation with highly developed business acumen.

Like music companies, government must continue to help nurture talent. More must be done to stimulate creativity in schools, and that means pushing music education up the priority list in our schools. Music is something which we know especially inspires young

people – yet where is it on the curriculum? We must also place greater emphasis on the skills at the core of what creative companies do and devise the right capabilities and training to keep us fit for the future. It is our people who drive this sector, and only by investing in their development can we ensure Britain remains a key global creative force.

Music and the creative industries are a critical component of Britain's DNA and its future prosperity. The creative industries – which include music, film, design, publishing, games, fashion and advertising – employ around 2 million people, are growing twice as fast as the rest of the economy and collectively account for around nearly 10% of GDP. It is well established that in today's global knowledge-driven economy, creativity and ideas are the new precious raw materials. Copyright is vital to all of this – copyright is the economic driver of creativity and creates the value behind intellectual property.

But how do we all – the industry and government together – collectively capitalise on this creative renaissance and make the most of this economic and cultural explosion to ensure that the UK retains its competitive edge globally?

The creative industries are dependent on their copyrights being respected and not stolen. The battle against piracy and other forms of copyright theft is on-going and must not be diminished. The music industry may have begun to contain piracy through Herculean efforts, but we will never eradicate it. According to the British Phonographic Industry, the British record industry's trade association, the UK music industry lost over £1 billion in piracy over the last three years alone. Other creative sectors such as film are also locked in their own piracy nightmares. We need a robust intellectual property framework, with tough enforcement, and we need help with educating consumers and young people to respect copyright.

We need a business climate that supports and rewards the high level of investment – and risk – required to discover, nurture and promote talent and to develop capabilities in a fast-moving, technology-driven environment.

Successful British creative companies such as EMI have never asked for hand-outs from government. Now we only ask for a better understanding of what we do and a more focused and co-ordinated approach from government. This alone will help lead to better and more coherent policy making in some vital areas.

The UK has emerged as a world leader in most of the creative industries, but these sectors

are highly mobile and many developed and emerging economies are adopting strategies to attract creators. The key to the UK's on-going success as a creative hub will be tough intellectual property laws and attractive business conditions.

A dedicated UK intellectual property office would help improve the environment for creators and creative businesses. Regular statistics on the gross value added, exports, growth and employment in the creative industries, together with the broad value of the sector to the wider economy, would help policy makers gain a better understanding and also help them assess fiscal policy to ensure that the UK retains competitiveness in the creative sector. Introducing copyright and creativity throughout the school curriculum is also the best way to teach children about the value of creativity and to show them that it is possible to make a living out of their creative endeavours.

I would hope that this would be an easy give for the government and policy makers. After all, the creative industries are getting it right and delivering economic results and jobs on a local level all over the country, from Cornwall to Gateshead to Glasgow. And in an increasingly knowledge-driven global economy, the UK will become more dependent on the creative industries as a driver of economic prosperity.

The assets of the creative industries

David Sproxton CBE:

Intellectual property (IP) is our business in the long run, and we fight to retain rights and have the options to exploit those rights. We are really a character-creating company, producing work to expose the characters to the public and then generating products around those characters to generate income. Making TV shows in itself creates very little profit but the longer-term income can be quite great if we get it right, but the payback period is often several years. So the valuable commodity is the character IP that generates medium- and long-term income but which needs refreshing and changing constantly.

Adam Sharp:

One of the businesses that we've got is a small music-publishing company. We go around looking at people who are talented, who we think are going to write songs or do well in film and TV. People don't realise that no matter what the talent or the hype or the marketing, the only assets that are being created are copyright, in the commercial sense. The only link between an ordinary business that has a factory producing goods and the

music business is that the asset is the copyright, and I don't think many people who come into the business know that is where the value is. You have to be very astute as to whom you let manage those copyrights and how you look after those copyrights for a long period of time.

Vivien Lovell:

Intellectual property and copyright are very closely interconnected; at Modus Operandi our model contracts ensure that the artist's copyright and moral rights are fully protected. Very occasionally we have a client who wants to retain copyright, but we have so far been successful in ensuring that this does not happen. Under EU law, artists retain copyright, but in theory they can waive this in favour of the client keeping it.

We find our own intellectual property as art consultants needs more protection. Some clients, like the BBC for example, in the fine print of their contracts you'll find that anything you write for them and anything you develop for them is their copyright, which is rather galling. IP is an area that needs much more protection for creative industries and I'm very pleased that's being researched at the moment.

Matt Calais:

Your intellectual property is your idea that you want some kind of ownership over, in order to be credited with that idea but also to earn from that idea. We sign in our contract that the ideas we have belong to the company and that we will not take ideas elsewhere.

Kristine Landon-Smith:

The way that you turn a piece of text into what people want to see is not under protection. If somebody came and saw something I did and then just copied my production, I guess they could. At the moment there is nothing in place where you can copyright your interpretation, or not that I know of. We've certainly never done it.

Russell Taylor MBE:

I would say most artists are very unaware of copyright and trademarks because they're not businesspeople. We've never actually registered anything as a trademark or copyright. But we own the intellectual property of Alex as far as we're concerned. Keeping ownership of your intellectual property is very important.

Sir George Martin:

There's been a lot of controversy about copyright recently. Some people don't understand it. They think, "Why can't I download his song for free?" or "Why should he keep the rights to that song for 50 years? Isn't 25 years enough? He's being greedy."

The need for maintaining the copyright in the way it has been done is because it's a means of financing new talent. If you're a record publisher, then you have to spend a lot of money on developing artists.

For example, if you are a current singer like Norah Jones, and I spot you and I think you're fantastic, then in order to promote you it's no good just taking you into a recording studio and recording a couple of tracks and giving them to the local disc jockey. It doesn't work like that any more, because if you're any good then a lot of other people are going to come chasing after you too, so you've got to make a commitment, and the least commitment you will make is to make an album. Now, to make an album and spend time in a recording studio is going to cost a lot of money.

Most groups need rehearsal room time. They've got to have good equipment. And it will take time because the kind of groups we're talking about don't come to the studio with a finished work. They create in the studio. They have an idea and they start developing it in a studio. The studio is their workshop, so they will take as long as a year to make an album.

I'm not sure that most young musicians understand copyright, and I think it would be a good idea to promote the awareness of that. For a start, they must see both sides of the case. They must see that publishers need to have rights because if they don't, they don't have any money to develop the artist. On the other hand, the artist must be careful not to give away everything that he owns by signing a bit of paper that he doesn't understand.

Kristine Landon-Smith:

In theatre, a text gets commissioned, but the writer owns the copyright on the work.

We then take out a licence on that work, so even if I'm the writer, my company is going to take out a licence on the work that I write. That licence belongs to the company so the company is protected for the time they take out the licence, and it can be renewed. After a certain period of time that licence, the copyright, reverts back to the writer, so then once

we no longer require that piece of work the writer then has that and is free to take it elsewhere.

They are always quite complicated negotiations and it's not cut and dried; you're always talking about figures, how much you can buy for how many months, for what amount of money, can you have a first call on film rights, etc. But that is probably how it should be: it's just business as usual.

James Tuthill:

We looked into patents but they were so expensive to upkeep, because you've got your lawyers' costs. How do you find a good lawyer and why would you trust someone to write up your idea for you?

It doesn't cost very much to register a design. It's not an invention but it looks unique to you and that may be all you've got. We registered the design of a pet house that looks a particular way. Then we trademarked our logos because we spent ages drawing them.

Design registration is quite a loose thing. It can protect you if other people copy you exactly. But if you try to sell your design registration to someone and they say, "No, not interested," you've already shown them the product. They can make a similar product if they make a few small changes.

Duncan Kenworthy OBE:

In our industry, you put an encapsulation of your idea into words and that is called a treatment. That's the way in which you mark it down as yours, and it's yours by virtue of the fact that you've written it down.

A producer has a contract with the original owner of the treatment. You then have a contract with the writer of the script. The script is copyrighted and as a producer you have to buy the control of it, even if you don't buy all the rights.

But I know from lawsuits for every successful film I've made, somebody else always claims to have created the idea. You have to keep very good records of when you came up with certain ideas and drafts of the script.

The government has acknowledged that they want to build this market for secondary rights, which is extraordinary and smart. Suddenly people can own part of their creative

output. It's not really been possible up to now.

David Sproxton CBE:

Have we accidentally ever used music or images or words without getting the right clearance first? Yes, and it cost us a lot! We thought a music clip was in the public domain and it wasn't. It would have been cheap to clear at the time. Years later it became pretty expensive. A mistake we will not repeat!

Kristine Landon-Smith:

You've got to be so careful about copyright. You often find out what you can and can't do the hard way. What happened recently is that we used a silhouette of a photograph that we found in a magazine. It wasn't the photograph that you'd see in the magazine, it was silhouetted, but it was such a distinctive image that in fact the photographer saw it at some point and rang us up and said, "That is my photo." We retrospectively had to pay copyright on it.

Andy Burgess:

We're made very aware right from the very beginning that we have to get a particular music track cleared for use before we include it. If there is a screen in the background that happens to have a Playstation game playing, we have to make sure that that's been cleared. Clearing rights is part of the structure and the culture of television.

Matt Calais:

We have a whole music rights department that will tell us what songs we can and can't use. There are different kinds of rights to music, and some individual musicians hold very tight controls over their own publishing, whereas other musicians will license their music to be used everywhere.

Andy Burgess:

Every time we make a programme I always think to myself, "I'd really like to use a Morrissey track here." But certain musicians, quite rightly so, don't want their beautifully crafted song to be used on an advert for soap.

There have been occasions when we have wanted to use a clip from a film in a television programme but have been told we can't afford to use that clip, and yes, that's disappointing. It tends to happen especially with big Hollywood-funded films.

But if I owned the rights to a programme and a portion was used by a company in America as part of their production, I would expect to be paid for it, absolutely. Everyone needs to earn a living of some sort.

David Sproxton CBE:

Having your IP infringed upon happens in the merchandising arena a fair amount. There is a mechanism to deal with it, although the pirate issue is still a big one. Within the European context it's a matter of education alongside the policing aspects. The Asian context is much harder to deal with, as there are different perceptions to what ownership means. In terms of film ideas it's rare that ideas get stolen, although there is a lot of parallel thinking that goes on.

Ian Anderson:

We're living in a very uneasy time. The obvious level of piracy and illegal downloading has been temporarily arrested, but I think we're going to see it get substantially worse again in the future. Particularly when recorded copyright expires and more material is in the public domain, there will be an increase in the fly-by-night operators who won't bother paying mechanical copyrights either. They're the sort of little operators who come and go and take a chance on getting away with it.

James Tuthill:

People have started to copy our branding and our style. But we have a holistic approach to our brand, and they can copy little pieces of it but they can't copy all of it. We talk about chickens in a way that no one else talks about chickens. We talk like they're pets. We make a point of not using the word "poultry" because it sounds so agricultural. So people have started to use the term "pet chickens" now.

It's good to have other people copy us, because it's hard to sell something that people don't understand. It's much easier to sell something which people are familiar with. But I wouldn't want anyone to develop a plastic chicken house, or anything that looked like our stuff.

Copying generally is a sign of weakness rather than strength. If you're copying other people or you're following somebody else's lead, then you're not the best at what you're doing so you shouldn't be doing it.

Jude Kelly OBE:

There is such a strong need for other organisations and institutions to make an impression and show that they're good. I've been in situations where I've told somebody about an idea and then they've suddenly launched it. It is frustrating but in my experience it makes you guarded against that person rather than guarded against the idea of sharing ideas.

It would be different if what was copied was a creation that could ensure your future livelihood. So there's a difference between having the patent or copyright taken away, as opposed to having a creative idea taken away. Perhaps you'd feel more strongly if it was your livelihood that was being pinched.

Risky business? Innovation and risk in the UK's creative industries

Andy Burgess and Matt Calais (dialogue):

In terms of what's accessible to somebody who just has an aerial up on the roof of their house, the British television industry is more innovative, more risk-taking, more distinctive and more aligned to the national culture than pretty much any other. [AB]

I've always been an avid TV watcher. Television programmes in other countries seem cheaper, less considered, less crafted. I remember watching TV in hotel rooms in Italy, France, Spain and America, and thinking they were pretty cheap-looking in terms of production values and also in terms of tone and intelligence. [MC]

The British TV culture has evolved over decades and one of the most important driving factors within that is innovation, standing out from the crowd. It nurtures innovators and mavericks, which is important. The other thing is that we are able to produce incredibly well-crafted, beautiful productions with good actors, good lighting, good technicians, and that's why half of Hollywood is filled with technicians from Britain who have basically learned their trade in this country.

You have the BBC as well, which is important because they're able to make programming without commercial pressure; which means they're often the lion standard, they're the flag-bearers, as it were, for innovative television. It does raise the game, but ITV was and remains very innovative as well.

There are lots of good, creative people working in the television industry here and we're able to do incredibly high-brow television but we're also able to do incredibly populist

television. One of the most successful, commercial TV programmes in America now is American Idol, which is a format designed, created and tested in Britain, and the creative staff who work on that programme in America are pretty much entirely British. I would say that most people within the American TV industry would look at Britain and say that's where the ideas are coming from.

It is exciting to work in a successful industry that people take notice of and that people are interested in. Increasingly, the measure of success with the TV industry is how well our formats sell abroad. [AB]

But despite that, everyone working in British television thinks that it's too conservative and not risk-taking enough. [MC]

Well, maybe that's the case. [AB]

Sir George Martin:

The production of music isn't a production line of motor cars and bicycles.

In the early days at EMI, I was lumbered with doing PR and had to give lectures on how we made records and that kind of thing. When the whole of the EMI top brass came to visit the studio at Abbey Road, headed by the chairman of the company and all the main board directors, I was the person who had to show them around.

I showed them what we did in each studio and one of the chaps buttonholed me and said, "Look, Mr Martin, I've been looking at our figures for last year and I want you to answer this question: Last year we issued 660 singles." "Yes," I said. And he said, "Of course, only 25 made it into the top 10." I said, "Yes, that's probably right." He said, "Why did you make the other 635?" Honest, God's truth, that's what he said to me. I thought, "You berk!"

You can't just sort of churn out talent and expect each one to sell the same, because everything is different. All you can do is to help to have a high success rate.

Duncan Kenworthy OBE:

The US studios are really distribution networks, and if they didn't have to make films to feed the networks they wouldn't, because making films is risky. So whenever they do make films they try and make them in a formulaic way to reduce the chances that they might fail. They make them like things that have gone before. It's much easier to finance

Ice Age 2 than Stone Age 1, because everyone has heard of Ice Age and people who liked it will probably go and see the second one. Something new is always much, much harder to market.

We're much less willing to fit into commercial expectations in the UK. No one ever asked us to make a sequel to Four Weddings and a Funeral, but if they had, we'd have said no.

David Sproxton CBE:

In our sector the biggest risks would have to be animated feature films where the budgets get large and the risk that the audience may not take to the film is high. Despite test screenings being used in the feature industry, a number of external factors can cripple the chances of success for a project.

The feature side of the business is probably rather like car manufacturing, where the lead time is long and the prototype-to-production cycle expensive. Feature films are in effect prototypes, and while a market can be generated by good marketing and PR there is no guarantee that the product, when eventually brought to market, will fit the market needs, which may have moved on since the concept was born.

Personally, I think there are lessons to be learned from the manufacturing industry in terms of how to bring a new product to market and how to raise awareness in the public.

Having said that, films are ephemeral in terms of their presence in the marketplace – they have a release window and that is often not taken advantage of by the public; whereas a new product – the iPod for example – stays in the market for a very long time, and word of mouth builds sales from what may be a slow start.

Also, people may wait until the second generation of product comes out, knowing it will be better and cheaper than the first, whereas with film people rarely go to see a sequel if they haven't seen the first film.

Exhibition arrangements do not allow films to build an audience slowly these days. If it doesn't make a mark in the first couple of weeks, the film will have lost its market. There are few other industries where this do-or-die aspect is so strong, especially outside the creative sector.

In terms of investment, we don't have enough big players who can afford to take the risks that are taken in the US to achieve the big successes.

Duncan Kenworthy OBE:

I don't have any way of backing this up, but the feeling in America when I first started out was that there were so many more opportunities because of an American perspective of risk.

Jim [Henson] took a chance on me that nobody in the UK would have done. He said, "If you want more creative involvement, let's do it. Let's make a new TV series." So I helped create the series called Fraggle Rock.

He was just incredibly smart about giving people opportunities. Instead of saying, "This is the way it's got to be," he just gave opportunities to people. He was such a fantastic boss in that way. I'd never come across that kind of mindset before.

Russell Taylor MBE:

We wrote a film script once for Channel 4 and it put me off the process forever, because there were just too many scared people terrified of losing their jobs if they blow it because films require such big budgets.

Too many people are too scared. They all compromise, they all cover their arses, and whatever idea or vision the writer had in the first place gets completely lost in a sea of arse-covering compromises and trying to make it look like other things.

Duncan Kenworthy OBE:

Sometimes you need to take huge creative chances and risks, and leap into the unknown. But I've also learned the reverse, which is that you need to establish some success before you take the big risks, don't think that the world owes you anything and don't bite off more than you can chew. They are competing lessons, both of which are true at different times.

David Sproxton CBE:

A key issue for many young creative types is to think that just because you think the idea is great so will everyone else, and then proceed to develop it or produce it without checking that what you are making is what is wanted.

We have a very simple system of assessing the financial risk. The process of development is a series of clear stages and finance can be put against each stage. Each stage costs more money than the previous one, so unless we are sure that the project is viable we won't progress it. That way risk can be contained.

How do you measure productivity in the creative industries?

Vivien Lovell:

After seven years of Modus Operandi's existence, I recently checked through the ratio of our running costs against the amount of expenditure on art we've generated on the part of the clients, and it's something like 1:20. So for every £1,000 we spend on management we generate £20,000 on art expenditure, which I think is pretty good. Public art commissioning is a highly effective industry with passionate people behind it.

James Tuthill:

It took us nine months to move the project from a student project all the way to the customer, which is pretty rapid. We have a philosophy, which is: work on the business, not in the business. Half of the business is designing all the systems. How do you design a nice envelope so it doesn't take one of us to stick a label on it? How do you design a website so people don't call you up, because they can find frequently asked questions or they can talk to one another about it? We try to add value.

Andy Burgess:

It's a very tight ship. Nobody involved in the process of making a television programme is superfluous, and as a producer/director you would expect everybody involved – whether on the production side or on the support side, from the runner to the very top – to have some kind of creative input.

David Sproxton CBE:

It's difficult to determine what productivity means in this sector, unlike a law firm where you can see whether the annual billings compare favourably between lawyers. Is Nick Park productive enough? He's generated a great deal of wealth for the company and the nation over the years, but could you measure this on a £/hr basis? Probably not.

We do look at turnover and profitability for our TV commercials directors but it doesn't necessarily mean we'll fire someone if they are not deemed to be profitable; it doesn't really work like that. In the TV and film arena it certainly doesn't work like that, because

at the time of creating an idea which seems good, you have no idea how profitable it is going to be – it may take years to pay back.

We can measure output in terms of minutes of animation produced, but you could make big losses if that were too big a factor. Managing to sell programmes and complete shows on budget is a good measure. Profit lines will rise and fall over the years, but annual turnover gives a good measure if the bottom line can be kept in the black regardless of the size of the number.

The question is really: how do you get creative people to be more successful? And that is less about productivity per se than having the right environment, the right market intelligence and the right approach to marketing.

There are things you can do about production efficiency, but these tend to be self-governing given budgets and time. What we in the UK haven't been able to do is "industrialise" the creative process for greater success.

The Simpsons started out as inserts into a comedy show and grew into a successful series. But they eventually had 24 writers on the show to create the bulk needed to sell the show massively internationally and create a huge audience for it, which generated massive profits.

We in the UK don't seem to have the ability to do that. We don't link our creative minds closely enough to the marketplace, nor are we great at marketing.

James Tuthill:

Americans are very ambitious. They reward success a lot better than they do over here. They like hanging around successful people. They don't perceive it as social climbing. They see it as networking that's very good for everybody. So they'll tell you, "Hey, I know a guy who can help you out with this." They put together a network really quickly, whereas in the UK they're always slightly suspicious.

So, for example, we went along to our chicken supplier in America and asked him, "What can we buy these for?" and he said, "Well, look, I buy them at this rate, and I need to make at least two dollars to make money, so if I charge you that rate, then that's okay," and that's how it is.

You can ring up any company in America and you can ask them a question like "Where does most of your business come from?" and they will tell you, because they think you're going to find out anyway.

In the UK, people play their cards very close to their chest. I have no idea how much it costs anybody in the UK to make anything, and you have to constantly hammer everybody to get your price down.

Ian Anderson:

There are ways in which the music industry in the UK at certain times is a little different in the UK to how it was in the USA. People like Terry Ellis and Chris Wright with Chrysalis, Chris Blackwell from Island Records, Tony Stratton Smith and Richard Branson with Virgin – they gave the impression of being music fans who came to the music industry without any real experience and flew in the face of all the conventions and the traditional hard-bitten old-fashioned kind of musical impresario.

This new breed who came around in the late 1960s and early 1970s were a different sort of folk. They were keen enthusiasts who just flew by the seat of their pants, and for a short period of time many of them prospered and built pretty big companies and were very much part of building a very creative British music industry.

Most of them aren't around today running their companies. They've sold their companies to the very people they flew in the face of. Most of the other little boutique companies have been gobbled up by the majors.

It's nice to see those little blips in which trends can be bucked, and it produces some very exciting, tangible results for a while, but looking at the bigger picture I have to say I don't see a major difference between the culture or business practices in the British and American music industries.

Local appeal, global reach?

Sir George Martin:

Music is such an international market now. EMI is no longer just in Britain, EMI is in America and they're talking about merging with Warners. There are only really about four major record companies around and they have their satellites all over the world. It's very difficult to compete against these people. It's like tackling General Motors or Ford.

Duncan Kenworthy OBE:

Internationally, the market for movies outside America is growing all the time. So whereas 10 years ago for the US studios the world was divided into 60% America, 40% the rest of the world, now that's reversed – 40% of the grosses come from America and 60% from the rest of the world.

The Americans have looked around the world and they've realised how important it is to them, so they notice us here. We speak English so it's a good foothold for moving elsewhere, but if they see opportunity they move into it quickly. Suddenly it's the American studios that are in Shanghai and Beijing making movies, it's the American studios that are announcing co-productions with Bollywood. Why is it not the UK that's doing that? We've got a big Asian community here, and we're halfway through signing a co-production treaty.

It's probably to do with the infrastructure. The American studios have got critical mass. And if you're Paramount or Warner Brothers or Universal contacting a Bollywood studio, you don't have to describe the relationship. They can see it already. If you're a little UK company it's a different prospect.

But it may well also be that we're not big enough thinkers. We're a bit too parochial and pedestrian.

David Sproxton CBE:

Generally, I don't think many of the players in the creative industries think on a global scale – pop music may be an exception – and perhaps we like our independence too much to see the advantages of being part of a bigger concern which can offer leverage, weight and experience. We all want success, but don't want to engage in some of the activities that enable it.

Duncan Kenworthy OBE:

What the Americans have, which is very hard to replicate, is critical mass. I don't know how you can engineer it, but I absolutely know that the ability to make a project real in Los Angeles is much greater because everybody is sitting there in Los Angeles. The studios and the agents and the producers and the lawyers and the middle-men – they're all talking to each other and they all know each other. They all know who to risk believing when they say they can do something.

David Sproxtton CBE:

We have critical mass in some areas – TV commercials, for example – where geographically it tends to be very concentrated. The US media industry is massive. Aerospace is higher in the league table in terms of exports, but not by much, so it is regarded as a key part of the US economy. This isn't the case in the UK, so there isn't the infrastructure in place to support it at that level. It's still regarded as a "lifestyle" sector with most companies being small and producing well-crafted but small-volume work.

Duncan Kenworthy OBE:

Generally speaking, in the UK we've been more interested in films as an art than as an industry. Many of the people that come into the industry come into it because they want artistic enjoyment. And of course the European art cinema as well has had more influence on us.

The States has a get-rich-quick industry. There are more people who see the industry as something essentially there to please an audience, and if you please the audience you make money.

The American industry has grown up from that point of view, and it colours everything that they do, whereas here the film industry has grown up a different way. That's a very cut and dried way of describing the differences, but I think we're now becoming much more like the Americans.

Russell Taylor MBE:

In America you have to work three months in advance, do a set number of frames, and fit it into a format. They judge a cartoon on what shape it is. It has to fit into that bank of cartoons they have in the papers, so we'd get rejected on wrong shape, which seems absurd. It's like saying, "All right, Mr Da Vinci, we love that Mona Lisa but it's the wrong shape for a painting; we want it a bit longer, please."

Sir George Martin:

Everything is much more commercial in America. Technically our television is much better, but the audience is different. They take our successful shows and make their own versions of them.

Andy Burgess:

British television is unashamedly parochial. British television predominantly makes

television for the British market. It's the same in America as well, but I think American television probably has more of a mass appeal in the global market. They're making TV for 280 million people. If you're watching daytime TV in Australia you're predominantly watching American sitcoms; you won't be watching British sitcoms.

The writers of The Royle Family, which is probably one of the best British sitcoms, didn't sit down and think, "How can we make this universally appealing?" They thought, "How can we make this funny?" They didn't think, "This will be funny to the British audience but it won't be funny to anybody else." They just thought, "We're making it for a British audience, so therefore if they find it funny then that's good."

Sir George Martin:

The curious thing is a lot of our old stuff is enormously popular there. In the Mirage Hotel late at night, the only thing I found worth watching was Benny Hill.

Duncan Kenworthy OBE:

Our biggest creative success in the UK has probably been television, and a lot of people who work in movies now started in television.

David Sproxton CBE:

There is nothing wrong with being British or arty if you understand the market you are trying to reach. Many overseas territories love Britishness, but it may need to be tempered a little to translate well into their perception of Britishness.

There are fundamental differences between US and UK, for example in sense of humour, and if these are not understood shows won't translate.

Russell Taylor MBE:

Our jokes are syndicated to other newspapers around the world, mainly in English-speaking countries, but not in America because they don't understand the jokes. It's never going to be Peanuts or Garfield.

Alex has never sold in America. I'm told by Americans it's too long for them. They don't get it, it's too ironic and it's too British. I would love it if Americans read my stuff, but I do know it espouses quite a British sensibility. Maybe it just needs a lot of marketing to sell it.

I think Britain is a very good place to write humour. British comedy sells pretty well abroad. Monty Python didn't sell in America for years, and then suddenly it became huge. Maybe Alex will go the same way.

David Sproxton CBE:

We can make great work which will travel, but it may need smarter marketing than the home country or the overseas country may realise.

The worst thing would be to try to beat every country at its own game: we shouldn't aim to make US-type shows; they'll fail. We should aim to make British shows which will work in the US. We should stick to what we do best and amend where necessary to suit local tastes without destroying the concept. Again, nothing is wrong with being arty if you understand the limitations to its appeal.

Ian Anderson:

We owe so much to America in terms of the incredible influence that came with jazz and blues and early rock 'n' roll. Half of Britain's music is strongly American-influenced. But it doesn't mean we have to be slavish about it and try to imitate it or, God help us, export it back to America.

You get generations of wide-eyed innocents going out there: they sing with American accents – why? They do it because they think that's what you have to do. So they all imitate each other and you just get another generation of MTV wannabes doing the same thing.

Americans are very good at spotting phoney and there have been an awful lot of people who have not made it in America, for all the Led Zeppelin or even Herman's Hermits. I think in more recent years a substantial part of British pop music has been less afraid to nail its colours to the wall and say, "We're from where we're from."

Duncan Kenworthy OBE:

Four Weddings showed that you didn't have to make a huge American film to have worldwide success. All you had to do was have a good script with good actors and quite a modest budget and you could have big rewards.

You don't have to pretend to be American. You can just write a movie about little things like weddings and funerals. As an industry we've always been in the shadow of the US,

casting around to try and find ways of replicating America's success. Often the lesson was taken to be: let's make films that feel American, that are about things Americans know about that we don't know about, like gangsters. Then Four Weddings came along and its success – critical and financial – was quite motivating for people here.

We've often been accused of casting Andie MacDowell to make a film that somehow isn't British and has a knowing eye on America. That's just not true. Richard Curtis [the writer of Four Weddings] had written a film that was about a foreigner coming into English culture and using that as a focus for saying something about emotional honesty, and how English "charm" often depends on not saying what you really feel. We thought about casting a French woman in that role. It just needed to be a foreigner, someone who didn't know the rules.

Frankly, we had no idea whether it was going to be a success. Consciously we said, "It's hard enough to make a film for your own audience, let alone for somebody else's. Let's just try and make something that makes us laugh, that works for us."

A new age is dawning: the impact of new technology

Russell Taylor MBE:

Technology is fantastic. Email has obviously changed the world completely and is one of the greatest inventions since the wheel and fire and dance. Writers are much fatter these days because they don't have to move at all.

We put our email address on the cartoon strip, which is fantastic. In the old days if someone in Australia wanted to run Alex they had to actually phone up the Telegraph switchboard in England and speak to five different people before they got routed to us. Now they can just send an email saying, "Can I use this cartoon in my newsletter/in my presentation/in my birthday card?" and you just say yes.

Kristine Landon-Smith:

We're doing a lot of internet marketing, which we never did before. It's a very quick and efficient way. Marketing plays a big part. One of our last shows was called The Trouble with Asian Men. That title in itself, which was a marketing tool, went a long way to getting an audience before we opened. But the work must stand up. You can have all the marketing in the world but if you've got a shit show and word gets around then you will lose your audience.

James Tuthill:

The internet is most helpful for us because that's our main marketing tool. We make little videos about keeping a chicken and put them on our website. It might only be viewed a thousand times, but it would cost so much money to send that out to everyone in the post. We're starting to do podcasts now. We're going to do a chicken radio station.

Lucy Newman Cleeve:

The nature of art and what art is is constantly changing and the sort of work that's being made is being changed by technology. It provides new media and subject matter for artists to work with and enables faster communication, which means that validation can happen faster and it also opens up networking opportunities for artists.

I know there are artists who make a living selling work on eBay and there are galleries who are making podcasts of artists' talks available. Artists can create their own websites and put their work online and upload information about themselves, so they can promote themselves more easily and frame the critical context in which they want to be seen. But art does still need to be experienced. Technology hasn't changed the distribution of art in the same way it has changed music.

Duncan Kenworthy OBE:

We are on the verge of an industrial revolution which is all about distribution.

Our industry is structured in a particular way because of the means of distributing films to the consumer. A film is financed based upon an old method of distribution which has been about "windows", so it is distributed in the theatrical window first, then on DVD, then on pay TV, then on free TV and so on. Each window generates revenue.

That's all going to change. We are contemplating a time not very far off when consumers will be able to get everything they want to see when they want to see it, where they want to see it, at the click of a mouse. If those windows all collapse and everyone gets a film at home at the same time as everyone else, a lot of the revenue will disappear. We'll end up having to create new types of window, or new ways of generating revenue.

So you might say, "Okay, you can have this film online a month before everyone else but you have to pay £100 for it," so you create value that way. Or you go to a model which says it doesn't matter when the audience sees it, as long as the audience is ultimately big enough; with digital you can spend the next x number of years recouping the money. The

film costs \$100 million and you come up with 100 million viewers paying a dollar each over a longer period of time. So you go straight from the maker to the consumer, and let people sit there in digital heaven and download when they want.

In 2005, apparently, around £700 million was lost in the UK because of piracy, and as films go online that's just going to get larger and larger unless we can find another way to beat it. Just policing everything is never going to succeed. We've got to come up with new models, new ways of making money from film in an online world.

Russell Taylor MBE:

The great thing about the internet is there is such a tradition of it being uncontrolled and free. Everyone looks at the internet for their news these days, and the problem with newspapers is that they're giving away a massive amount of their content for free. You can read my cartoon for free on the internet or you can pay 65p to buy the Daily Telegraph. Why would anyone in their right mind pay 65p to buy a Telegraph to read Alex when they can read it for free on the internet just by logging on to our website? Newspapers can't work out a way of charging for it. The only way people are going to get paid is obviously by selling advertising on the space.

James Tuthill:

The internet is absolutely brilliant because it rewards creativity. People don't like big sites. They're not interesting. People like quirky things. That's why MySpace has taken off. It's all about people having fun. And you can really be specific. You can "absolute Google it" and you can find exactly what you want.

Matt Calais:

When we both started, a successful one-hour documentary could get 9 million or 10 million viewers. Now a successful one-hour programme is getting 4 million viewers.

Andy Burgess:

It's mathematics. If you've got a million people who are potentially watching television and they've only got four channels to choose from, then the likelihood is that they'll split between the four channels so you'll get a bigger audience. Now you sit down and there could conceivably be 250 TV channels that you can watch, plus the internet, plus incredibly sophisticated computer games, plus the potential audience probably has more disposable income which means they're going out more, which means that their only choice isn't to sit down and watch Panorama.

There is lots of competition, and that's good because it makes TV people think more about how to make their programme stand out and become more appealing.

Matt Calais:

But, arguably, it also encourages the kind of programmes that require less attention, that are quicker to make and more disposable because that's what they think people want to watch, rather than making programmes because they need to be made.

When you work for a commercial channel, the less people watching then the less people who want to advertise, or they don't want to pay as much for the adverts. Ultimately it's the money they pay for those adverts that funds the programmes.

Sir George Martin:

Technology has changed our business enormously. We used to be in the business of selling little black discs, then it became cassettes and then it became CDs. Now we're in the business of internet.

In many ways it's given an opportunity for young groups to establish themselves a little ahead of the game by pushing out their own wares on many independent labels, and the big boys, the EMIs and Warners and Sonys, have to root around. Most of their A&R departments are collectors. They go around and see what's available and scoop it up into their net and sift it through and they pick out the ones that shine and they put them into their catalogues. But it's a very expensive business, promoting new talent, so you have to be quite sure.

Adam Sharp:

We've got involved with a company called garageband.com, set up by Jerry Harrison, ex-Talking Heads, at the time of the internet boom. The whole idea was that if you had musical talent anywhere in the world you could use the internet to build an audience to get your music out there. You didn't have to have a flashy video, you didn't have to have the greatest PR machine in town, you could just get your music out to an audience. Acts that have gone through the garageband process have started selling records. There are now about a dozen platinum-selling artists. It helps both ends. It helps musicians with new music who want to find an audience, but there are also a lot of people out there who want to listen to new music but can't because their local radio station is only playing chart music laced around adverts.

Sir George Martin:

I like the whole concept because it enables the listener to decide who is good and who is bad. Every week there would be a kind of hit rating on who they thought was good.

Adam Sharp:

Every week 50,000 people who are unknown to you from around the world log on and decide who they like.

Russell Taylor MBE:

Computers and the internet are giving everyone more of a chance to express themselves. You can have your own website. You can publish your own music online.

In the old days you had to produce a really bad demo tape of you and your band rehearsing in your garage and ask record companies to imagine how this could possibly become a hit record, whereas now you can make something that sounds like it could be a hit record.

People can use iMovies to make very good-quality movies, and they can use Photoshop to make their own cartoon strips if they want to. Whether you can get anyone to look at your website or know it exists, of course, is another matter but I think it's good that the corporation decision makers have been slightly bypassed now and people can make things in their bedroom that can be shown. It means a lot more competition, but I still think if you've got talent it will out.

Jude Kelly OBE:

Part of what the creative economy has done is to equip people with this idea that they have an individual footprint, an individual voice that can be heard.

And if you then have people who say, "We will decide when your voice is recognised, how it will be heard, where it will heard, and if it will be heard, because we're the arbiters of culture," there is going to come a moment when that's not going to wash.

It will be interesting to see whether the next phase of the creative economy will be a change in methodology of how the creative industries are run. The audience and the creator are becoming much more integrated. This is happening on the internet already, where people can make their own decision about how they'll enter it and what they'll do with it. The big change has been the culture of making a production and distributing it by

the same people. That hasn't happened yet in cultural institutions, but it will.

Ian Anderson:

Back in the 1960s and 1970s the only game in town was the new Led Zeppelin CD or going to the movies to see Clockwork Orange. There were just two things back then you spent money on, movies and music. From the mid-1980s onwards, with the huge increase in leisure spending right across a whole variety of areas, and particularly on technology – TVs, videos, hi-fis, computer games and all that stuff – it could only ever impact adversely on the record industry, and it has.

In spite of that, when you think what it still earns in turnover in the UK, music is still a really, really important sector, and it isn't now going to go away. You listen to music while driving your car, you listen while you're reading the newspaper, or you plug in your mp3 player or Walkman when you're on an aeroplane. The wonderful abstraction of music, the fact that you can multi-task, you can listen to music and be doing other stuff, means music is never going to go away.

David Sproxton CBE:

All parties want to get the biggest slice of the cake. What else is new? I think you would call this "business as usual".

Look back at the start of the film industry; the parallels are clear. Cinemas are nothing without movies, TV is nothing without programmes, newspapers are nothing without writers. It will get itself resolved and in the end those people that have the best material will get a reasonable deal.

Eventually there will be a mix of vertically integrated companies and horizontally integrated companies. It's just all so new, and currently the jury is still out as to whether there is a long-term business in all this stuff at all!

Jude Kelly OBE:

The history of humanity seems to be that once upon a time you had to have scribes, because people couldn't read and write. But when more people learned to read and write, then the people who previously would have been scribes become something else. The whole economy of writing doesn't diminish, it builds it.

Did anybody think that the rise of interest in food would result in thousands more

restaurants, and better restaurants, as opposed to everybody saying, "We can cook well ourselves now, we'll never go out to eat"? Look at all the ingredients you can buy in supermarkets. There has never been a better opportunity to get your Jamie Oliver book out and start cooking yourself. But instead of reducing the good restaurants it's done the opposite.

I don't think it's absurd to imagine that in 100 years' time artistic production at all levels of the community, integrating professional and non-professional engagement, will be the norm.

Part III

The UK's creative capabilities

The UK's creative capabilities

Creative industries and regeneration

By Yvette Cooper MP

In the summer months, streets all over Britain fill with music, art and open-air performance. It isn't just the nationally renowned: the Edinburgh Fringe, the Notting Hill Carnival, the Hay-on-Wye book festival. Across the nation, local towns and villages hold their own creative celebrations. In my own constituency alone we have the Pontefract Liquorice Festival, the Castleford Heritage Festival, the Darrington Feast and Fayre and the Knottingley Carnival.

These creative community outbursts are more than just a bit of summer fun. Our creative industries and the events and festivals that display them are critical in three ways to local economies and to regeneration programmes. First, creative industries create new jobs. Second, they are vital to urban renaissance and improving the local environment to attract wider investment. And finally, they play a vital and often underestimated role in building local community identity and linking local people to regeneration programmes in their area.

Much has been made of the direct economic potential of the creative industries. Certainly, the new employment opportunities and increased investment flowing from our newer industries should not be underestimated. Nationwide, the creative industries account for more than 8% of GDP and employ more than 2 million people. And it is a sector that is growing twice as fast as the rest of the economy.

Companies working in cultural industries represent more than 17% of those in the Yorkshire region, while the growing digital cluster in Yorkshire and the Humber has 13,000 companies, contributing £8.8 billion to the regional GDP. World-class arts organisations such as Opera North, the Yorkshire Sculpture Park and the Northern Ballet Theatre are bringing in visitors from across the country and even further afield.

And young people I talk to in my constituency are now as likely to be calling for a local recording studio or training in web design as they are for more skate parks. The flood of new computers in homes, schools and libraries, as well as greater access to digital cameras and interactive technologies, have led many of them to want to try their hand at new skills based around creative industries.

But this is not just about immediate job creation. Using the creative industries in urban design can become central to local renaissance and improving a town or city's local prospects. After all, businesses won't invest in places where the workforce don't want to live. Using regeneration projects to improve the quality of the local environment and raise the design standards of the entire area can improve the long-term sustainability as well as the economic prospects of local communities.

In my constituency for example, local, regional and international architects and designers have been involved in regeneration projects to improve the local environment. The regional development agency Yorkshire Forward funded an urban renaissance programme, bringing together local artists, residents and experts to plan the long-term future of towns in the Wakefield district. So over the past few years, Yorkshire-based designers have come up with strange and wonderful designs for children's play areas. English Partnerships brought international landscape designer Martha Schwartz to design a public space in the centre of a former colliery site at Fryston village on the edge of Castleford. And community proposals for the Prince of Wales pit site in Pontefract include grand works of art and sculpture to commemorate the site's industrial heritage and define a positive identity for its future as well.

Because it isn't just Gateshead that is embracing art and design, both as symbols of local renaissance and as part of practical programmes to improve the local environment and quality of life. Across the country, communities are building their own versions of the Angel of the North and the Sage Centre. Sometimes that means iconic buildings or new developments celebrating culture, but just as often it means improving parks and green spaces involving community art and design as well.

So for example, across the Thames Gateway, where thousands of new homes and jobs are being developed, millions of pounds are also being invested in schemes such as the Rainham Marshes, where the government is supporting the Royal Society for the Protection of Birds in preserving this historic marshland for local birds and other wildlife and developing its use by new and existing communities.

However, the role of the cultural and creative industries in regeneration goes beyond simply creating an environment for local communities to enjoy. Perhaps their most important function is where they become a means in helping local communities participate directly in the development and redevelopment of their area. For a start, local festivals, community and cultural events can become important ways to strengthen

community ties and local identities, to build local confidence in the future of the area and sustain local support and commitment to regeneration. They can also be forums for debating and deciding the future of the area. The Pontefract Liquorice Festival in my constituency has become a magnet for tourism, a celebration of local history, an exhibition of street theatre and also, at the most practical level, an opportunity to consult people through one of the street stalls on new plans for the pit site in the town.

Community-based arts projects also offer practical ways to involve people more directly in regeneration decisions. Where the architects, planners and designers remain aloof from the community, they are less likely to deliver local improvements that are sustainable or welcomed by local people. Where the community is involved in the ideas and decision making, the evidence shows far more successful results. And cultural industries can be important ways for people to do exactly that.

The regeneration projects across my constituency have often involved a range of cultural and community activities – ranging from school art competitions to community books or locally inspired artworks led by community artists such as former miner Harry Malkin and Pontefract-based poet and artist Brian Lewis. In Castleford in particular, Channel 4 has been filming a series of regeneration projects in the town, funded by Wakefield Council and other local regeneration bodies. Local community groups and residents have been working directly with designers and architects to commission the new parks, play areas and public spaces they want to see. The success of this project has shown that culture can be an important way to engage the interest, enthusiasm and energy of a local community around their long-term future.

So the cultural and creative industries have an important role to play in regeneration programmes, whether in Southern growth areas like the Thames Gateway or Northern coalfield communities like my constituency. Art and culture can play an important role in supporting job creation, improving the local environment and promoting community participation too. The successful regeneration of areas that have suffered from low income or industrial decline depends on promoting a new economic future, with jobs and investment in the areas. Cultural industries are not an alternative to that economic regeneration; instead, they are critical to supporting it and building a better future for communities across the country.

Recognising the UK's creative capabilities

Jude Kelly OBE:

The creative industry is a huge earner for the economy. All the sideways connections between technology, content and expressiveness have brought a huge confidence into the UK's creative economy. It's almost like when Wizard of Oz goes from black and white to colour. This is a very pivotal moment.

Sir George Martin:

Considering the size of our population and particularly the size of our land, we are remarkably successful in the arts, more so than anything else. We've invaded Broadway. We have actors and playwrights who work in America, and an enormous number of British stars.

On the music front, after the great days of the 1960s, where we dominated the charts in America completely, there was a decline. It will be very difficult to ever reproduce those days, but there has been a resurgence recently and American recording people are constantly on the lookout for acts in this country.

There is a tremendous enthusiasm among the young of this country for music and the arts. I think we're good at it because we like it.

Ian Anderson:

The music industry is something that Britain should be really quite proud of. We've taken something that began as almost peculiarly American and we've adopted it and made it work without in a way that has allowed Britain in the last 50 years to hold its head up. We've re-colonised the world but with something a little finer than guns, mirrors, beads or bombs. We Brits are a very small island but have produced an enormously great cultural asset value in the music of the last 50 years.

Vivien Lovell:

Creativity is part of the spirit of this country. There has always been a tremendous artistic ferment here, particularly post-Second World War.

Historically, the British have always been great fighters and great individualists, eccentrics, and inventors. We're even more so now, as an increasingly multicultural nation. We have this ability as a country to embrace different cultures, different ethnicities

and their creativities. That's why it's so exciting.

The cross-fertilisation of cultures is particularly vibrant across the creative industries. The reason why we're so multicultural is an indirect result of the empire. We've opened the doors to nations that Britain has ruled in history, and that has enabled the creative industries, and indeed all sectors, to become enriched.

Valuing our creative capabilities

Vivien Lovell:

One wants one's professional work to be endorsed by other people in our field, but also by the wider community of architects, landscape architects, engineers, planners, people in other creative spheres; and not least, by the public.

However, the public doesn't usually articulate its support for art unless asked to do so. People don't naturally write to the newspapers spontaneously to say, "This is an absolutely splendid work of public art." They're more likely to say if something has gone wrong, like the Princess Diana fountain.

Russell Taylor MBE:

Our society does not appreciate musicians. I know this guy, the most brilliant pianist I've ever heard. He makes money by programming ring tones for mobile phones. It's just so depressing. The guy is a genius but cannot get paid for it. I know too many musicians who are so desperate because they're in their 40s and they are still living in a two-bedroom flat in Stepney.

Authors have no power at all, and it's worse in the television and film world. Even though it's completely their idea in the making, everyone else, the gaffer, the best boy, the art director, is more respected and has more power over the project, which is stupid.

Sir George Martin:

We don't make people in business aware of our national heritage in the arts, in music and drama and dance. We don't acknowledge their importance. We tend to take it for granted. In France they value their artists much more than we do. They cosset them and make sure they don't leave the country. In America too I think that they tend to revere their top creative people more.

Maybe I'm being critical of this country. I don't intend to be because it's a great country, but I wish that not just the government, but that people in power, I mean people who run Tesco or Sainsbury's or the National Westminster Bank, I wish they were more aware of what a great heritage we have and supported it more – give more support particularly to growing talent.

Vivien Lovell:

Increasingly, the private sector is aware of the benefits of the cultural industries. When TSB relocated its banking headquarters in Birmingham, they said it was because Birmingham was a culture-led city with a manifestly evident public art programme. They realised that it made a very attractive lifestyle for their employees, an attractive place in which to live and work, somewhere with a distinctive identity, with opportunity for creative use of leisure time by their employees and their clients. Public art provided a conversation point, an identity for the city.

Andy Burgess:

Families can be a bit funny about people working in the media because they don't think it's necessarily a particularly stable career. Parents always want their children to be doctors or lawyers or have some kind of profession, and although I regard what I do as being a profession, a lot of people wouldn't.

They probably think the media industry is very glamorous; however, they don't necessarily want their own children working in it.

Lucy Newman Cleeve:

When I was at school I always wanted to go to art college. But I went to a very academic school where art was seen as something you did extra to the core curriculum. There was a lot of encouragement for me to go to Oxford or Cambridge instead.

The creative industries are still seen as something that you probably won't make very much money in. My husband is a barrister and a number of people have complimented me on making a shrewd financial move in marrying him, because they think it means I can afford to continue as an artist. But if you compare what a criminal barrister actually earns with what people in the creative industries can earn, then I think they might have to revise their views. It is possible to make a reasonable living in the creative industries, but it helps if you can apply your skills in a broad range of different contexts.

Nurturing our creative capabilities

Jude Kelly OBE:

You need to tell stories about the society in which you live. Telling stories gives many people a focus for being included in that society.

As I've become more convinced that everybody has an imaginative inner life and everybody has a story that they want to feel fits into society, the more I feel that unless the arts provide that landscape for people, they instinctively have a sense of being excluded.

Since exclusion happens at so many levels, the one area it must never happen is access to the imagination. I really dislike the idea that art is something which is only of necessity to some people, or only of value to some people, or only suitable for some people.

In 1944 people were still questioning whether the right to education was really important for everyone, and whether everybody was capable of learning to read and write. Now people only worry about why they can't read and write well enough.

Likewise today, the entrepreneurial and creative life of our nation, with all the energy that goes with it and the sense of individual expression and collective societal pleasure, is taking such a powerful journey that the people who are not able to participate in it are severely disadvantaged, in almost the same way as not being able to read and write.

Kristine Landon Smith:

Our organisation is a reflection back of the society in which we're living. If there weren't companies like us, and a few other black theatrical companies, we'd still have a very white theatre, which is just completely unreflective of the society in which we're living.

It is about cultural democracy – people being given a voice and communities being given a position. If you get a huge Gujarati audience coming to the Lyric Theatre in Hammersmith, many who have never been to that theatre, and they see people like them on that stage – the confidence it gives that community is very powerful. It says, "We belong, we fit, we have a voice and people are watching us."

There is a growing awareness of how the arts are valued and what they can give people. I was watching young guys perform in a rap video the other day and thought, if they weren't doing that, who would they be, what would they be doing? They were engaged in

an artistic activity, saying something about their own lives but also giving definition to their lives in a wider context.

Theatre comes with its own history and there is a perception that theatre is still an elite activity. Sometimes I think that perception is right because historically theatre has not necessarily catered for a broad audience. It has catered for a very specific slice of the demographic.

We are all put into boxes and it's very hard to break out of them. Some audiences aren't considered to be valid to the powers that be. It's almost like saying: they're a community audience so what they are watching is a piece of community theatre.

So to reach a new audience – or, in business terms, to reach a new client base – is quite expensive, especially for those of us within the subsidised sector. But we are doing it because we believe that the art we're creating has a worthwhile place in that society.

Vivien Lovell:

The Angel of the North has become synonymous with Gateshead, as a work of public art and a symbol of regeneration. As a proposal, it was extremely controversial before its installation, and is now incredibly popular, for the most part. Angels are wanted in every part of the country now!

Anthony Gormley was commissioned through my office in Birmingham for a work entitled Iron: Man, sited in Victoria Square, and made using local industrial materials from the Black Country. Despite those facts, when it was first installed it became controversial immediately, largely because it was a free-standing, quite stark iron piece, forming a quiet note at the side of a fairly pompous civic square. It immediately polarised opinion and became the most and the least favourite artwork in Birmingham.

Nicholas Goodison, chair of TBS and the commissioner of the work, with whom we worked very closely, was called to account by his shareholders for the expenditure and subsequent controversy, and his reply was that given the opportunity, he would commission the same piece again. And he regained the shareholders' support, but the work remains controversial, which is terrific.

Should art appeal to everyone to have legitimacy? No – football doesn't appeal to everyone, for example. Certainly the statistics nationally have proven that more people

go to museums and galleries than go to football matches. People obviously respond to what they like, and they don't always enjoy the same things. Art needs to stimulate debate and conversation.

Jude Kelly OBE:

When you have a community that has ended up being almost monolithic, which could be monolithically poor or even monolithically middle-class suburban, they lose their sense of enterprise.

The idea of enterprise, even in the dynamic of the word, suggests a spark – something you do that connects with something else, and makes something else happen. Just creating that first spark requires a sense of self. I don't know whether you can capture that sense of self unless you have something that projects you forward and says, "This is who I am."

I grew up in Liverpool, which was then a very feisty, determined place and had a huge eclectic cultural life. It was a port city. The evidence shows that in places where you have the hurly-burly of humanity passing through – the strange, the exotic, the different, the wonderful – disturbing you all the time and stopping you becoming comfortable in a kind of homogenous way, it provokes curiosity and interest in others. Places like Liverpool, Glasgow, Newcastle – famous for their humour as well. That comes out of striving for identity, often in opposition, and that produces a need to describe your qualities, the personality of the city, the personality of the tribe.

Culture is what you do and why you do it, so the places that are much more culturally barren are often because they don't feel the need for identity. They don't know they have a need for it, or they've subsumed their need for identity into a technology culture or a shopping culture. There are quite a lot of places where nobody is encouraging anybody to think that they need to have an identity to be witnessed. There is a lack of confidence that this community is worth noticing.

Vivien Lovell:

There are some places in the UK where creative energy hasn't emerged as strongly as in other areas, due to social, industrial or historical factors. One has to look at new potential creative starting points in those areas. It takes very careful nurturing, from sustaining grass-roots initiatives, to encouraging supportive local authorities. It takes both people and policies to sustain creativity.

In culture-led regeneration situations such as Glasgow or Soho in New York, it has been proven that artistic creativity leads regeneration. Myerscough's research into Glasgow's culture-led regeneration established that for every arts job created, at least eight or nine other related jobs were generated.

With the Phoenix initiative in Coventry, an arts-led regeneration scheme, the initial £20 million invested by the Millennium Commission and the local authority has already attracted £46 million in inward investment. There has been a direct correlation between the artistic investment and the subsequent external economic investments.

Run-down areas have very often been populated by artists and small creative industries prior to becoming attractive to developers, so I think that at the sharp end, creativity has been seen to drive regeneration in numerous situations internationally. Now the creative industries and regeneration are often spoken of in the same breath.

Areas that need regeneration often have large, empty industrial buildings, which have become too expensive to maintain by clients or local authorities. Such buildings often provide accessibly priced accommodation for artists and creative industries.

A classic example of this was the warehouse area in Wapping, east London. When much of the Port of London closed down, the warehouses lost their original use, and they became spaces for artists and creative industries.

Once the artists were there, small cafés and shops started to appear, and a terrific creative buzz developed. The area became fashionable, avant garde and therefore attractive for developers to move in: expensive loft-living took over. This has happened all over the world in different cities. In London, for example, artists have moved further and further east or north.

It's okay for young artists to be in this situation, at the sharp end of regeneration if they so wish, knowing that the situation may be short-term, but it can be de-energising for mid-career artists to have to move on every so often. The trick is actually how to retain the presence of artists and creative industries within regeneration areas without pricing those creative individuals out.

In Coventry, on the canal basin some years ago, a group of artists won a large EU grant to regenerate a group of warehouses. Their intention was to keep the industries that were

already there, such as boat building, within the warehouses, releasing other space for artists. It worked, and is a paradigm of arts-led regeneration.

There must be a way of allowing creativity and regeneration to take place alongside each other without it being cynically motivated. Hopefully the King's Cross development will enable that process to take place, whereby the creative industries will have a presence alongside other, more commercial enterprises. It should be possible to create this rich mix.

The "percent for art" principle started in the 1930s in Sweden. It's a pragmatic mechanism, whereby a small percentage (usually 1-3%) of public developments is earmarked for art, and the private sector is encouraged to follow suit. It ensures that there is a baseline quotient for creativity that's part of every scheme. Percent for art is the sole reason why we see so much more art in the public realm abroad than we do in the UK.

In local authorities where there have been committed personnel as well as a public art policy, there's been significant public-sector spending on public art, for example schemes in Birmingham, Gateshead, Glasgow, Cardiff Bay. When the local authority itself endorses the percent for art principle, setting the example that it expects others to follow, it works.

The government should apply percentage for art in all regeneration schemes, including the Olympics, and wherever there is inward investment. It would be an easy step and it wouldn't cost the government anything. Contingency budgets are usually about 10% in any scheme, so there is always room for a baseline budget for percent for art or the arts.

Jude Kelly OBE:

[For the artist development project Metal] we found a house in a very neglected and difficult part of Kensington. It contained three floors of crack dens, which the housing association in Liverpool was trying to evict. Our proposition to them was simply this: what harm would it do to let us put artists in instead? In the course of 18 months the house has generated all kinds of community activity. Films have been made with the community and international artists have stayed and worked.

It's a bit like implanting a virus that enjoys being inside the host body. You have to bring in other people who genuinely want to be part of that neighbourhood. Policy makers can allow that to happen, even to activate it happening. What doesn't work is when policy makers impose from the top down. Classically, they would build a community centre and hire a local community worker and think that that in itself was the provision because

there is a building and a person there.

Humans get interested when other humans are interested in them, not as a paternalistic act but because they find each other interesting.

Lucy Newman Cleeve:

A lot of arts policy feels cynical. Art is being used as a regeneration vehicle. Policy makers are trying to buy creativity to deal with other ills in society and using the arts in a very instrumental way. Artists move into an area, property developers follow, and then the area gets gentrified, which prices the artists out. We see that happening all over.

When public funding for the arts is only attached to regeneration, it undermines our perception of the value of art as art. Art should be valued in its own right, not just as an instrument of social change.

It's easier to get arts funding for regeneration projects than for projects which celebrate the value of art as art. It's fine if artists want to get involved in these projects, of course there is value in that, but I think we've got to come out and say that art is valuable as art, and to be a bit less ashamed of it. If the arts are going to be publicly funded, then let's fund good art, rather than disguise funding for arts as regeneration funding.

Jude Kelly OBE:

Artists can be a cynical part of a developer's plan in order to demonstrate that they are doing a bit for community engagement or a bit of aesthetic landscaping.

But I do think it's a good idea for artists, if at all possible, to become involved in development schemes. It is about the quality of engagement, building up knowledge, understanding just how far lateral thinking, which is part of art, goes. It is also about creating interesting and provoking and beautiful or attractive landscapes.

Art can't be used for social purposes alone. It has an additional function, which is to exist for its own sake. But it actually produces exactly the same results, whatever the motive. I'll give you an example. Muriel Gray, the Scottish broadcaster, did a programme on Channel 4 where she invited tenants of a housing estate in Glasgow to go to a local art gallery and choose a picture and take it home with them and live with it. They had to come back and talk about it after a month.

Nobody said this would create social cohesion. It wasn't a social programme or an arts programme. But the fact that the tenants had this piece of work in their house, which was of huge value, was an amazing experience in itself and they became incredibly attentive to it. They felt it was giving them permission to have a special relationship with the work.

Art for art's sake is the same as art applied to create social cohesion. It is about what it means to be in touch with another person's expressiveness. But whether art for art's sake, or art as a means to a social end, you have to structure the encounter so that it is real. Too often the problem with using art as a social tool is that the encounter is glib and therefore has no effect whatsoever. You can also have art for its own sake that has no contact moment and therefore misses the person forever. Or you can do both well and they will both be powerful.

Part IV

Encouraging creative individuals

Encouraging creative individuals

An education and training system that opens doors

By Alison Tickell, Industry Skills Director for Music at Creative & Cultural Skills

In 1984 I was an unemployable music graduate with few skills of any value and no vocation at all. So my dole office despatched me to a workshop run by a Manpower Services Commission scheme in community music. I made my way to a large grim warehouse in Clerkenwell where a group of trendy young men were presiding over registration proceedings. I wanted to turn and run. And I would have if it hadn't been for the ridiculous notion of scarpering with a cello hunched on my back.

Then it started – what was to be the most powerful creative experience I have ever had. The workshop was run by John Stevens, a maverick jazz genius who charged into the room, ordered us all to put our instruments away and began stamping his feet to a basic rhythm. Before anyone could pause for breath we found ourselves in a circle and stamping along with him. It got worse. Amid growing resentment we had to repeat a two-beat phrase again and again. The piece was called *One Two*. I'd spent three years studying music and wore my credentials like a rose on my lapel; this was intensely irritating. Then I discovered I couldn't count, which made it even more so. But I was in good company, and during an electric three hours we learned to play *One Two* creatively, collectively and musically: an amazing achievement.

We left the room having bonded in excellence and I fell passionately in love with this thing that I was doing. I got through the interview along with 24 other lucky people and spent a year immersed in *Search and Reflect*¹, the musical embodiment of much that I value now. It taught us to understand creativity as a quality of life that values individual endeavour, braveness and risk and relies on collective responsibility, teamwork and trust.

I stayed on and off at Community Music for almost 20 years, working with John before his early death in 1994. The company was driven by a single, simple idea: that social justice was a means to unlock creativity and enterprise, and that everyone should have that chance. It worked.

¹ *Search and Reflect*, John Stevens (1983)

We trained hundreds of professional musicians to teach and set up their own businesses. We worked with thousands of young people. We taught respect, confidence and team skills alongside technology, business, production and creative skills. Our main focus was on people who had lost out on opportunities to be creative, to learn or to thrive, most often as a result of their class, ethnic background or poverty. These young people consistently proved that in a creative and respectful environment, they think with the gods.

Most young people are naturally adventurous, culturally aware, innovative and idiosyncratic, but many never get the chance to exploit these attributes in school. Some of the more well-known artists who have benefited from learning outside the mainstream include Ms Dynamite, Courtney Pine and Asian Dub Foundation.

But you may not have heard of Richard Clegge, aka Filthy Rich – a north London working-class 16-year-old who was trained by Community Music and now runs PyroRadio.com, an online urban radio station which has beaten OneMusic in the People's Choice Radio Awards twice in a row.²

Or take Livity Live, set up by two public relations experts bored with selling Coca-Cola in Brixton who galvanised local young people to create a slick, relevant youth magazine that the local authorities now rely on for their campaigns (the model is being franchised in the UK and New York).

The "community" sector (or non-formal learning sector, as it is also clumsily called) grew out of a passion for creativity, a blind belief that it could change the world, the romance of rebellion and a fierce commitment to social justice. The sector sat invisibly, fragmented and snarling, at the crux between education, industry and employment, providing learning for the unteachable, employment prospects for the unemployable and relevant skills for the industry – terminally angry with bureaucratic structures. Nearly three decades on and it is a sizeable sector – in London alone it exceeds £30 million and is the equivalent size of a further education college.³ If the government wanted to look at how to achieve a long-term return on public investment in our creative and cultural industries, this would be a good place to start.

² www.pyroradio.com

³ Burns Owens Partnership/Denise Stanley *Supporting Talent to Enterprise* (London Development Agency, 2004)

Last year I took a leap of faith and joined Creative & Cultural Skills, the sector skills council for the creative industries.⁴ I did this because, of all the many policy interventions on offer, sector skills councils offer a strategic mechanism with which to link creativity and social justice to the economy. It might just be that if we involve our industries in a conversation with our education providers we can offer relevant learning to all our young people and job-ready people for our industries.

Today the creative economy is indisputably healthy. The most recent research from the National Endowment for Science, Technology & the Arts concludes that the sector is worth £56.5 billion and accounts for 8% of the overall economy. Our exports contributed £11.6 billion to the UK's balance of trade in 2003, and our industries employ over a million people. The creative economy is growing three times faster than the wider economy.⁵

The UK's gift for creative product is stunning, but that gift is not an entitlement, nor will it automatically continue. Just as our manufacturing expertise declined with the arrival of a knowledge economy, so will our creative expertise with the arrival of a digitised, converging, global marketplace. The degree to which emerging economies are prepared to invest in their creative industries offers ample reason to take action in the UK.

There is still a chasm between educators and industrialists in commercial music: most music degrees carry little currency in the commercial sector. By any reckoning that is bizarre. What can we do to ensure that we sustain our world-class talent pool, capitalise on our creativity without loss of ownership, have the best workforce and the most diverse and competitive creative products? The answer is to recognise that investing in people's skills will be really good for business.

A recent DCMS survey into productivity of small to medium enterprises in the music industry concluded that one of the most recurring causes of market failure was not lack of ideas, motivation, or creative excellence. It was a skills deficit.⁶ So while I do have a romantic ambition to change the world, actually the argument for levelling the playing field of ambition is an economic one.

4 Creative & Cultural Skills is the sector skills council for the advertising, crafts, cultural heritage, design, music, performing, literary and visual arts sectors (www.ccskills.org.uk).

5 *Creating Growth: How the UK Can Develop World Class Creative Businesses* (National Endowment for Science, Technology & the Arts, 2006)

6 *SME Music Businesses: Business Growth & Access to Finance* (Department for Culture, Media & Sport/Burns Owens Partnership, 2006)

The next time Filthy Rich needs to set up a company he doesn't have to rely on a chance encounter with Community Music. He might go to college and get a set of skills that will build his business. Building our creative economy by improving skills for work via our public education and training system is the most cost-efficient way of tackling social injustice and simultaneously building our economy. The money is already in the system. Let's use it to widen our talent pool, deepen our expertise and broaden our markets. It's as logical as copyright extension.

On reflection, the skills campaign is not so dissimilar to the employment scheme that got me stamping and clapping in that cold warehouse in Clerkenwell 22 years ago. Of course, it is more ambitious, more strategic and more focused – and my job interview was in a bright, warm boardroom. If it were truly to succeed there would be no more need for the non-formal learning sector, no more stamping in the dark. But then I'd still have a problem with basic numeracy...

The right role of education

Sir George Martin:

We still tend to ignore the arts in education, or downgrade them. It's terribly important that schools should allow the arts to foster. For many years, many schools had no music in them at all, which to me is abhorrent. It's important to have maths and geography and so on, but I think music and drama should be brought into the curriculum early on.

We don't help young people enough: I mean really young people. We should be thinking of talent starting at an earlier age. In the music business and television we tend to look at people coming out of the universities. We should go back, and start earlier.

Jude Kelly OBE:

Look at children. They have a dream, they have a hunch about something, same as we all do, and they start doing the thing that has caught their imagination – dancing or drawing. If there's a kindly adult around, they will notice and say, "You really like doing that; shall I send you to ballet class?" An adult will do something for the child that gives the child access to the creative pleasure that they obviously have.

Then at some point the child will have a sense of whether their being-ness rests in the moment they're doing that creative thing, or not, in which case, the choice is between doing it as a hobby or it being the thing that they have to do.

Sometimes that process can be stalled because the child never gets the chance to find out. You hear a lot of stories of people being thrown off the path, but they often come back to it.

There is a kind of happenchance to it, but the more that schools were able to give a lot more legitimacy to the creative journey of young people, those things would happen more obviously and more repeatedly.

Ian Anderson:

I would really like to see music continuing to be taught at school. I'm not very keen on the idea of perpetuating contemporary music as an easily accessible, electronic, press-the-right-buttons-and-I've-composed-a-symphony kind of idea.

I'd rather see people get a basic grounding in some traditions of music, in the same way as in a multi-faith society. I'd like to see music being taught in a very broad-brush way where people are encouraged to understand the origins of music from its most primitive beginnings through classical music to the jazz and folk and through to the present day. That obviously involves a degree of positive hands-on approaches which give people the opportunity to participate and be creative. Music in school is vital, not only to continue it but to broaden it.

It doesn't mean more people are going to get a job when they leave the Royal Academy or Guildhall. There are still going to be out-of-work musicians. For every Katie Melua that comes out of the Brit School, there are going to be literally hundreds of folks who are just never, ever, ever going to make it.

Music is not supposed to be easy, and, arguably, the folks who don't go to college to study it, like me, have got just as much chance as the next person.

Music is a mystical thing. That's why I think it is so important to enrich children's early experience with music in school, and give them the big picture, not just whatever is trendy at the time.

Lucy Newman Cleeve:

The art industry still values a qualification from a recognised art school. But how many people can really afford to go and do a fine art course and take on student debts knowing that there aren't very many jobs at the other end? It's going to be people who

are already privileged with money. There are some artists doing well who don't have an art college degree, but they are probably quite well connected in the first place.

David Sproxton CBE:

Most of the people who work at Aardman have a degree or college course qualification and a strong commitment to what they are doing. Above all, they seem to get on very well with each other and operate as a team player in a complex company. Some of our best people have come from related activities where being a small cog in a bigger machine is well understood, for example from the world of theatre or drama.

Matt Calais:

People generally don't get into TV without a degree. I guess they presume that by having a degree, you have shown an ability to obtain and edit knowledge and produce an end product out of that.

James Tuthill:

My colleagues and I did quite an unusual course at the Royal College of Art. You had to have done an engineering degree beforehand to get on the course. Each of my colleagues had done a different variation of engineering.

There were opportunities to raise money through competitions at the Royal College. There are lots of people who want to be associated with the college, and outside companies come in and say, "I'll give you a thousand pounds if you can develop some piece of flooring."

We entered every competition. Sometimes we were the only people entering, so you're pretty much guaranteed to pick up awards just through the sheer volume.

We got so much response from the chicken house with people saying, "Hey, this is a cool thing." So we did crude business plans, entered those into business competitions and raised £4,000 before we left the college.

After we left the Royal College, we borrowed money off friends and family and we all lived with my parents in a house in Oxfordshire and started development. We had never put a product into manufacture before, so we went out and visited manufacturers.

We had a really low-cost start-up. None of us had girlfriends; we didn't have mortgages;

we didn't have cars; we didn't have any overheads. But we had the passion to go and do it. The other factor was, we were good at the product design and very good at the branding. But we didn't know how to sell. A lot of artists or product designers don't know how to sell their stuff. We thought you just created this wonderful brand and people would find you.

My dad sells stuff and so we learned an awful lot through him. He was the one who started asking us: "How many are you selling a week and where are the orders coming from?" He was the one who told us we'd got to advertise. He's our mentor.

Lucy Newman Cleeve:

I'd like to see more effort being put into training artists at college to recognise the ways in which they can make a living out of their work. There are lots of artists who think that, by virtue of the fact of being an artist, they have the right to be publicly funded or to sign on in order to support them while they produce work. I don't think it makes for good work or for a good society.

David Sproxton CBE:

The loss of the polytechnics, which had an industrial viewpoint, hasn't helped the picture. Having said that, we need to be very clear with students about what they should expect from their course – they can be exploratory as well as vocational.

We discovered that in our sector (animation) there was no consensus across departmental heads from a number of different colleges as to what they should be aiming for. But this is a big subject and we need to be careful that we don't generalise for one sector or for one type of student. At Aardman we are aiming to address the problem by having much closer links to our local art college to help tie their output more closely to industry needs. This should be a win-win arrangement which could be useful elsewhere.

There is a great deal that can be done at school for developing potential for the creative industries. In our sector it is fundamentally about storytelling and characters. Writing, art, drama, film studies would all be useful alongside the team-building skills that are necessary. At college level there is no doubt we are lagging behind Europe in graduate output in the animation sector. Slowly this is being tackled with the screen academies, but generally our graduates are under-experienced and under-trained, with their sights set far too low in terms of quality. This is a big issue, which can't be gone into in detail here, but one which needs tackling.

Breaking in, getting on and moving up

Duncan Kenworthy OBE:

When young people ask me, "How do I break into the industry?" I always say, "Learn, learn, learn." The bottom of the ladder is a fantastic place to be. You don't want to be halfway up one ladder and then realise it's not the right ladder. Just walk around the bottom of all the ladders that you can find. Try everything out and be absolutely sure the one you're climbing is the one you want to climb.

At some point everybody gets their big break. But if you don't have what it takes to take advantage of it when it comes, it could be the tragedy of your career. Everybody will get a shot at some point; you just have to make sure you're ready for it when it happens, because it might not come again.

David Sproxton CBE:

Work out what it is that you think you are good at doing. Don't aspire to something you will never get to be – most people aren't film directors, although this is what colleges tend to push people towards.

Don't lose sight of where your skill fits in with the rest of the process. Be able to get on with people and be positive towards problems and difficulties. Go to college to learn as much as you can about your subject, and make the best of the opportunities open to you when you get there, whether that be joining clubs or societies or getting to understand how people work. Get your money's worth! Remember there are dozens of other people wanting to do what you want to do so you've got to stand out somehow.

Meet people. Look at the various websites for jobs and participate in activities in your region related to the sector. Being clear about your skills really helps, and don't bullshit: you'll be found out in minutes!

Use work experience, take a junior post in the first instance even if you think it is below your skills set. If you are good, you will rise quickly. We take people in as runners and many have emerged as good creative types. We have had one or two who are brilliant ideas people.

Matt Calais:

Most people in our industry come from London or the South East, with middle-class back-

grounds. One reason for that is that work experience is the prime way of people initially getting their foot in the door. Young people trying to break into the industry in London or the South East are able to come here and do work experience with the security of being able to nip home to their parents and still commute in, whereas if someone from Birmingham or Manchester or Leeds or Newcastle wanted to work in television it's a far bigger challenge for them to find accommodation and someone subsidising it. People who come for short stints and then go back home quite often slip through the net because they're not there, waiting and hungry to work.

Andy Burgess:

There was no doubt in my mind from the age of 16 that I wanted to work in the television industry in some capacity. Whenever I had a period of time over a summer holiday, I would try and get work experience in a TV company. Through that, I got enough breadth of experience and enough confidence to apply for a job in television and that was enough to get people interested in me.

Sure enough, somebody said, "We've got an opening at LWT for somebody as a press assistant to come and cut relevant articles out of newspapers and stick them on bits of paper and photocopy them, starting at 6am every day. Do you fancy it?" I came in for an interview and they hired me.

Matt Calais:

From about age 15, I wanted to be a journalist, but I was put off the idea by careers advisers, who told me it was a very hard-nosed industry where you had to be thick-skinned and tough. I knew I wasn't like that, but knew I was interested in the creative process of putting stories together.

After university, I'd go and meet up with Andy who was already working at LWT in the press office. Socialising with him and his colleagues made me realise making TV programmes could give me the same satisfaction as feature writing on a newspaper. It was just a different medium.

I went to meet Andy at his work one day and phoned around all the different departments on the internal phone asking if I could go and hand a CV to them, asking for work experience. About three weeks later I got a call offering me a month's worth of work experience. Then I was given some part-time work as a runner. Just through networking I got to be an audience researcher on the Dibley programme, and then after a year

I finally got to move into more mainstream research. I have spent the last seven years working my way up from there in the same company.

Andy Burgess:

I think once you have an in, if you're good enough you'll get there. It's fine having contacts, but if you're crap you're not going to get anywhere.

Sir George Martin:

There is an element in the rock 'n' roll world of kids who just want to pick up the guitar and be a hit three weeks later. That's been fostered by shows like The X Factor, which I don't think have served us very well because quite often you get very mediocre talent being blown up out of all proportion.

But for young people it's like hitting the crock of gold at the end of the rainbow. They all believe they're going to make it. They all believe that all they need is a guitar and a bit of money behind them, and they'll be a hit. Ninety-nine percent of them will fail. You've got to have talent, you've got to have a genuine desire to make that talent work, and you must be prepared to work hard at it without immediate results. You've got to be patient and develop your art in whatever form it is.

Duncan Kenworthy OBE:

As a film producer you don't need any formal certification but you need to have access to money, and if you have access to money then you can hire people to fill in all the skills gaps that you have. If you don't know much about law then you hire a lawyer; if you don't know much about physical production you hire a line producer. But it's cheaper if you have the knowledge yourself.

Andy Burgess and Matt Calais (dialogue):

To get into television, you need initiative, more than anything else, and enthusiasm. [AB]

And, it sounds like a cliché, but good people skills. [MC]

To be a good director/producer you have to be interested in people. Not on a superficial level; you need to be genuinely interested in what motivates that person. [AB]

You can do our job without being technically minded at all because you work with and hire people that are technically minded. You need to articulate what you're after and

discuss it with people; but in terms of cameras and editing systems, we don't need to know how any of that works. [MC]

Vivien Lovell:

In my role you have to understand how government, local authorities and the planning system work, how regional development agencies work, and how the whole picture fits together. It's essential also to understand how the private sector works, how contract law operates, copyright, artists' moral rights, all that side of things.

Lucy Newman Cleeve:

When I work as a consultant, people are buying my project experience and my knowledge of the sector. It helps to be able to use a computer, to be able to write in good, clear English and to be numerate. You need to have project management skills and be able to write a project plan and budget. Being able to break down a delivery process and deconstruct a problem and think it through rationally is very important. These skills are also really important in running the gallery, but having an aesthetic vision is also vital.

Vivien Lovell:

People who have chosen to work outside the gallery sector are by their nature eccentric, in the older definition of that word, and as such they're people who classically are quite feisty and tend to be quite dynamic and want to find a way of working outside the traditional system.

Lucy Newman Cleeve:

I think artists themselves are probably more diverse than the rest of the visual arts sector, which is still quite middle or upper-middle class – the people who run galleries or dealerships, who work in art publishing or for the Arts Council or Christie's.

It's partly to do with access to the sector. The problem is that people get jobs through networks and they have to be able to present themselves in a certain way. The conversations that take place within the art world and the process of validation rely on a certain vocabulary that has to be learned. It's also to do with the fact that many of these jobs require you to do unpaid work experience as a means of entering the industry, and that excludes people who can't afford to.

Some people want to keep it that way, even some artists – especially some artists, because the validation process is about sifting out. People who have the power to do the

sifting like having that power. On the other hand, in the subsidised sector the emphasis is on growing new audiences and broadening access, so there are two different forces at work.

James Tuthill:

We work with people we know. Going to art college was absolutely fantastic from the point of view that you meet other creative people. When you go to art college it's not really about the tutors, it's about the other students you meet. You leave college with a bunch of friends who are going off to work in their own fields, so if you want to do something in ceramics then you find the ceramicist you met at art college.

Russell Taylor MBE:

The thing about going to university is not so much what it teaches you but who you meet. Most of my work comes from contacts. Everyone likes working for people they like, and people don't like working for people they don't like. You tend to work with the same people. The older you get, the more you just want safety and familiarity.

Lucy Newman Cleeve:

I work pretty much all the time, and a significant part of my social life involves going to private views and spending time with other artists. It's natural. And it's necessary. A lot of the networks and contacts I have come from conversations in the pub after work.

Jude Kelly OBE:

People go searching until they find a safe space with people who share the same values and who broadly believe in the same things. Networks are difficult things to create by a policy unit. Although you can get useful information from formal networks, they're very dehumanising somehow. The more interesting networks are the ones that spring up more like art movements.

Vivien Lovell:

Peer networks are incredibly important. If a project has been successful, and you've enjoyed working together, clients and architects come back to you, so repeat business can work enormously well.

Kristine Landon-Smith:

We have a huge developing-artist programme. I think it's very important that we make a contribution to developing artists coming up underneath us, so the journey of somebody

starting off now might not be so difficult as it was when we started.

Ian Anderson:

I like to think that we provided a royalty flow that allowed a whole host of other artists to become successful on Chrysalis Records, just as in the same way today the catalogue royalties from us and lots of other bands are what keeps the cash flow for EMI, who bought out Chrysalis.

The money goes around in this industry and the success that you enjoy in this period of an accounting year will help fund the next lot. Even after 30-odd years it's still the same. Money that's flowing through from the sales of our records is still the money that's going to fund the recording of a new band.

Lucy Newman Cleeve:

I invest directly in the work of artists whom I'm showing in the gallery. I want to promote the kind of art I want to see more of.

David Sproxton CBE:

The creative economy is more fickle and less organised than, say, the building industry. But it is a pretty solid industry for those with good skills, aptitude and attitude. Don't think about it as a short-term money-maker, but over a career you can make good money. Most of our people earn well above the national average income.

Russell Taylor MBE:

In the end you've just got to work very, very hard. We didn't think about trying to make lots of money out of it, we just tried to make it really, really good. I think that's probably the secret of longevity. Just to do it well.

Part V

Encouraging creative enterprises

Encouraging creative enterprises

A business environment that respects the value of creativity

By Emma Pike, Director General of British Music Rights

Talk to any musician and most will tell you they started playing, singing or composing because that was what was in them. They couldn't help doing it. It allowed them to express themselves and to relate to the world they live in.

And they will tell you that at some point they discovered that they were good at it. Somebody important to them told them they had talent. People who heard them responded with fervency.

And that was when they started to hope that they could make a living out of it. So these would-be professional musicians – usually young, just starting out, used to living on the cheap – seek out the opportunities to practise and to be heard. Cue the garage or attic bedroom, the school or college bar, local clubs, youth orchestras and choirs, and now, the almost mandatory MySpace.

As Sam Mix, a teenager who promotes his music on the schools online music site NUMU, says:

I would love to make money from my music. I'd like the site to explain all the ways of making money and all the competitions for music you can enter.

If they are talented and lucky, they will get a series of breaks that keep them going before the time comes when they can no longer afford to live off thin air. If they don't make it before then, they will find another means to earn a living and their music will remain an amateur passion or occasional hobby. That's just the way it goes.

If they do get their breaks, they will get the chance to realise their greatest hope – to make a living doing the thing they love. They will get the professional instruments, the line-up of gigs, the studio space, the producers, promoters, all the supporting infrastructure you need to get good-quality music out to listeners. And above all, they will get the *time* to improve and develop their creative talent. And we – everybody else – get to enjoy what most of us would say we couldn't do without.

In some ways, the music industry is unlike any other industry because of the complex and very human relationship that exists between music and listeners.

Apart from the immediacy of concerts and gigs, where the relationship is very strong and close, you have countless other instances where the special connection is made: choosing music to celebrate important events and celebrations, plugging earphones into your MP3 player or slipping a CD in the car stereo when you're on the go, switching on the radio at work, putting your favourite music on the hi-fi system when friends are over, playing music through the computer while making dinner or reading or doing chores.

Music happens alongside almost every other activity in life. It speaks to us and we identify with it directly because it expresses the high drama and the drudgery of life itself.

Describing what happens in those moments of connection using purely commercial terms can sound very odd: creator, product, copyright, licence, distributor, content, consumer, royalties ... etcetera. But the uniqueness of the way music is created and enjoyed happens through copyright and the royalties it generates. It is the means by which creators are sustained and their creativity is cultivated. Without it, they would not have the precious time they need to compose, rehearse, rework, perform and record.

The connection between copyright, royalties, and the creative process has been described beautifully by author Philip Pullman, in a speech to a gathering of creators:

What the money pays for, when we're lucky enough to get some, is time and silence and freedom ... It's only when we have the time and the freedom to sit down and play that we can do the work we're here to do.

You know what I mean by "play": I mean the most serious and profound activity that any of us is capable of engaging in. It's when we fool about with the stuff we make art out of, whether that's language or sound or colour or movement – yes, fooling about, pushing it this way and that, turning it sideways, putting one thing on top of another, treating them roughly, mixing them up – while at the same time following that hardly perceptible, elusive, shadowy, delicate unformed thing, the idea, through a maze of mysteries and contradictions and doubts, without ever losing it or putting it to flight or nagging and retting it into existence before it's ready ...

It's when we do those foolish, time-consuming, romantic, hopeless, dreamy, quixotic,

*childlike things that we are most practical, most useful and most firmly grounded in reality, because we create reality: we make invisible things visible, inaudible things audible, we give undreamed-of things a body and a shape, a voice and a face; we give delight, and hurt not. And when we're doing these things, we are most profoundly ourselves. And the work we produce is not just a product – it's an extension of ourselves.*⁷

Shrewd exploitation of rights is what brings in the money that then gives the time, silence and freedom that allows this creative process to happen. That is why educating creators and would-be professional musicians about copyright is incredibly important. The means by which creativity is translated into value is too important to be left to chance, with another generation of young creators finding out about copyright on a need-to-know basis or, worse, on an I-wish-I-had-known basis.

Lucie Silvas' debut album was certified platinum, with sales over 350,000. Speaking of her own learning curve, she says:

It's vital that artists are made aware of their rights. I found out through a period of trial and error – some unfortunate and some lucky. No one ever sat down and told me what royalties are, where they come from, and what I should be doing to maximise my income. But that's what artists need to learn. They have to become astute about how to conduct themselves in order to make a career doing something they feel passionate about.

For most artists, making money comes secondary to your passion for music. Every artist wants their music to reach as many people as humanly possible. You want to be out there playing in the big arenas. And it's great to have that ambition. But at the same time you've got to realise that you can either live your life dreaming about it, or you can build a career and make a life for yourself.

If you haven't thought about copyright, you're not helping yourself build a career. Without making money from copyright you're not going to be out there singing and building an audience. Copyright is a good thing for musicians because it allows you to carry on being creative knowing money is coming in. It means music is not just a hobby but can be the whole centre of your world.

⁷ Philip Pullman, speaking at the Creator's Rights Alliance on 21 March 2002, reproduced with kind permission of AP Watt Ltd on behalf of Philip Pullman.

I didn't learn anything about copyright or how the music industry works when I was at school. I didn't have a clue. All of my training was focused on the creative side – theory and performance. There should definitely be an element of copyright and the business side within education. I would absolutely support that.

I would say to new artists starting out: "You're your own business, so learn as much as you can about copyright and the way the industry works. It will help you make a life for yourself doing what you love."

And if copyright education has always been important to sustain creativity, how much more important is it nowadays, when the music industry's contribution to the economy is estimated to be £6 billion and growing. There are other industries where copyright is the currency: publishing, computer games, software, television and film. Add to that the weight of other industries where intellectual property is the means by which originality and innovation are rewarded, and the need for an "IP-literate" society has never been more pressing.

Knowing the value of copyright is one side of the coin; the flip side is knowing how to exploit it. The music industry in the UK is vibrant and successful. The sheer scale of talent emerging from such a small island nation is astonishing. But it is a successful industry despite worryingly low levels of business skills and financial management. Studies of our industry, like the recent DCMS study into music, reveal that our ability to capitalise on our inordinate amount of creative talent is hampered by our lack of business know-how. According to the report:

The findings raise a number of concerns about the economic performance of the music business SMEs.

- *Owner/managers possess relatively low levels of skill in financial and business management and demonstrate limited awareness of/interest in establishing basic business processes around planning, budgeting and forecasting.*
- *In many cases, there seems to be a gap between the music business SMEs' subjective ambitions and perceptions of the challenges that they face, and the objective business challenges that they face.*
- *If this gap persists, it seems likely that many of the music businesses will continue to struggle with the day-to-day running of their businesses, [will] have low profitability and will not be able to achieve their (laudable) ambitions for commercial and,*

*arguably, creative growth.*⁸

Think how much more successful we could be if our reserves of business skills were as high as our creative genius. So alongside creating an IP-literate society, we need to create a business-ready, enterprising society.

We in the industry are investing directly in resources for schools, which see the importance of this; but policy makers need to take leadership on this in order to embed these skills and aptitudes in our culture more widely.

But back to the would-be professional songwriter. We used to talk of the “big break” that comes along and plucks a young hopeful from obscurity into stardom overnight. That rarely happens any more. For the vast majority of musicians, they do not get one big break but a series of small and medium-sized breaks that sustain them over time as their talent develops, and the value of their copyright rises and falls depending on the alignment of their creative output with popular taste. The few musicians who get telephone-directory-sized contracts make the news because they are newsworthy – ie very rare!

The breaks are provided by a range of investors who help progress a musician's career at various stages. These investors could be anyone from the musicians themselves, their friends and families, a manager, a venture capitalist, a music publisher, a small, independent label, or one of the majors. All these investors will make an investment in something that is loaded with risk. That musician is pure potential, not a guarantee of a return on their investment.

Investment in talent at the earliest stages, where the risk is greatest and the return least certain, is the hardest to come by. Finding investors willing to cough up development money has always been hard. But the lure of big returns for striking gold has in the past ensured a supply of speculators. The music landscape is changing, though. The market is crowded and segmented, lessening the likelihood that any one investment will yield that big prize. The upside is that the UK's pool of creative talent is plentiful and, provided the investment keeps coming, lucrative.

⁸ Burns Owens Partnership *SME Music Businesses: Business Growth and Access to Finance* (Department for Culture, Media & Skills, 2006)

Of course, practically all investments carry varying degrees of risk, and with sharp business acumen and an eye and ear for talent, these risks can be reduced. But no amount of market research or trial sampling can account for the vagaries of personal taste. The music industry is full of fables about sure bets failing to come up trumps, and dark horses metamorphosing into gold. Taking the conservative route and investing only in "safe and sounds" is perhaps the most risky strategy of all in a sector that frequently rewards ground-breaking originality – though sometimes punishes it too.

Andy Heath is the managing director of 4AD Music, a director of Beggars Group, one of Europe's largest independent music groups, and an executive director of Playluder, an internet service provider that integrates music into its consumer offering. Throughout his 35 years in the industry, he has often been at the forefront of developments in music innovation. He says:

You need people who have a pretty good sense of what makes for a good investment to continue to invest in this industry. And provided there's still money to be made from music, there will always be business opportunities. But it is getting harder – there's no doubt about that. You've got to look at what might tip the balance between making the investment or not.

For a pamphlet such as this, looking at the relevance of public policy decisions on the creative industries, a good place to start would be the investment environment. An incentive to encourage investment in the UK's music industry would signal the confidence that policy makers have in the UK's creative capability and its potential to take the lead in the global music market.

Investor confidence would also be restored if there were less chance that the distribution of their asset – the music – would fall out of their control, and into the control of pirates and illegal file-sharing networks. The age-old problem of theft takes on a completely different significance when you're talking about a product that exists in a form that can be distributed all around the world many times over at a click of a button. There is no comparison in history.

As technology advances, it stands to reason the technology that enables piracy and illegal file sharing will advance too. That technological battle will continue to rage and it is too early to say what the outcome will be.

What is more apparent is that this is not just a problem for music. It is already becoming a problem for publishing and audio-visual industries. We would be short-sighted as a nation if we did not treat the protection of our intangible creative assets, just when their value is growing, as a national concern. And we would be missing a trick if we didn't give this challenge the sense of urgency it needs at a time when technology is moving by the minute and new practices are continuously being established.

So this is a national concern, not just for the music industry, not just for law enforcement agencies and not just for policy makers. It is a concern for manufacturers of hardware and software, for cyber intermediaries whose websites act as the gateways to peer-to-peer traffic, for internet service providers, for mobile telephony companies. Each plays a role in the distribution or storage of music and together they have a shared responsibility to grow the market for legitimate content and restrict the traffic of illegal content.

As David Arnold, composer and producer, wrote recently:

As a creator of film and pop music, my work is at the front end of the digital revolution. I use new digital technologies to create and deliver my music, and my audiences use them to access and listen to it. However, in an ever-developing digital environment, the value of my, and other creators' music is decreasing, whilst the revenue of the platforms selling that music is growing enormously. This is not a sustainable equation ... After all, a digital music player without music is just a box with a hard drive in it.

And ultimately it is a concern for each individual too. We are a music-loving nation. More young people are making music than ever before. Our tastes are more varied and more demanding than ever before. We are listening to more music, in more formats, than ever before – on average we spend 12 hours a week listening to music. For young people, it is 17 hours – 10% more music than even five years ago. Yes, we are a music-loving nation, and long may we be so.

Money and art: how can we build world-class industries from our creative capability?

David Sproxton CBE:

The question is really about how you link money and art. The USA is a capitalist country where there is some support for creativity, but mostly this is from the private sector. The UK has a post-war history of government support for the arts, which has generated a

different mindset. Today this mindset might not exist so much with the practitioners as with the administrators!

Too often the artists don't want to be concerned with the money side, although they would like an income. Very often the artists' mindset won't handle the commercial side adequately, but they may be afraid to bring someone in to handle this for them.

In our business we use the classic producer/director arrangement to link the two. This model should be encouraged more in the creative sector as it works very well. One does the art; the other does the money.

But there needs to be a strong interdependent link between the two and a respect and understanding about what each brings. Our colleges can often be too focused on the individual to see how this partnership arrangement can add real value to the artists' endeavours. Basically, we are talking about marketing in its loosest term, something that we Brits aren't very good at. We seem to think it's a dirty word – whereas selling and marketing is the lifeblood of the USA. The most successful creative people in the UK understand this and manage to keep their integrity (although some don't).

Jude Kelly OBE:

If you look at what the British Council and the Mayor of London have found from their studies on how we are perceived abroad, there is still a very strong perception that Britain is about fair play, good governance, heritage, steady-as-you-go kind of things.

They don't particularly associate Britain with creative vitality. They think of Japan as creative, and they associate America with creative vitality very highly. Most people's experience of films, games, fashion and music come out of America.

One of the things that you continuously hear about Britain is that they're great at inventing things but they're not really good at capitalising on them.

Vivien Lovell:

We have a huge swathe of amazing creative talent in the UK that's the envy of any country in the world, and yet it doesn't seem to be supported at home as much as it could be.

There need to be more effective networks and mechanisms for bringing the creative sector and the private sector together. We have found that it is pretty difficult to get a

small creative arts enterprise taken seriously by the City of London Chamber of Commerce or the Birmingham Chamber of Commerce. There is a huge opportunity for opening up more channels of discussion, maybe creating a new forum for these entities to get together.

We don't take the time needed to understand another sector, and this can lead to lack of recognition and respect. We're not talking about a separate mode of life in terms of creative industries; we're talking about something which is the creative lifeblood of the country.

David Sproxton CBE:

There is a question of language and vocabulary here. The two sectors may simply not understand each other. Further, the period of payback may not match. Money men want annual, if not quarterly returns. The creative sector rarely returns that quickly. There needs to be more understanding from both sides.

Adam Sharp:

When I was a young manager of a band and trying to get things up and running, the dialogue that you would have with any investor, whether it would be a banker or someone else, came round sooner or later to the realisation that you can't guarantee any sales. You can't say, "I'm going to make a record and I'm going to sell 50,000 albums." It's impossible. You might sell one, you might sell a million and anywhere in between.

When you speak to people at EMI, about Coldplay, for example, when they first put the first Coldplay record out they thought they might sell 50,000. Twenty million records later ...

A lot of investors, therefore, don't understand the business model you have. EMI has a catalogue, and give or take a few percent you know how much that is going to generate on an annual basis. Therefore you can put a market cap on the company.

A young band with a young manager, with no past sales history – you could be the next big thing or you could be a complete flop – you need to find an investor who understands the 100% risk factor, who is involved with that, and usually it's someone who is keen on the sexiness of being involved in the music business.

The people who are successful investors in entertainment, especially music, are people who do understand that it's 100% risk; even if you've got the most talent, it's 100% risk.

James Tuthill:

The reason more people don't set up their own enterprise is probably because they don't have the money to begin with to incubate the idea. We tried the banks and they said, "No, this is too risky; there are no figures on chicken houses, and how are you going to sell it? Who is going to buy it? Blah blah blah."

You can apply for a loan which is partially guaranteed by the government. They turned us down. We needed in the region of about £50,000 and so eventually we just borrowed it off family and friends.

They saw what we were doing and saw we were working very hard. It wasn't a big risk for them, because they know where we live.

We took little amounts of money when we needed them, £6,000 for a van, some more when we needed a computer. Then the sales came in and we paid it all back within six months. We are now totally out of debt and we're investing in new stuff all the time.

Kristine Landon-Smith:

Fundraising has been a major, major part of this whole organisation for 16 years. All my life I've been raising funds to get on in my career because, actually, that's the only way. With the first company we went to our friends, we went to the alumni of our college and a few local businesses.

With Tamasha we did the same thing in the early days, but we also went to the Arts Council and we were lucky enough to get a project grant. We continue to apply to the Arts Council, but it never funds the organisation completely.

Our income is probably 60% public money, 40% other. In the subsidised sector you're trying to compete at a business level but the landscape is so different. You're not always using the same sort of norms that people are used to in terms of doing business.

You can't promise a monetary return on an investment, so when you're raising funds you have to look at very different ways of persuading people to support the organisation. We have to tell our sponsors what we're offering them, which is branding and entertainment.

David Sproxtton CBE:

All else being equal, is it harder to raise finance for "creative" enterprises than for any other type of enterprise? Probably, because "creative" business plans are woollier, the market is less easy to define, and often the thing seems subject to vagaries of fashion.

But this may be a matter of the matchmaking not being done properly. Clearly, Barclays in Soho Square has a better understanding of the TV business than Barclays in Sheffield, but which one would be better at understanding the steel industry?

There is some vanity publishing in this sector, especially with inexperienced financiers who see a gravy train but may not understand the real risks. TV is easier to control, as working with the commissioners means that there is a much higher chance of the target audience taking to the idea.

Duncan Kenworthy OBE:

If you want to invest in the film industry in America, you buy shares in Disney or in Fox, and the man in the street can do that. Here it's much, much harder. There aren't those big, vertically integrated companies. The City and the industry haven't really ever got together.

The Film Council is having an impact on this, because suddenly now we've got a statistics department which is taking a snapshot of the industry every year and building up statistics about how much has been put into development and so on, and how successful we are. We're starting to be able to make the case in terms that the City understands.

It's always hard to find money when it comes down to it, and the hardest money to find is development money. I've had some success so I've got money which I'm putting back into film, but it is risk money. No one wants to put money into script development.

David Sproxtton CBE:

If a venture is likely to become profitable it will need seed money to set it up, like any other venture. This can come from a variety of sources and there is no reason why this shouldn't come from the Arts Council or similar bodies on the understanding that it is operating like a venture capitalist.

The UK Film Council operates like this for many of the projects it helps fund. However, it needs to be spelled out clearly to all parties what the terms of the funding arrangement

are and how certain funds may have different conditions from other funds that bodies like the Arts Council England may hand out.

The public would love to get a return on its investment, but it hates seeing money being spent on expensive, exclusive projects that have no return or are seen as having little public value.

Sir George Martin:

Recently, Gordon Brown changed the rules on films and I was part of the lobby with him to do that because with the strict tightening up of the concessions on film-making about two or three years before, it meant that all the Americans stayed at home and they stopped making films in this country. That had a tremendous knock-on effect for musicians who write scores for film who suddenly found themselves deprived of a lot of work. With the change of rules, that has reversed. The work is coming back.

David Sproxton CBE:

It is all about level playing fields and how to retain talent and nurture skills. Within the commercial creative sector this mostly comes down to financial incentives. Given that many areas of creative endeavour operate in an international market, it is necessary to look at how other countries are encouraging creative activity, and are we doing enough to counter these forces?

For example, as a producer of animated shows for TV it is difficult to resist producing work in Canada, where there is a 20% tax break for production expenditure.

Whilst we may have created the show, designed it, and will direct it, the bulk of the budget will be spent in Canada "manufacturing" the show and the UK will lose out on developing talent and indeed a major source of income for its creative industries.

The Canadians will also take an equity stake in the show because of these funding arrangements, and so in the longer term income to the UK is further diluted.

The budgets for these sorts of shows generally exceed those for UK-produced feature film budgets, for which there is a tax break. But if public interest means UK plc losing out on economic potential then there is a case for intervention. We shouldn't be lured into the nonsense about free market economics where the cards are stacked so often against us in comparison with other parts of the world.

Certain states in the USA are also implementing tax breaks to encourage the creative industries, particularly in digital content creation, and the UK needs to be aware of how attractive these breaks are to financiers who have little regard for national interest, being focused on rate of return for their investment above all else.

Public policy and art: how can public agencies support our creative nation?

By Wilf Stevenson

Our creative industries are a significant part of the British economy. They currently represent about 10% of GDP, and they are also something that Britain is very good at. They are serving markets that will continue to grow around the world as people get richer and spend more of their time on leisure. The creative industries are one of the four sectors highlighted by the Department of Trade & Industry as likely to contribute most to the future wealth of the nation.

What role is there for the government? Clearly, the government should not interfere with properly functioning industrial sectors, and the main focus must be to set the framework. This requires:

- open and competitive markets;
- support for technological innovation;
- modernising our intellectual property framework;
- providing business support; and
- shaping the role of the publicly funded institutions.

But do we have the right support mechanism in place, which can maximise the potential growth of Britain's creative industries and the huge positive externalities these industries create beyond their economic value? What government does in education, regulation and other limited parts of the supply side can make a significant contribution to making Britain more competitive. If we accept there should be a role for government, how should it stimulate the contribution to be made to full employment and prosperity? And what should be the role of the publicly funded institutions?

Currently, the Department for Culture, Media & Sport has taken on sponsorship roles in design, advertising, fashion, publishing and computer games alongside long-standing responsibilities for architecture, broadcasting, film, crafts, the arts and music. It is therefore well placed to scrutinise the creative industries. However, significant areas of interest to the creative industries, such as responsibility for intellectual property and copyright, lie with the Department of Trade & Industry; there is shared responsibility with the DTI for certain regulatory issues, such as the communications industries regulator, Ofcom; education and training issues lie with the Department for Education & Skills; and the Treasury takes lead responsibility for fiscal support.

There is an argument that the twin objectives of economic and cultural support for the creative industries are not well served by the present arrangements for institutional support, and that they need to be refashioned in the context of an industrial and cultural policy that links business and the publicly funded sector more effectively than at present. After all, the publicly funded institutions, as creatures of government, must stand apart from the industry and the culture they are helping to sustain. This is a flawed model: there must have been many occasions in the past when the right thing to do would have been to depart from government policy, and to lobby for change.

It may be that we have now reached the end of the line for the current model of how government operates such support in the UK, particularly in the creative industries. The situation in the creative industries is more analogous to the regional development agencies than it is to the arts councils. The subsidy of good cultural work is still important, and should of course continue, but many aspects of the creative industries need public-sector investment in a partnership model, not a hands-off, grant-in-aid model.

As a starting point for a debate about a new approach to creative industry support by the government, I suggest here some guiding principles that should underpin a new approach:

- Policy should reflect the place of the creative industries in the UK, as a large and growing contributor to GDP, employment and prosperity.
- There should be a single point of contact with government for each of the sectors within the creative industries, and as much detailed work of government as possible should be devolved to that body.
- Government should retain strategic oversight of the policy area, and demand proper accountability, but should step back from day-to-day micro-management and control.
- A long-term and stable policy approach should be developed which allows the major companies to plan infrastructure and production investment decisions in the UK.
- Fiscal policy should underpin settled government policy.
- Support for the creative industries should extend to all current functions.

This leads me to propose that the present raft of publicly funded bodies should be re-established as sectoral development agencies, with devolved responsibility for the delivery of sustainable creative industries in the UK, with targets, and very limited restrictions on how they allocate their funding.

The need is for powerful bodies, quick on their feet, able to deal with international companies as well as small businesses and with their own revenue-raising capacity. The model is a "sectoral" version of regional development agencies, which have proved successful at realising the government's vision of full employment and higher-than-trend growth across the country.

Within this new model, responsibility for sponsoring the creative industries would be retained by the Minister for Creative Industries, within the DCMS, and would also acquire responsibility for Ofcom and a new copyright office.

Each sectoral development agency would be a non-departmental public body, accountable to ministers but responsive to industry views. Their purpose would be to:

- further economic development and regeneration;
- promote business efficiency, investment and competitiveness;
- promote employment;
- enhance the development and application of skills relevant to the sector; and
- contribute to the achievement of sustainable development in the UK.

Each SDA would produce a strategy for achieving its purposes, bringing together the work that they themselves undertake with that undertaken by other bodies, and also the delivery of national programmes.

One of the key features of SDAs should be that they should lead to a greater degree of integration between different policy areas, and to a greater degree of co-ordination between central government and various local partners, thus allowing for the provision of service to match more closely the needs of the sector.

The SDA would be given powers to do anything that it might consider expedient for the achievement of its purposes. These might include:

- giving of financial assistance;
- investing in projects and schemes;
- purchasing and sale of land for best consideration;
- forming and acquiring an interest in a body corporate;
- making regulations and other instruments of a legislative nature, subject to the approval of the Secretary of State;

- regulating market access and competition issues;
- the power to levy companies and bodies operating in the industry; or
- determining the number and scope of other bodies required to achieve targets.

The result would be a new model for designing and implementing the best possible infrastructure and environment in which our high-growth sectors could reach their full potential.

Public policy and public agencies

Vivien Lovell:

The regional development agencies and local authorities should support the needs of creative industries and ensure that there are subsidised studio spaces for artists in those early, difficult years, to enable them to get their business established.

It's the same with fashion or music or publishing – any small creative enterprise. There could and should be incubator studios or offices for such practices.

If at the end of an agreed partially subsidised or rate-free period, the creative industry doesn't make it, then obviously it's not something that's going to survive in any case.

Ultimately, people have to make their own living, so I would not necessarily advocate public subsidy in perpetuity. I'm just talking about grants or rate-free periods or tax breaks that could apply for a start-up period. The Crafts Council used to run setting-up grants for young craftspeople in their early years after leaving college, and that was money enormously well spent.

David Sproxton CBE:

We settled in Bristol because we couldn't afford to live in London when we left college. We chose Bristol because of the BBC base in the town. In other words, it had a fledgling media industry and we didn't need the facilities offered by London at the time. The company would be in a very different shape had we been in London, mainly because of the increased overhead not allowing us to spend our hard-earned cash on developing projects which we would later sell to TV companies.

Lucy Newman Cleeve:

In terms of publicly funded support for my own professional development, the Inland Revenue has been more useful to me than anything else by giving me free courses on

how to complete my tax return.

James Tuthill:

A guy from the DTI has been coming to visit us for about a year and a half and he is awesome. He does the Passport for Industry. He'd challenge us, asking, "Why are you doing that?" And he didn't want anything in return. He never tried to sell us outside consultancies; he never tried to take money from us or anything like that. He's just given us good, straightforward advice. He's useful for checks and balances.

We're trying to set up in America and we paid for him to come along to advise us in the States. He put us in touch with the right people. He gave us lists of people we could talk to, like lawyers, bankers. The government has a whole network of people. All of our contacts pretty much have either come from the government or from industry bodies.

We'd love to be able to sell them all over the world, but you have to set up business systems to deliver the product.

David Sproxton CBE:

Business Link and the chambers of commerce operate on a practical level, but whilst we have good contacts there we don't really use their services as such very often.

I guess we should be using the regional development agency for pushing for changes with central government, but we tend to do that with our trade bodies and media-related quangos. Access to the top bods at the RDA doesn't seem to be easy.

RDAs are only as strong as the people who run them, and that depends on whether they understand their region and the industries in them as well as they should. Our particular RDA has taken a long time to recognise the importance of the creative sector in our region, although the corner is now turning.

Jude Kelly OBE:

More than I ever remember, commercial sectors and broadcasting sectors and subsidised sectors are all having conversations with each other. Tiny enterprise cultures sit at the same table as the big corporations. There is acknowledgement that you're part of this big melting pot and ecosystem, and that we need each other. That's a really good thing.

Strong industries need strong leadership

Andy Burgess:

Hollywood is regarded as the epicentre of the film industry. People with ambition and a bit of drive want to be at the centre of things. In America, people who work in the film industry can have a better quality of life. They can earn more money and there is constant work. The British film industry is minuscule. People who work in the film industry in Britain might get work for six months in the year. Ultimately, the proper, steady, well-paid work is in Hollywood.

David Sproxton CBE:

We need to find a way of retaining our talent in the UK if they are not to be poached by the US studios with their bigger salaries and opportunities. We have lost several good people to the US, although with the right (big) project we might lure them back.

This leads into looking at how we develop strong projects to produce a rolling programme with the attendant financial backing and risks. Film funding in the UK is at best very difficult and at worst a nightmare, and there are very few companies that have a rolling programme of strong projects with appropriate funding.

It's the UK Film Council's remit to tackle this problem and it is beginning to make slow headway, but without companies having rolling programmes of strong projects it is difficult to retain the best talent in the UK. This comes down to financial incentives encouraging long-term, large-scale investment. It's a global business and we need to get people's heads into that space.

Leadership in the cultural sector

By Tony Hall CBE, Chief Executive of the Royal Opera House and Chair of the Sector Skills Council for the Creative & Cultural Industries

We have had the debate before: is leadership different in the creative and cultural industries? We certainly face a unique set of challenges. And we bring a unique motivation to our work. For us, the passion is about the art, the creative product, not the management process. In other industries people do not get excited about widgets or cereals the way we do about music, drama and design.

But whilst we are different, we are also the same.

Firstly, we must share with the rest of the economy concerns about our management capability. The Department for Education & Skills reports that one in three employers see a deficit in management skills among their staff. Would an honest appraisal of the creative and cultural sector give us a different statistic? If not, we must address this management skills deficit alongside our approach to leadership development. "Management" must not be seen as the poor relation of the more glamorous and intellectually exciting "leadership". We must work at developing both concurrently if we are to see the right qualities in those we task with managing and leading our industries.

Secondly, we must take responsibility for our future leadership – and start to understand that we may find that leadership talent in places where we do not expect to see it. Sandy Leitch, due to report later this year on the skills needs we will face as a country in a decade's time, has raised an interesting point. He points out that we have already educated the people who will make up 70% of the workforce in 2020. So if we want the workforce to be led differently, and have different skills, then for the most part, we will have to concentrate on training people who are in work at the moment. This means our future leaders are already working with us – on our stages, in our studios, galleries and offices. Do we recognise them when we see them? What are we going to do to make sure we are developing their potential to the full?

Where we are different, and where I think developing leadership in the creative industries can help other sectors, is in the complexity of managing creativity. Of course, you need to understand how to run a business financially and within the law. But success is judged in other ways too, in ways that are much harder to measure quantitatively. How do you judge the success of a theatre? Audience size? Box office returns? Or something much

more mercurial: the buzz around the work that they are doing? There are often far more stakeholders, each of whom may judge success differently. Funding may not be solely commercial, but part public or relying partly on giving. And then there is risk: a creative organisation, an innovative organisation, thrives on risk. But how often have you heard organisations say they want to encourage risk and innovation, only to dump on its progenitors if something goes wrong? All of this complexity and ambiguity needs leadership of a high order.

We don't – so far – train our leaders or our managers enough. Again, we are not alone in this. Other sectors, from schools to the health service, are wrestling with the leadership development needs of their own areas. The commercial sector is perhaps further ahead. Here, investment in pursuit of good leadership is high – a 2004 report suggests that around \$50 billion per annum is spent on leadership development worldwide. Fortunately for us, not the wealthiest of sectors, the solution does not depend on funding alone. Instead, there are three things we can do to meet this challenge.

Firstly, we can commit collectively to bringing about change. Not just emotional or abstract intellectual commitment, but active involvement that makes demands on time and energy. In organisations that are already stretched, this will be a challenge. Existing leaders will be asked to give up their time to shadow, mentor, advise and guide the people who will eventually succeed them. And those future leaders will have to juggle their existing commitments in the interests of their own development. None of this will be easy. It will require energy, creativity, insight and dedication – the very qualities that already contribute to the sector's remarkable success. This is beginning to happen and is very exciting, pioneered by the Clore Foundation, and with money set aside by the Chancellor for management training and skills development in the arts.

Secondly, we can widen our thinking about what constitutes leadership training. In a largely graduate sector, our focus might tend to be on formal academic approaches. We would be missing a trick. We must promote alternative, particularly work-based, styles of learning that reflect people's different styles, personal circumstances and learning needs. Approaches will vary from outdoor challenges to formal coaching to informal mentoring. There is certainly no simple answer and no "one size fits all" solution. We need to accept a diversity of approach and delivery to reflect the diversity of our workforce.

Finally, we can develop our thinking about what we need to manage creativity. All the business school models of leadership tend to be from the commercial world. As an industry,

we must build our own creative and cultural expression of good leadership practice. There is no room for diffidence in this. Our leaders need to come forward and contribute to this expression, based on their own considerable experience. Here are my first thoughts:

- You have got to put the art first: it is the only reason we do what we do. It sounds simple but it's not, as the pressures to concentrate on other things are huge.
- Be bold: give others the courage to be ambitious.
- Take risks, and know some things will fail. But learn from them in a way that no one feels to blame.
- Keep the finances under control. If the money goes wrong, then the art suffers.
- Be clear: but also know how to deal with ambiguity. You should be a juggler who can keep lots of plates spinning, though a friend once told me that running an arts organisation is more like juggling with chainsaws.
- Keep your focus outwards, as well as inwards. Leaders above all must see the bigger picture, what's happening in the wider world, and be ready to respond.

Conclusion

Ten concluding observations

By Cathy Koester

1. The creative industries are growing at twice the rate of the rest of the economy and are worth more than £8 billion to the UK. Globally, the market value of the creative industries is estimated to be \$1.3 trillion. New markets will open as household income increases – both in the UK and in other parts of the world, notably in China and India. Meanwhile, technology is rewriting the rules of the game and the past is an unreliable guide to success in the future. As Jude Kelly puts it, we are at a pivotal moment.

2. Creativity is more important to our national life than ever before. More people are participating in pursuits deemed to be “creative” and more young people aspire to work in creative sectors. Yvette Cooper’s observation that young people are as likely to be calling for local recording studios as they are skate parks is a case in point.

3. We are a remarkably creative nation with a strong track record for creative genius. Vivien Lovell’s assertion that creativity is part of the spirit of this country rings true. We are a nation of individualists, mavericks, and inventors. We do not lack creative capability.

4. Creative people are ambitious for success, but would more readily compromise or delay commercial success than sacrifice artistic integrity. However, as the successful creators in this pamphlet argue, commercial success need not demand the sacrifice of artistic integrity. Britain should marry the commercial drive of the US with the artistic innovation of the European art-house scene in order to avoid the excesses of both.

5. Creative people are not getting the preparation they need to help them achieve their ambitions for success. Our educational culture does not seem to prepare our creative people for how to commercialise their talent as well as it should. Creators say they don’t have good business acumen, and report that they pick up vital financial management skills as they go along. Russell Taylor and James Tuthill are surely not the only ones who flew by the seat of their pants on their way to success. It may not be possible or even desirable to attempt to turn all creators into shrewd businessmen and -women, as Sir George Martin intimated. But we can and should ensure that creators can work with business-minded people who can positively exploit their creativity, for all of our gain. It is David Sproxtton’s model of the beneficial producer-director relationship.

6. Unhelpful stereotypes still characterise the way in which creators are viewed and the way in which they view other professionals. As well as creators failing to project the professionalism of their work, there is a suggestion that our financial institutions still do not recognise or appreciate the commercial potential of creativity, and that society has not yet normalised the assumption that creative output has a commercial value that can and ought to be exploited. Sir George Martin's anecdote about having to explain to the top brass why record companies released "the other 635" singles that did not make it into the top 10 one year shows that there are indeed differences to grapple with.

7. The creative industries need a strong infrastructure in place and critical mass in each of our creative sectors to create a buzz, keep talent and compete globally. Duncan Kenworthy notes that as soon as new markets emerge, American companies pounce. Public policy should consider how it can facilitate each sector of the creative industries to maximise its growth potential, not least because success can often breed more success. As Andy Burgess says, talented and ambitious people want to be at the epicentre of their industry.

8. In a global marketplace where business can move across borders, creative industries will settle wherever the environment is most attractive. As David Sproxtton warns, financiers have little regard for national interest and focus instead on rates of return. With English as the world's commercial tongue, our enviable geographical position between America and Europe, and a stable economy, we start with a competitive advantage. With China and India coming into the fray, we need to work hard to keep it.

9. Where the creative industries differ from other industries, special attention may be required to make sure those difference don't put them at an unnecessary disadvantage to other industries and hinder their growth. For example, nearly every contributor mentioned the importance of copyright to their livelihood. Several mentioned the problem of piracy, compounded exponentially by the digital age, in which a single pirated copy can be distributed to the world at the click of a button. Longer returns on investment in some creative sectors may discourage investors from putting up development money and constrict innovation. New business models will of course emerge in response to changing market conditions. However, care must be taken to ensure that any market distortions that appear during this period of transition get quickly ironed out so that the creative industries do not needlessly suffer.

10. A concerted effort between creators, the financial community, the educational establishment, and the government is the surest way of building the best infrastructure

for the UK's creative industries to continue to grow. Who would not want to see Britain emerge as the world's superpower in music, television, film, computer gaming, fashion, design, theatre, literature – achieving the government's aim for the UK to become the world's creative hub. Or in Ian Anderson's words, for Britain to “recolonise the world with something a little finer than guns, mirrors, beads or bombs”.

The Smith Institute

The Smith Institute is an independent think tank that has been set up to look at issues which flow from the changing relationship between social values and economic imperatives.

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