

# creativity in the new economy

A series of four seminars held between  
**April and July 2000**

Edited by John Wilson

Introduction by Hugo Foxwood



The Smith Institute

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## **Introduction**

In today's knowledge-based economy, creativity has more financial value than ever before. But creativity not only enables us to find and exploit business opportunities, it can also enhance our quality of life through all stages of work and education.

The four seminars in this booklet explore ways to stimulate such creativity. They look at the various conditions that will release most individuals to fulfil their creative potential. The seminar speakers come from a broad range of business backgrounds and tackle subjects as diverse as financial instruments, power structures, new technologies and British cultural attitudes. However a similar theme runs through all the seminars: if we can provide the courage, the space, the education and the leadership then we can reap enormous benefits from the creative potential in our workforce.

The Smith Institute was set up to look at the changing relationship between economic imperatives and social values. This is because of a conviction of the late John Smith that we don't have to choose between economic prosperity and social justice, rather we can realistically seek to maximise both. Notions of creativity touch not only on our economy but also effect the quality of life and career opportunity for all individuals in Britain, whatever their age or background. In order to examine the subject of creativity, the Smith Institute set up this series of seminars to draw together leaders and thinkers in business, education, media, politics and academia. We hope that through the sharing of ideas and best practice we will see more creativity released across the board.

### **Seminar Topics**

The first seminar examined how the music industry has been working on sustaining its creative and economic edge, partly in partnership with the DCMS. A major issue for the industry has been the illegal copying of music over the internet, made possible by software like Napster. This raises other issues such as how a teenage customer base, without access to credit cards, are expected to buy products over the net. The second seminar looks at how to stimulate creativity through all stages of education. It addresses not only the national curriculum but also the way that new communication technology

may enhance creativity in itself. But of course the primary inspiration for creative pupils will be creative teachers. The third seminar looks at the issues of financing and regulation in Britain's creative industries. One speaker shares how BT is investing in the development of new projects, ensuring they reach the final stage. The speakers for the fourth seminar share their experience in British television but also address wider-ranging issues of creative leadership and the cultural divide between Britain and the United States.

### **Seminar Themes - risk, space, education and leadership**

#### ***Risk***

Perhaps the most clear-cut cultural difference between Britain and America lies in our attitudes to entrepreneurial risk. This can be seen not only in economic statistics, for instance there is far greater access to venture capital in America, but also in the social attitude to business failure. It is said that to have failed at four businesses and be setting up your fifth will provoke admiration among Americans but consternation among the British. Stewart Davies, the director of BT's research and development, argues that providers of capital need to be really willing to back more than the eventual number of ideas, viewing failure as merely a step towards success. Jane Root of BBC 2 states that Hollywood's success was due to a high risk strategy of giving a lot of money to a few people like Steven Spielberg and George Lucas. Whether this was out of desperation or courage, the financial rewards have been enormous. It seems clear that if failure is not feared, but simply viewed as part of the creative process, then such a courageous attitude would transform the way we fund our arts, run our businesses, invest in research and innovation and educate our children.

#### ***Space***

Central to a healthy attitude to risk is learning to trust people by giving them the space to make mistakes. This lack of trust is perhaps the biggest reason why teachers have been so antagonised by recent government policies on education. Michael Stevenson of the BBC argues how there has been a pendulum swing from the free form learning of the 60's to the heavily prescriptive curriculum of the 90's. This was because partly, and probably unfairly, "creativity" became associated with the falling standards of education in the 60's. So creativity in education became synonymous with a lack of discipline and an ignorance of content. The irony is that truly creative

people, such as the artists and business entrepreneurs of today, are known for their passion in learning and rigor in self-discipline. But this is only when they can pursue their individual passions. Hence Bill Gates drops out of Harvard and, free to pursue what interests him, his true creativity flourishes. Our education system is surely failing to the extent that it does not give teachers and students the space to discover and nurture their passions.

### *Leadership*

Education should assume that all children have an innate potential to be creative. Indeed many adults need to become more like children in this respect. But the reality of the market place is that some have far more highly developed creative gifts than others. Hence the need for the truly creative in the world of work to be given positions of leadership. In the last seminar several people discuss the leadership of large institutions that are designed as museums or art houses. If accountants run museums they will probably become like businesses, but how could, say, a famous playwright, be persuaded to run a large institution rather than write? One of the suggestions by Ruth Mackenzie is that the institutions themselves need to be transformed to become, “places where you can risk, places that are full of trust – both for artists and for communities, both for the socially excluded and for the haves who are ‘art fans.’” This is a bold vision for creativity, prosperity and social justice. But then as we learn from Hollywood, it is the bold visions that people will follow.

## **Acknowledgement**

As background to the first seminar we have included, as an Appendix, the Executive Summary and Recommendations from Martin Mill’s report on “*The Impact of New Technologies on the Music Industry*”. We are grateful to the Department for Culture, Media and Sport for permission to reproduce this here.

Seminar 1

# The impact of new technology in the music industry

A Seminar held on Wednesday 5th April 2000 at  
**11 Downing Street, London**

Edited by John Wilson

## Introduction

### Wilf Stevenson

Welcome to this series of four seminars on “Creativity in the New Economy”. First of all I would like to thank the Chancellor for his permission to use the rooms here at No. 11. Our sponsors, British Telecom and the BBC, are supporting the whole series and we are very grateful to them. Our partners on this occasion are DCMS.

We at the Smith Institute have been interested in enterprise for a couple of years now. We ran a series of seminars last summer, which I think were very successful, and in which Chris Smith was one of our key speakers, on Cultural Entrepreneurship. It is gratifying to see at least one and possibly two policy measures in the Budget and a number of initiatives that have arisen as a result of discussions that were held here this time last year.

This series is looking at Creativity in the New Economy and today we are looking at a fine example of that in terms of British native genius: the music industry. In February the Chancellor of the Exchequer gave a speech to the Smith Institute at which he said, “At every point in our industrial history, our greatest successes have been built on the creative genius of our people and the willingness to adapt and change. This is true not only of the inventive skills – from the steam engine to the jet engine – which made Britain the home of the first industrial revolution, but also of the pioneering work of Babbage and Turing which made possible the computer and information revolution. Now that the future is knowledge-based, we can already see the qualities needed for success. Those countries that will succeed will be those that can best unleash the potential of their people by drawing on the qualities of creativity, flexibility and adaptability, the work ethic and of course an open and outward looking approach to the world.”

He concluded, and I think this is relevant for our discussions this morning, “We can be optimistic in Britain because we have the indigenous talent in all the relevant industries to make Britain the centre for a new Hollywood of the creative and interactive content industry.” Of course he includes in that, music.

At the same time it is worth recalling that the CBI 1999 Innovation Trend Survey states, “Processes and products and services are being developed faster and some companies are starting to show increasing gains from innovation. However, there is concern about levels of creativity as a constraint on innovation.”

‘Creativity’ is a word that is appearing in lots and lots of discussion groups. I was at a seminar recently at the Design Council which, rather unfairly I think, asked a group of 40 or 50 people to try and actually be creative: we had to come up with ideas for products that were put on the table in front of us. On my table, and I’m sure I am not giving away any secrets on this, were two things that looked a bit like small children’s shoes, which turned out to be a very useful and I’m sure a very important development which was to allow cows that had rotted feet to walk across to the milking parlour without losing their footing. We didn’t get that, I’m afraid, and we weren’t the only ones that had trouble. But what was actually interesting about that was that although there were about 40 very bright and intelligent people there, the level of creativity was not high.

You may say that we are asking even more of you, particularly as you had to arrive here at 8.30 in the morning and be creative, but of course there will be no problem because we are going to be inspired by our first speaker, who is the Secretary of State for Culture, Media and Sport, Chris Smith.

## **Rt. Hon. Chris Smith MP**

Secretary of State for Culture, Media and Sport

### **The Background to Martin Mills' Report**

I am very pleased to welcome all of you to No. 11 and I am grateful to the Smith Institute for organising today. I am particularly delighted that the spirit of John Smith lives on in the work of the Institute that bears his name. It is a particular pleasure to see Elizabeth Smith with us here this morning.

We are here to launch and discuss Martin Mills' report on "*The Impact of New Technologies on the Music Industry*". I would like to start by congratulating Martin and the members of his group for producing such a clear, concise and well informed report. It is, I am sure you will agree, an excellent and thought-provoking piece of work which provides a clear agenda for us all.

By way of background, many of you will know that this report emerged out of the work of the Music Industry Forum, the cross-industry body that I set up in 1997 to bring together industry and Government. In June of last year I presented a paper to the Forum which sought to identify the key issues the industry faced in the coming years. It became clear during discussion that e-commerce was the key issue for the industry. Some feared increasing digitisation and accessibility would lead to an increase in illegal copying and pirate activity, but most saw it as an opportunity to enter a new era of real growth. I think in many ways, over the last year and a half, we have seen a sea change in the attitude of those in the industry towards these issues. Where at first everyone saw the difficulties and the dangers and the threats (which are still there, we can't write them off, but that was all they saw), now they see primarily the opportunities, but also the need to ensure that we work in the right way to make the most of those opportunities.

What was clear to all of us, though, was that the issue merited an in-depth examination by the experts. I was delighted when Martin agreed to chair the group of experts we set up to do this. The result is the report we are launching today.

### **A Challenge for the Music Industry**

In his speech to the Smith Institute last February, as Wilf has said, Gordon

Brown spoke of the need for Britain to harness its innate creativity and adaptability in order to become world leaders in the knowledge economy. This, I believe, is the key challenge for the music industry, positioned as it is at the cutting edge of e-commerce. Of course, the development of the on-line environment is a phenomenon no industry can afford to ignore. The figures speak for themselves. Around 13 million people in Britain are now connected to the internet. Revenue from e-commerce is expected to exceed £10 billion next year, 300% higher than the predictions for this year, and the internet is challenging the High Street as a convenient, flexible and accessible place to shop.

This is truly the beginnings of a revolution in the way we do business and the Government is determined to help UK industry flourish in this new commercial epoch. As many of you know, the Government has set a target to make the UK the best environment in the world to trade electronically by 2002. In September last year the Prime Minister launched the Performance Innovation Unit report "*E-Commerce@Its.Best.UK*", setting out our vision and strategy for e-commerce. It is a vision I want to help become a reality for the music industry.

That industry is, as all of you know, one of the UK's biggest and most culturally significant creative industries. It is deeply embedded in our culture. British popular culture is dynamic and innovative, and music is at its heart. It enriches our lives; it transcends cultural boundaries; it unites us. It is a powerful influence for education and improvement as well.

But the industry is also a great economic success story. For four decades now, Britain's music companies have been world leaders. The industry's growth has been astonishingly rapid. In the early 1960s, around 25 million albums were sold per year. (The word 'albums' sounds really old fashioned now.) This modest industry has since transformed into the vibrant, multi-million pound international business of today, which generates over 130,000 jobs, contributes £3.2 billion to the value of the UK economy and earns £1.3 billion through exports.

On my recent visits to China and the United States I saw again the enormous impact that British music has overseas. (I have to say we could do better in the

United States than we are doing at the moment.) This is a great tribute to the creativity of artists and songwriters and to the entrepreneurial spirit of the industry. The onset of new technologies and the projected development in the market for music suggests there is yet more potential for growth. It is this potential that the Government wants to help the industry to realise.

That is why Martin's report is so important. I am sure most of you here today have been grappling for some time with the question of how your business should adapt to the on-line revolution. I know from my time at MIDEM that the industry is responding with business solutions as exciting and innovative as any emerging from other sectors, but the added value of this report is that it maps out an agenda not just for Government, but for how collectively the industry can work together to create an environment within which all of its constituent businesses can do business.

### **If Consumers are King, Creators must not be Serfs**

The report is aptly called "Consumers Call the Tune", for it is consumers who are driving the on-line revolution and it is the new technologies that give them the ability as never before to get the music they want, when they want and where they want. The challenge for the industry is for it to respond to this new level of consumer power with more of the innovation and flexibility that have been its hallmark over the last four decades.

The fact that consumers are king, however, must not condemn creators to a life of serfdom. Listening to some commentators, one is left with the impression that the ability to get free music on the net is some sort of right. But, as Martin says in the introduction to his report, "If today's music isn't paid for, tomorrow's music won't be made."

The simple truth is that British songwriters, performers and music companies will only benefit from the on-line revolution if on-line music is paid for. The great strength of this report is that at its heart lies the principle that music has a value, to its consumers, to its creators and to other businesses who use music. We are committed to working with the music industry to promote and safeguard the intrinsic value of music and copyright, because it is clear that an understanding of the value of recorded music, and the rights of those who make it, is essential for serious e-trading in music to begin.

## Intellectual Property Rights

Intellectual property (IP) rights are at the heart of the burgeoning knowledge economy and are of critical importance to all our creative industries. That is why the Government set up a sub-group of the Creative Industries Task Force, chaired by my DTI colleague Kim Howells, to look at awareness of and education about intellectual property. Their report was issued last Friday. It contains a number of recommendations for Government and industry together to explore how messages about the value of IP to both creators and the wider community could be improved.

Martin's number one recommendation refers to the work of Kim Howells' group, and this is understandable. All its proposals are designed to instil in creators and users of IP a greater understanding of and respect for the importance of property rights. After all, it is only the income generated from the commercial use of IP rights which enables creators to live from their art and entrepreneurs to generate the profits to reinvest in the artists of tomorrow (an area where the music industry has a particularly good track record: at least 13% of music companies' annual turnover is reinvested each year in new talent, a higher proportion than in many comparable R & D based industries such as pharmaceuticals). I can assure you that Government and industry will be working hard to implement the recommendations of the IP group.

I was particularly interested in Martin's recommendation concerning teenagers being able to buy things on-line. Here is a group in society with a keen interest in music that is currently excluded from buying things such as music on-line because of a lack of access to normal credit cards. This may, of course, be one reason why there is such trading in illegal MP3 files, but I think we all have a job to do to persuade this emerging generation that in the information society, all intellectual property, including music, has a value, and to find imaginative ways of enabling them to pay for it properly. This is an issue I intend to raise with my ministerial colleagues to see what can be done.

Of course a key element of Martin's report is the issue of copyright in the on-line environment. UK copyright law was in many ways ahead of the world when it was enacted in 1988, since it still provides a very good basis of protection for use of copyright material, both on and off-line. Government accepts, though, that there are certain areas where some change is now needed,

not least to enable the UK to ratify the two new WIPO treaties relevant to the information society. I and my colleagues in DTI have listened very carefully to the concerns of the music industry on issues such as the copyright directive and the statutory licence and I can assure you we will continue to do so. Ideally I want these things to be resolved as rapidly as possible.

### **The Report's Other Recommendations**

The report makes a number of other recommendations for Government action and we will be examining these with an open mind. Some have already been set in motion, notably of course the recommendations to consult the music industry in discussions on legislation relating to e-commerce, and to commission research into the demand for and supply of finance for small firms working in the music industry. And we will be working with you to see what else we can do.

Importantly, though, the report also identifies areas where the music industry can work together to improve its ability to seize the opportunities the on-line revolution affords. The industry is urged to trade on-line and to embrace new technologies for production, distribution and the marketing of music. I know many of you are well down the road to doing this.

There is a recommendation to establish and promote a contractual and licensing framework for streaming and downloading music on-line speedily, which seems to me an ideal way for the industry to steal a march on its competitors. A call is made for you to develop a 'trust mark' to indicate to consumers that music from a particular source is properly licensed – a very exciting idea which I would like to discuss further with you. And you are encouraged to develop and adopt pre-competitive standards and unique identifiers which are open and interoperable, to cover hardware and software for the secure delivery of music, including encryption, watermarking and usage rules of music on-line.

If adopted, I believe these recommendations would give the industry a launch pad from which it could truly become a world leader in the on-line revolution. I know from experience that this is a can-do industry, less interested in problems than in how to solve them, and I have every confidence that you will give these recommendations the close consideration they so fully deserve.

As I noted earlier, the Government has set itself the goal – a rather ambitious goal – of making the UK the best place for e-commerce in the world by 2002. I believe music has a vital role to play in the overall development of e-commerce in this country. How big a role depends primarily on the industry itself, but Government recognises that we too can help. I have identified areas where action is already under way, but as this report shows, we can and must do more.

I would like to end by once again expressing my sincere thanks to Martin and his group for producing this excellent report. It's an optimistic document which gives us all a clear guide as to how we can make this great industry even more successful in the next century than it was in the last. I share this optimism and I would like to hear whether you do too.

## Discussion

*Wilf Stevenson*

For the discussion we shall be joined on the platform by Dominic McGonigal and Martin Mills. Dominic McGonigal, as you know, works for MCPS, but has been seconded to the Department of Culture, Media and Sport. He is the principal author, I think, of the report chaired by Martin Mills. The CV that Martin Mills sent to me conceals one very important fact, that the reason the report is so good and fits so well with the Department's interest is that he had a secret life before he got into music as a junior member of the Civil Service and he is therefore no mean hand at writing reports himself. But of course he is best known to you as the man behind Beggars Banquet.

## The Issue of VAT

*David Phillips*

I am CEO of Crunch Music, which is a UK based digital music provider. Unlike most other MP3 players, we are selling our music and we are selling our music to the world. My question relates to the issue of VAT, which I didn't see mentioned in the report. We are directly competing against other providers, some of them located in North America, and we are subject to this 17.5% tax. How does the application of VAT in your mind affect the music industry, where a consumer can shop anywhere, from anywhere, and where there is digital delivery of the product? This really puts the digital music sector apart from other e-commerce sectors, where physical delivery barriers are applicable.

*Response: Chris Smith*

I will leave it to others to deal with some of the technicalities, but the general principle has to be that the VAT environment must be the same, however a particular good or service is delivered. This is an issue which will affect any sort of translation of intellectual material, be it written material or music or any other form of created intellectual property, so as to be transmitted by digital means. This is therefore actually a very difficult issue, not just for the music industry, but for a whole range of industries including, for example, publishing.

But it is something where the principle mustn't be to try and exclude things simply because it is difficult. What we have to do is try and ensure that the VAT environment is the same, whether it is physical delivery or virtual delivery of material, and that no one is either disadvantaged or advantaged because their particular bit of property is being delivered and sold in a different way from another. That's the principle. How you implement it is a much more difficult issue, I of course acknowledge, but it is something we need to pay some considerable attention to.

*Response: Martin Mills*

The level playing field on tax is in fact a recommendation in the report. One of the key issues in all of this is that it is a global marketplace and trade can move around. I think that the regularisation of taxation, so that there is no favouritism to any particular market, is really important.

*Response: Dominic McGonigal*

One other point to mention on the level playing field and the tax regime is, of course, National Insurance. The current National Insurance liabilities on employees benefiting from share options rather than salary does go against us, I think, in this country, and we have put that into the report as well.

## **Regaining Ground in the US**

*Clive Brook*

Picking up on the States, could you elaborate a little bit further on why we are failing to make the most of the opportunities there, and what we might learn from the States to try to ensure we make greater penetration?

*Response: Chris Smith*

The first thing to say is that this of course goes in waves. We have been very successful in the US at periods in the recent past, as well as in the great golden days of the Sixties, but at the moment we are not doing well. There was a period last year where we had no British material at all in the Top 100 records in the charts in the States, for the first time for several decades.

Others in the room will probably know better than I some of the underlying

reasons for that. Some of it has to do with taste. Some of it has to do with the way in which music is sold and marketed in the States. Some of it has to do with the disjointed nature of US radio coverage, that if, for example, you are a British group and you are going across to promote a disc, if you are going to promote that in any sort of realistic fashion across the States, you don't just get a slot on Radio One and have a big bang approach to the entire nation, you have to do slots and interviews and appearances and marketing with a whole host of individual radio stations right the way across the United States. It is a much more labour intensive and difficult exercise.

That's part of the reason, but there will be other reasons as well. I am absolutely confident that this is not a phenomenon that will last forever. There are big opportunities there and we need to try and make the most of them.

*Response: Martin Mills*

What Chris says is absolutely right. I think at the moment we are in a time when stylistically the cultures are very different, in that what America wants to hear is Hip Hop music, which we are no good at, R & B music, and the kind of rock music that simply doesn't come out of the UK. I am sure that cycle will change. When we have been successful in the US, it's because UK tastes have been in fashion, and that will come back I am sure. We need to work at making sure it does so.

## **The Pace of Legislation**

*Lavinia Carey*

You said you needed to move fairly quickly on legislative changes. I would be fascinated to know how quickly and whether you could illuminate this point a little bit?

*Response: Chris Smith*

The answer is that legislation takes time – something you learn very rapidly when you make the transition from Opposition to Government. However, if you think legislation just in a domestic setting takes time, the moment that you add the word 'Europe' into the equation, the timescale expands even

more. I have to confess that I have been somewhat frustrated by the time that it has been taking us to secure European agreement on the draft copyright directive, and achieving agreement on that is an essential part of the ratification of the WIPO treaties. I think as soon as we have agreement on the copyright directive, then we can move pretty well straight away to proper ratification of the WIPO treaties.

Now of course the States sorted this out around about a year ago. We are lagging behind. There has been a genuine discussion going on in Europe about the balance which needs to be struck between the rights of creators and the rights of users. I think we are genuinely getting near to a solution on that, but I do wish it could be done more quickly. We are certainly, together with the DTI, working very hard on trying to ensure that that does indeed happen.

## **Web Currencies**

*Peter Ramsden*

I was interested in what you said about the problems of teenagers not being able to buy over the internet. Has the Department considered solutions such as web currencies and encouraging these as a way of developing this market, as these are likely to be more available and can be translated into cash and vice versa, perhaps through parents' credit cards?

*Response: Chris Smith*

Web currencies are a fascinating idea, something which I think we do need to have a very careful look at. It is not something I can go snap on and say, "Yes, of course", but that sort of imaginative solution to the problem is something that we undoubtedly need to explore.

## **Opportunities in China**

*John Deacon*

Secretary of State, you mentioned your trip to China. Obviously there is an enormous revolution going on over there at the moment, economically as well as technologically. I just wondered what you felt the opportunities

were there for the music industry, and indeed for any of the other creative industries that are concerned about that area?

*Response: Chris Smith*

China is an absolutely fascinating economy, partly because it is so vast. There are two economies in China. There is a burgeoning middle class economy, which is mainly concentrated in the cities and is a proportion of the population, but because it is a proportion of a very big population, it is a very large number. There is a peasant economy still that doesn't have access to the same sort of wealth and resources that the other part of the economy does.

There is also a revolution happening in communications. One of the fascinating things in China, for example, is the way in which mobile telephony is taking off far more rapidly than landline based telephony. I think in some ways what we may be seeing in China is a leap-frogging of some of the technologies that we have been used to in the West over the last twenty or thirty years.

Thinking intelligently about how we can appeal to a mobile environment is something that holds a key to economic success in China. But, and it is a very strong but, the Chinese have a very fixed idea about the participation of Western companies in the Chinese economy. They do not want the value of what is created in China to be taken out of China. That is why they are very keen on talking about joint ventures, very keen on talking about partnerships, but they are not keen on simply offering opportunities of total access to the Chinese market to Western companies, as Western companies. So in order to take advantage of the opportunities there, we need to be intelligent about how we do it. Team up with domestic Chinese based companies; offer products that are going to be exciting and interesting to that new burgeoning middle class population in China; and think about how the newest of technologies can be used in order to deliver it.

*Response: Martin Mills*

This China point is a very interesting one. China is obviously a fantastic opportunity as a market for all of us, but it also scares the hell out of me. In all these investigations about CD pricing, I've obviously looked at America, Germany, France and England, but not China – for fairly obvious reasons, that we all know that everything is much cheaper in China, and how do I price

a Prodigy download in a way that is going to suit a Chinese consumer when I know that it's going to be available to a UK and American consumer. I think that's a real problem, which picks up on the Crunch point about the global market place and the level playing field.

## The European Dimension

*Andy Heath*

I just wanted to allude to the European dimension again, because so much of what we can achieve here will be related to what goes on in Europe. Whilst our European partners have a very clear idea of the cultural value of music and other cultural content, and the British Government has appreciated now the economic value of this cultural content, it seems to me that our European partners have not really addressed the economic value of cultural content at all. Talking to their finance people and their industry people, they really are not aware of cultural content at all, or it seems to me that way. I wonder what we can do to try and spread that message of the economic importance of it?

*Response: Chris Smith*

I think it is probably unfair to lump the whole of Europe together in this analysis. Certainly there are some of our colleagues in France to whom I would indeed ascribe those views, but I think across the rest of Europe there is a lot more of what I might call 'modern thinking' going on.

Indeed when we held the Presidency of the EU a couple of years back, we held a big audio-visual conference at Birmingham where we brought together representatives of the audio-visual industry across Europe. What was quite remarkable was that, with the exception of a number of people in the French Government, across the industry in France as indeed across many of the other Governments and industries that were represented from different parts of Europe, there was a sense – how can I put it best? – that in taking forward the cultural and economic agenda in the audio-visual field, the thing to do was not to talk about putting up barriers and ring-fencing in order to protect, but to talk about how a platform could be put in place so that we can compete effectively with the rest of the world. That approach, which is the British approach, is also increasingly the German, Italian, Spanish and Dutch

approach, and I think we are beginning to see some progress in France as well – so don't give up hope.

## **The Needs of Consumers and the Role of Public Subsidy**

*Tim Taylor*

We focus on new ways of selling music. One of the things that we focus on is the consumer angle, in terms of how to make these new ways of buying music as easy and as simple as possible for them. Because until such times as they are, then these new ways, for example, custom CDs or secure digital downloads, are not going to become embraced by the mass market. I was just wondering how far the report goes in terms of looking, from the consumer angle, at how we make the technology work for the consumer as well as for the music industry?

*Peter Hewitt*

Obviously the changes in technology have huge implications for the sector which organisations like the Arts Council have dealt with within the music industry. I wondered whether the panel could say something about the relationship between subsidy and public expenditure support and the commercial environment, which has been the principal focus of discussion this morning so far? Is there a relevant role for bodies like the Arts Council? Where should we intervene in the industry in this rapidly changing environment?

*Patricia Hodgson*

You've concentrated – quite rightly, because of the internet and distribution and the focus of the Secretary of State's comments – on the market place, but clearly what the BBC offers, and I guess what Peter Hewitt was talking about, was investment that can be made right at the start, which can grow the industry independently of the market place. We invest over £100 million a year in music. I would be very interested in what our colleagues have to suggest about that effort and investment, and probably people here – where they feel it will be of most value, not only to our audiences of course culturally, but also in support of the industry.

*Response: Martin Mills*

I think Tim Taylor's point is a very good one. It is at the core of the report that what we have to deliver is a way for the consumers to consume music in new and different ways. It's not just buying a CD, it's having a download, it's renting a download, it's listening to a stream, it's all kinds of different things. One of the key issues here for the industry is, I think, that we have to organise between ourselves the licensing framework for this, and that is something that is high on the list of our recommendations. It is not easy, because there are a lot of participants here in the income flow, particularly the performers and the writers, and it is very difficult to agree how that is divided, but we have to do that, because we have to establish – and quickly – a contractual system whereby the consumers can get music in the way they want it.

On the investment point, I think one of the misconceptions about the web is that it is cheap and easy, and it is not. To build a website is very expensive. Another point we address here is how that can be funded, and where the return comes from, and over what timescale.

*Response: Dominic McGonigal*

Yes, and a couple of points worth adding to that. As far as consumers are concerned, there are two real barriers at the moment. The first one is on-line cost. We have put in a recommendation that the local phone loop is opened up to competition in order to encourage unmetered access and encourage more people on-line to give us a larger consumer base.

The other barrier is bandwidth. At the moment you can download an album (as we used to call them), but you are best doing it overnight on Economy 7, because unless you have got a very high speed link, it'll take you a few hours. Consumers are not going to wear that. The early adopters are doing it, fine, because it is exciting, it's new, but your general consumers want to go into a shop or a website and they want to get it there and then. The only way that is going to happen is with increased bandwidth.

We have recommended two things. One is convergence of the regulatory framework, so that the various delivery mechanisms – mobile phone, which is going through a very exciting phase at the moment with the third generation bids that are happening right now, and digital TV, cable, satellite,

etc. We within the group think that actually the best way to deliver the bandwidth is to encourage convergence of those delivery mechanisms through convergence of regulatory framework.

That relates to the point that Peter Hewitt was making from the Arts Council, because I think from the point of view of the subsidised sector access to the market is going to be critical. As Martin was saying, that is not going to be cheap, so I think the Arts Council needs to work hard on behalf of its constituency to ensure that they have access to their audiences. The convergence of the regulatory regime is probably the way to do that.

The other point that Martin touched on is the cost of production, which is likely to be a barrier in the subsidised sector, because the new technology isn't that cheap. So I think that's perhaps an area that the Arts Council could focus on.

One other point, again picking up on consumers, is interoperability. I think Tim was touching on how consumers are actually going to be able to get access. We have put in a recommendation that the new technologies are interoperable, so that consumers aren't choosing between two or three competing systems. That's certainly in our interests as a music industry.

## **Access and Interoperability**

*Wilf Stevenson*

What is going on here is a bringing together of creativity and economic muscle. The subsidy system at the moment is very largely on the cultural side of that and not so much on the economic side. Do you have any thoughts on how that might best be addressed?

*Response: Martin Mills*

There are an awful lot of very difficult questions here and this has been a very broad-brush approach to a subject where there are more questions than there are answers. I think that is a very fair point. The democratisation aspect of the internet, both for the people who are providing content to it and for the people who are consuming content, is really important. Our recommendations try to help create an environment in which we can address this.

*Patricia Hodgson*

Can I just pick up that terrifically important point about access and interoperability? I am sure that that is not only the long term solution, but unless we get it right in the short term, we won't get the expansion of e-commerce, or indeed of socially inclusive access to the services that are going to be available, whether they are over your PC or over your television. I should be very interested in what some of the business people here today think about it.

It seems to me that the single most important thing that we can do in terms of regulatory convergence, in the forthcoming communications review, is to find a solution which enables service providers (at a fair price, of course, because people who are launching new platforms have had to put the investment in to launch them) to get fair, reasonable and non-discriminatory access to those platforms and not find that they are prevented from any access at all because they are not owned by the owner of those platforms, or are offered the price of half a million pounds for one page on one of those platforms.

Secondly, on the interoperability point, I don't think anybody now believes that bureaucrats or standard setters or regulators in Brussels or in the UK should set what standards new technology works on, because they will never be as smart or as fast as the industry. But, as we see with the Microsoft debate, what you must have is a regime that requires people who operate platforms with essential facilities and gateways on them to lodge the intellectual property somewhere and be required to licence it at a fair price. If you do that, you will drive interoperability in a very short time, because the manufacturers of receivers will use the winning technology and produce the receivers in bulk, and we will nearly get interoperability without being unfair either to the owners of the intellectual property or to anybody else.

I would be very interested in the experiences of anybody here to get in touch with me, because we shall be lobbying hard on this as the Comms Bill develops, and to think through and to let the DTI and the DCMS know what they think.

*Response: Martin Mills*

I think it is hard to add anything to what has just been said. Very clearly, there are key issues there. There is a kind of regulatory policeman role here.

One of the concerns that I certainly have had is that the AOL/ Warners/ EMI merger may produce a result where any AOL customer is directed towards music purely from those companies. It is very important that authorities in America (where I know they are already considering this) and here ensure that everyone can have access to everything, that that is absolutely not the case. It is going to be difficult, it's not going to be easy to do.

## **Private Exchanges through the Internet**

*Tim Taylor*

The Government can go so far, but it is also incumbent upon the industry itself, upon companies like ourselves, to continue to be innovative, to try and make these new ways of selling music as easy for consumers as possible. If you actually try and download an MP3 track at the moment, say a secure one, it's not a very simple process. So one of the focuses of our company is obviously to try and make that as simple for the consumer as possible, whilst making sure it's secure, making sure that there is full industry reporting, and making sure that everybody benefits from these new ways of selling music. So there is some responsibility on the part of the industry too, in order to make it work.

*Response: Martin Mills*

If I could just add to that, there is obviously a revolution going on out there with applications like Napster and now Gnutella, which are obviously very appealing to the consumer, but they have to be handled in such a way that there is a value to the content that is provided.

*Wilf Stevenson*

Can someone just explain what those words were?

*Gavin Robertson*

Napster is a software that allows you to remotely access someone else's computer, so that someone, essentially, can put their record collection on their computer and someone else can privately – well openly, but privately – access that as if it was their own computer, and access all these files. So they're not posting it in general, saying it is available to the world, but when you go and find them it is in essence available to the world. But you are not actually

advertising it. It's a way of sharing files, but when you are sharing the music files, you are completely undermining the ability for music to trade. The issue is that the software is enabling this, but the software is not actually transferring the files – so where does the liability of the software come in? But Paul Brindley here from IPPR has been looking at that one much closer than I have.

*Paul Brindley*

This technology is very scary. I've got bags under my eyes this morning because I was playing with it last night. It's an indication of how fast internet time moves that we have become used to people posting MP3s on websites. Then we can find them and close them down. Where there is an ISP, you can get some leverage through it. Individuals acting themselves in their homes are doing what is ostensibly no more than people have done for years, making copies of CDs onto cassette, except in this case the damage is so much more, because they are not making it available to their school friends in the school yard, they are making it available globally. We have got to look at this in a lot more detail to find out what the technical and legal or regulatory solutions are, but they have got to be found.

*Response: Martin Mills*

My concluding thought is simply that I really welcome the fact that the Government has invited the industry to work on this with it and that there is a communality of approach to try and make this work for the consumer.

## Appendix

### **The Impact of New Technologies on the Music Industry: Executive Summary and Recommendations**

Consumers are driving demand for music on-line. The new technologies give them easier access to music which is likely to drive up demand. Consumers will also benefit from greater choice and more sophisticated filtering tools to give them the music they want, when they want and where they want.

The battle on-line is for the eyes and ears of the consumer. In theory, artists and writers can reach their audience directly on-line. In practice, access to consumers may well be controlled by intermediaries, dominated by a few multi-national companies. The balance of power between gatekeepers and the regulatory regime by which they have to abide will have a major impact on the real choice available to consumers and the ability of creators to reach their audience.

The value of music – to the consumer, to the creators and to the intermediaries – will determine the future of the Music Industry and its ability to continue to produce great talent and great music. It is vital for the music industry that, in the on-line world, creators continue to be rewarded, that intermediaries place a value on music in their business models and that consumers believe there should be a price attached to music.

The UK Government has set a target to make the UK the best place for e-commerce in the world by 2002. Music is at the forefront of on-line activity and is the first of the creative industries to produce a public strategy with Government. The UK also boasts major infrastructure advantages in mobile telephony, cable, satellite and digital TV. Yet, the UK still lags behind the US in e-commerce and must act quickly if it is to have any chance of taking the lead.

For the consumer, this means having greater bandwidth, being able to choose how they access music without having to worry about inter-operability of systems and different delivery mechanisms, and the positive inclusion of groups such as the 12-18 years olds – the greatest devotees of music and the Internet – who do not yet have the means of paying for music on-line because they do not have credit cards.

Creators need to be sure that their music will be valued in the on-line world. The basis for this is a secure legislative framework and a Music Industry that enables them to reach their audience. For the Music Industry to be able to continue to fulfil this role, they must have access to the market and to market information on consumer behaviour to enable them to build the new business models that give consumers the music they love and reward the creators who produce it.

### **Top Five Recommendations to Government and the Music Industry**

1. For Government and the Music Industry to promote and safeguard the intrinsic value of music and copyright by adopting the recommendations of the IP Group<sup>1</sup> of the Creative Industries Task Force and the legislative recommendations below.
  
2. For Government and the Music Industry to commission ongoing research into consumer behaviour on-line and market statistics about music e-commerce to inform business decisions and on-line strategy.
  
3. For Government to create an open, competitive environment for on-line delivery by creating a common regulatory framework and streamlining the regulatory regime for delivery and content of digital TV and radio, mobile and fixed telephony, cable and satellite.
  
4. For the Music Industry to establish and promote a contractual and licensing framework for streaming and downloading music on-line speedily.
  
5. For Government to set a time-frame for the UK financial sector to introduce a secure on-line micro-payment system for adults and teenagers.

### **Other Key Recommendations to Government**

6. To create – and to do so quickly – a secure legislative framework for trading copyright on-line in UK, Europe and beyond, supported by strong enforcement.
  - a. To provide exclusive rights for the making available and transmission of sound recordings for new on-line services, unqualified by application of statutory licensing.

- b. To negotiate with European partners effective and fair provisions concerning the creation of temporary copies within networks with a view to implementation of both the EU Copyright Directive and the E-Commerce Directive.
  - c. To press for the early adoption of the EU Copyright Directive, subject to the provisions above concerning temporary copies, and implement into UK legislation as soon as possible thereafter.
  - d. To use diplomatic and other measures to encourage other key territories to ratify the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty at the earliest opportunity.
- 7. To encourage consumer use of on-line applications, including consumer purchase, browsing and e-mail, by, inter alia, freeing the local loop, including broadband, to competition.
  - 8. To consult the Music Industry in discussions on legislation relating to e-commerce.
  - 9. To create a 'level-playing field' tax regime for music e-commerce in and from the UK and remove National Insurance liabilities on contract workers and share options.
  - 10. To provide a structure for industry to adopt standards for secure delivery of music which are interoperable – to give consumers choice – and open – to enable competition between businesses of all sizes, from major multi-nationals to small independents – and to monitor restrictive practices.
  - 11. To commission research into the demand for and supply of venture capital and other finance for expansion into e-commerce of SMEs in the Music Industry.

#### **Other Key Recommendations to the Music Industry**

- 12. To develop a trustmark, supported by consumer information and backed by auditing from licensors, to indicate to consumers that music from a particular source is properly licensed.

13. To develop and adopt pre-competitive standards and unique identifiers, which are open and interoperable, to cover hardware and software for secure delivery of music, including encryption, watermarking and usage rules of music on-line.

14. To embrace the new technologies for production, distribution, promotion and marketing of music and to trade on-line.

<sup>1</sup> Recommendations of the Intellectual Property (IP) Group of the Creative Industries Task Force:

The language for intellectual property should be made more accessible.

Bench marking of current levels of awareness about intellectual property should be followed by an awareness campaign having regard to the most effective message(s) for raising people's awareness of the value of intellectual property.

There should be much more co-ordination of the provision of information about intellectual property to all, including users, creators, businesses, advisers and enforcers, by developing a widely accepted core of basic information, signposting to and from other information providers, including places like the University for Industry and the Small Business Service.

Long-term improvements in general knowledge about intellectual property should be achieved by including appropriate material in both the school curriculum, such as the new subject of citizenship, and relevant higher and further education courses.

The Counterfeiting and Piracy Forum should decide how to deliver better training for enforcers and targeted information for consumers, particularly by co-ordination of existing provision.



Seminar 2

# Learning and skills development

A Seminar held on Wednesday 24th May 2000 at  
**11 Downing Street, London**

Edited by John Wilson

## Introduction

### Wilf Stevenson

In our first seminar in this series we were looking at a case study, as it might be considered, of the music industry. We heard of the very exciting plans jointly developed between DCMS and the music industry to try to anticipate and work forward through to how the music industry in the UK can cope with the knowledge economy. Later in the series, we will be looking at local, regional and national support services for emerging creative industries and at how one values that both in relation to operational activity but also in accounting and stock market terms.

Today, we are going to look at issues that are more ones of definition – at some of the antecedents of creativity and at issues that are related more to whether or not we will be able to get the policies right for this country and for every individual in it to maximise their potential in the medium and long term. Taking creativity as the starting point, we are going to look, in particular, at the Design Council’s fascinating attempt to try and consult on what people think creativity is, whether we have the right terms of policy for it, and how it might be developed and taught in the future. We are also going to hear, from a practitioner’s point of view, about the practical ways in which training and education can be delivered through new technologies – and indeed ask, I think, at the end of that, whether there is something in the new technologies which in itself is promoting creativity.

## Tom Bentley

### The Importance of Creativity

I am going to try and be relatively brief and to give you an overview with some specifics in it. What I want to do is to frame this whole debate in broader terms than just economic ones. Of course, creativity has suddenly shot up the agenda because we realise that the transition to a knowledge based economy means that creativity is at a premium. It is a source of commercial value and competitiveness on a scale and in a way that has never really been true before in economic history. But it is also important in almost every other sphere of life. The need for it is perhaps best illustrated by looking around – Government, business organisations, education, the cultural sphere, the voluntary sector, pretty much anywhere you might care to enquire is looking at the strain that is placed on our institutions by the pace and the scale of the period of transition that we are going through.

Trying to understand how to respond to new demands, new challenges and new opportunities at an organisational level calls constantly on our reserves of creativity and makes us ask not just how the people running organisations are going to cope but also how new generations can be nurtured, developed and educated to prepare them for an environment which is very different from the one in which most adults have grown up.

At the same time – because this is not just a negative debate – I think, if you look around, you will also see an unprecedented level, not just of economic, but also of social, civic and cultural innovation, partly driven by the impact of new technologies, but by a whole series of other social factors as well.

In that sense, part of the challenge is to understand how active individual entrepreneurs and ideas which are generated in the most unpredictable locations can be captured, understood and fed into the way in which our mainstream institutions work, to ensure that our changing institutional framework, for Government, for business, and particularly for the education system, makes the most of what people do at the practitioner level.

There is also a very general reason, taking a societal prospective, which is that there are a whole series of challenges that current generations of leaders have

failed to solve. Incorporating the challenges of the national environment into mainstream politics is probably the best illustration, since it is one that applies in almost every Western democracy. But there are a whole series of other ones – there are new challenges, of course, in the demographic impact of an ageing population and in the need to find meaningful and sustainable models of work under new economic conditions for as many people as possible in society. Those kinds of challenges also force us to ask what creativity means and how it can be developed and nurtured.

### **Defining Creativity**

At the same time, we have to clarify and sharpen our sense of what we are really talking about. We have found this in all of the work we have done – research on creativity in an academic sense, very practical collaboration, and all of the work so far with the Design Council. Creativity is not, as largely in the past, restricted to the traditional social and institutional elites. It is not, despite the focus on cultural and creative technology industries, restricted to specific sectors of the economy or to particular professionals and disciplines. And it is not just an individual attribute. One way to express the challenge is to say that, given the level, the volume, the complexity and the specialisation of the knowledge in our environment, the idea of renaissance man or woman is no longer the right one. In most contexts, what we are actually looking for is the renaissance team – and so collective creativity, team based collaborative creativity, becomes more and more important.

So, how do we define it? Well, this is our working definition: creativity is the application of knowledge and skills in new ways (and no, it is not necessarily always new knowledge) to achieve a valued goal. That is different from innovation for its own sake, which in the end is meaningless if it is only done for its own sake. And it is important to recognise that understanding the value of an outcome in relation to a purpose or a goal inevitably means some reference to a social and cultural context, a value system, whatever sphere you might be working in.

Now, if you take this kind of analysis and apply it to the education system, there are a whole series of specific policy areas (some of which I'll talk about in a second) which need attention, where mainstream education is not just failing to make the most of creative potential but, in many cases, actively

militating against it and helping to stifle it. But I don't want just to run through the list. I want to try and understand why it is that a wholesale strategy for institutional change is needed, not just within the education sector but across the board, in order to realise the kind of goals which more and more we are all agreed that we need to achieve.

### **Characteristics of Creative Learning Organisations**

So, rather than talking about what this means in a lot of detail, I want to talk about some of the characteristics of our institutions. Very briefly, using this definition, our work, which is involved in literature review and theoretical research but also has a very strong focus on case studies and innovation in practice, has identified a series of characteristics which you can find in most creative learning organisations. Attributes of individuals – for example, the fact that creative learners are very often problem finders rather than just problem solvers. They are people who can identify challenges for themselves. Similarly they are people who have used learning as an ongoing incremental process which will inevitably involve specific instances of failure, rather than learning being something that you either get or you don't.

By the same token, it is impossible to understand this kind of creativity purely by reference to individual attributes. You also have to look very carefully at the broader organisational context in which people learn and work and play in order to understand how creative potential can be nurtured.

But instead of talking through that in lots of detail, I want to take a slightly more general view, and you can apply this to the education system very easily. For me, it shows the radical nature of the change that we need to achieve.

If you think about the kind of environment which we are now trying to educate young people for, and its dominant characteristics, it is relatively easy to come up with a list of things that we all experience.

The environment moves increasingly fast and is difficult to predict in most spheres. Organisational and social forms are increasingly based on networks. Knowledge is horizontally integrated, through networks and through a team. The environment is increasingly diverse, one way or the other. A very important feature, knowledge and information are distributed across the

whole system that people will operate in, whether it's a firm or a social network or, increasingly, a local civic community. And finally, for most people, one of the major characteristics is that it is increasingly out of control – it is increasingly difficult to exercise tight control over the broader environment in which they operate.

Now compare that to our major educational institutions, by which I mean schools and colleges generically. They are still institutions which move relatively slowly and which change in incremental ways. They are hierarchically structured and organised. The knowledge which they rely on, both professional knowledge and curriculum based knowledge, is usually vertically integrated with very strong separations between the vertical channels. They rely on standardisation in order to be managed and to operate and to compare their outputs against each other. Knowledge is almost always concentrated at the top of institutions and of professions. And, of course, they are controlled and regulated from above.

### **A Strategy for Change**

The reason that I run through this and emphasise it is that building a creative agenda for education is not just a question of us, or of any 'A' league group, coming together and agreeing that it is necessary and then trying to find a way of implementing it through our existing institutional structure. It's about creating strategies for change which in themselves will invent and develop a new infrastructure.

How do we do this? Well I am not going to try and give you a blueprint in any detail now, but I want to pick out some of the most important and some of the most urgent areas.

First of all, we are shifting to an understanding of knowledge, and the creation of knowledge, which is based on continuous practice (and failure, as I mentioned) and a view of understanding an ability which is based on performance rather than more abstract measures of what it is to know and understand.

Secondly, we are gradually shifting towards an understanding of the learning process which views it as continuous, or at least semi-continuous, and which applies to organisations as much as it does to individuals.

Thirdly, we need to continue to build a much clearer and better informed debate about assessment and the nature of educational assessment. It is not true that there is one choice, between a standardised, restrictive, externally imposed and academically rigorous system of assessment and all the other things that you might want to do in learning or in education. We need to inform our practice and our policy debates with a much more systematic understanding of how you can develop sophisticated and rigorous forms of assessment which capture the kinds of learning and the kinds of understanding and the kinds of creativity which I have been talking about. The role of the new technologies in building those assessment systems is absolutely vital.

Finally, we need to create new learning networks. And this understanding of institutions which I am trying to offer you is partly based on the idea that any mainstream institution, whether it's a Government department, a large business or a school in a local community, can very easily build outwards, horizontally, in order to strengthen its capacity for learning and creativity.

What does this mean in policy terms? Well again, I am going to be slightly general and not try and give you a manifesto list, although that will be forthcoming later in the year from DEMOS and the Design Council.

First, it means that we need to focus as much as we do on the hard infrastructure and on understanding how it should be invested and creatively developed. But we also need to understand the characteristics of a soft infrastructure, the norms, the cultures, the networks, the patterns of collaboration which flow around new technologies and which flow around and through institutions.

Secondly – and this is probably the most important long-term priority now in the whole of education policy – we need a twin track strategy on innovation. This Government in education has introduced a higher level of explicitly and deliberately managed innovation than any other in British history, but what it has yet to do, despite some sterling efforts, is to find a systematic way of learning from that innovation in the numerous pilot action zones and other initiatives that are going on. What we need is a twin track strategy. One, we must continue to raise the levels of innovation at the edges of the mainstream system. Two, we must find ways of enabling the core of our

institutional infrastructure to respond more effectively and to learn from those outliers and outriders.

### **Three Areas for Discussion**

In terms of the discussion which I hope will ensue from these presentations, there are three areas that I want to pick out.

The first is that the business and education debate has really only just begun, and that I think that a far more radical and fundamental agenda is beginning to emerge under the discussion of privatisation and sponsorship of business/education links. In a knowledge economy, every organisation has to learn. That realisation has suddenly appeared in most strategic managers' foreheads over the last couple of years, but some have been working for longer than that on the problem. What it means is that the best businesses – the most creative businesses, the leading edge businesses – are now already busy inventing new ways of organised learning and then of developing its effectiveness. That is the same task that our formal education sector is involved in, and the potential for a two-way relationship, based on that kind of innovation, is now enormous. It erodes the distinctions between the sectors – although of course there are a whole series of other policy and philosophical issues which have to be addressed.

Secondly, as I mentioned, our debate about systems of assessment (which I can talk about in more detail later, if you want me to) is stuck in the past. It is oversimplistic, it's crude and it fails to take advantage of new techniques and new systems which are now available.

And thirdly, at every level, from the grass roots innovator up to the Prime Minister, creativity will depend on a particular view of risk taking and of leadership which we are yet to develop to its full potential.

So I will leave it there. I won't talk about CreativeNet, which is the core of the collaboration between DEMOS and the Design Council (and increasingly between other partners), but you have some information about that and it is very easy to check out the site itself. Suffice to say that structurally what it does is to attempt to incorporate some of the lessons about the nature of learning and knowledge creation. We are trying to create a new model of policy development, in the sense that we are developing the manifesto level

thoughts, but we are also connecting them directly to the practice of innovators and risk takers around the country and in other places as well.

And to finish, partly in that spirit, I am going to ask two of our colleagues and collaborators to give a brief view about their perspective on these issues. The first is Svend Nedergaard, who co-ordinates the Next Generation Forum in Denmark, an initiative which seeks to understand and to maximise creativity, supported by Lego. The second is Jonathan Briggs from The Other Media, who is the co-founder of HyperIsland, a new media school in Karlskrona which forms the basis of much of our original research.

## **Svend Nedergaard**

### **The Next Generation Forum**

Due to a very special recent event in this house, it is a special pleasure for me to be here today and to tell you about an initiative which has children as the role models, children as the holders of the key to a more creative future.

Tom has already told you about creativity, and why it is so important, and why it will be even more important in the new economy and in our future. I will not go into that, but I will tell you a little bit about our initiative, named “Next Generation”; about our ambition of a creative society and why children, in our minds, hold the key to this; and then a few thoughts on how we can make this come true.

The Next Generation is a co-initiative between the Lego Company, the toy manufacturer in Denmark, and the House of Mendag Morgan, a Danish think-tank, from which Morten Jensen has joined me today.

It is an initiative where we are very actively seeking partners globally, from other businesses that can match Lego, from major educational institutions and universities, and from international interest organisations. We have a global scope, and we have an international expert panel within child development and creativity as our main body. Our aim is to start a community of purpose, a movement towards a society where creativity is seen as an essential resource. To bring this community together, we have a website, very much in line with CreativeNet and all the initiatives by the Design Council and DEMOS here, and we will also have annual gatherings.

### **Preserving the Creativity with which Children are Born**

Now a little bit about our vision of the creative society and why children hold the key. To explain this, I will start with a statement from one of our members, Professor Ingrid Samuelsson from the University of Gothenburg in Sweden. She says, “When we start in school, we have already – that’s me, you, everybody – we have already learned more than we will for the rest of our lives”. This is about that – about what children have to learn conceptually and how difficult it can be that a thought can move a finger, that they are persons, what is a person, that you can communicate with another person –

all the things like that. Children are just extremely good learners. They are constantly working on expanding their little platform of skills, competencies and knowledge, and they do it extremely well.

This is where they use vast amounts of creativity. It takes creativity to move on these borders, to expand them, to go into new areas and new ideas and make new things. To create your knowledge and your learning. Children are constantly doing that. Adults very seldom do. That's where we see that we can see a lot, just by looking at children.

Lastly, a few thoughts on how we can get there. As I have said, certainly we can see now that we do have vast quantities of the resources and the competencies that we need for a creative society. It's right out there with our children. So we just need to preserve that. We need to nourish it and make it grow. So we need to make environments, or institutions, or policies, that do not constrain the development of children, but actually nourish and develop it further.

So, to sum it all up, we think that children hold the key, and that creativity is not actually something that we need to learn – we just need to nourish and preserve that child which we have inside. I mean, I have it and you have it – lots of us. If we can bring that out, we shall have creativity. And try to think about that, when we design institutions and policies and so on. I have.

## Jonathan Briggs

### HyperIsland

I'm Professor of New Media Design at Kingston University and a founder of a new media design company of thirty people called The Other Media. I suppose those twin tracks of working as an academic (and being very proud to work as an academic) in a new university, and at the same time being an entrepreneur and running a company, meant that being given an opportunity by the Swedish Government to set up a brand new type of university education was one that I couldn't miss.

The university system in Sweden was very much like every other Western economy. It needed to expand, and rather than expanding it in the way of just pushing more people into the same institutions and making people run faster, the idea put forward by the Swedish Government was to set up some new, experimental types of institution, which could be run by existing institutions or could be run by private companies. One of the areas they wanted to look at was the area of training people to work in the creative economy. We bid, along with some colleagues we had worked with in the film and new media industry in Stockholm, to start HyperIsland School of New Media Design, a place where people could come and learn about new media, learn to work in the new media industry. The key thing, I think, is that we did that under the auspices of the university accreditation system. So we give Swedish university points, which means that there's a choice. You can go to a traditional university, or you can come to one of a number of experimental organisations such as HyperIsland.

We started a new course called New Media Design. New Media Design wasn't about graphic design, it wasn't about business, it wasn't about technology, it was about all of those things. New Media Design had no boundaries. We tried to avoid a situation where the conventional subject areas limited the way those students would work. We bought a very cool building: an 1860s ex-Naval prison, part of the Peace Dividend. If any of you have heard of Karlskrona, the only reason you might have heard of it is that it's an ice-free port facing the Baltic. They had an old ex-Naval prison going spare, so we bought that and we converted it into HyperIsland.

## A New Approach to University Education

Every year we take 45 students, which is about as many cells as we have, and we are able to teach a whole range of different things. But we do it in some fundamentally different ways from the way, for example, that I teach at Kingston, or the way that I have taught in other institutions in the UK. The entire design of the course is project based, so instead of having a series of modules about a particular topic, we have a set of modules, and we teach the things that are needed in order to complete those modules.

There is a task or there's an output – and those are very business, academic and creativity focused. So, for example, we have recently done the designing of a new shopping experience, taking examples like Boo.com and saying, okay, how do we do it properly? How do we actually get a nice shopping experience on-line, or on television, or via the WAP phones?

We have been looking at intranets for healthcare. We get our students out into the community of Karlskrona, talking to people who are going to be working with healthcare intranets – not designing these from the point of view of something that might or might not happen, but actually creating something that will be useful.

We do highly experimental forward looking things, like what happens when we have a truly broadband environment? What will advertising feel like in a broadband environment? Over the last couple of years we have even gone further. We have put in the hands of the students all our marketing, all our promotion, all the recruitment of students. All of that is now in the hands of the students. We have passed them responsibilities for designing the sorts of things that we should do.

We still aim incredibly hard to make it an academic experience. In other words, I don't want anybody to be able to say, look I could have gone to Gothenburg University or to Malmo or to Uppsala and got a better degree. So it's very important that the outputs we produce are in line with the outputs that are produced elsewhere – that we are getting people to write essays, to make presentations, to do poster sessions, to create portfolios, a whole range of different assessment techniques, some in teams, some individual, mixing those teams up.

### **Distance Learning and Teamwork**

It's a new twist on the distance learning approach. The students stay where they are. I teach from the UK. Other people teach from other parts of the world. We have got links into American Universities. So it's distance learning because the teacher travels, not because the students stay at home.

We have industry supported lectures, and industry is extremely involved in what we are doing. Students spend, as they do in the sandwich system in the UK, a considerable period of their time out in industry, working in industry, and we now have an overwhelming demand, not just from Swedish new media industry, but I think there are 14 students currently studying in London, for example. We have students in Oslo, we have students all over the United States, and they are in incredible demand, and that's great, and they go on and get jobs back in those areas. So the period of industrial practice is extremely important.

We do have an in-house academic team, but they don't teach what you would expect. The key teaching done inside the school is about teamwork and about leadership and about working together. We have employed some people (in fact, the Swedish Army) who come in and work on conflict resolution. They are working on how teams work. All team activities are accompanied by a period of reflection on how that team behaved, how I behaved in that team. That's a very special thing to be able to do, to put that much effort into making the community side of things, making the teams the core of that.

Finally, I just want to look at the core things that make up what HyperIsland is about. It's highly relevant. We are not looking here at how many people get into jobs when they have finished – some people are getting into jobs before they finish, and that's a little bit worrying for us. But it is highly relevant. It's highly flexible. When we started the course, wireless technology wasn't one of the key issues. Now we have got input from Ericsson and from Europolitan, who are part of the Airtouch Vodaphone network. It's absolutely about teams – everything is about teams. And it's about multi-skilling. It says to students, we cannot possibly teach you what you are going to need. What we can teach you and what we can help you learn is a range of things that will allow you to be flexible and to be useful in the world of work or academia, or whatever else you go on to.

## Michael Stevenson

### Swings of Educational Fashion

I want to focus this morning on children's learning, where the middle way lies between the 60s and the 90s, between free form learning and a tightly defined curriculum. The Plowden Report – *Children and Their Primary Schools* (1967) – argued for child centred learning as the key to unlock skills of enquiry and discovery. But in the end it was the introduction of those very principles, particularly through learning led by project based work, that got the blame for subsequent low achievement in reading and numeracy among young children. Greater creativity in the end became associated with, even synonymous with, falling standards.

So the radical education reforms of the 80s and the 90s were a response to these growing problems in basic and work related skills. For children, the introduction of the National Curriculum, and for adults, NVQs, meant a renewed emphasis on outcomes, assessment tests, the acquisition of skills for specific tests.

The current Government's introduction of the literacy and the numeracy hour in primary education and testing at 7, 11 and 14 has built on just that approach. In secondary schools, the system of learning objectives and learning outcomes for different subjects is now deeply prescriptive. For adults, though key skills were introduced alongside NVQs to provide the soft skills employers wanted – team working, problem solving – those skills have not been combined into an integrated adult learning model. There is now little room, frankly, for creative learning in the school or the adult curriculum.

### Embedding the Curriculum in Creativity

It's widely assumed that curriculum and creativity are kind of polar opposites. I don't think they are – I think they can be brought together. And nor do I think you do that by making creative studies part of the prescribed curriculum. I think the new media let us, for the first time, embed the curriculum in dynamic on-line content, where creativity becomes the basic grammar, the DNA.

In a moment I shall show a short film comparing different approaches to digital learning, all of them attempting to take the child through a detailed

on-line syllabus in a way that encourages creativity. But before I do, there are a couple of tests that I'd suggest these learning packages ought to meet.

Test One: Do they recognise that we learn in different ways? This is Howard Gardner's theory of multiple intelligences – linguistic, mathematical, spatial, kinaesthetic, moral, inter- and intrapersonal. As we know, the intelligences emphasised by traditional learning today are the linguistic and the mathematical. Children who rely on other kinds of intelligence will, at best, underachieve under those conditions.

Test Two: Do these systems put the child in charge? Do they enable children to start from their particular level of knowledge and understanding, to choose their own learning point, to work at their own pace, and thereby to develop self-esteem and confidence?

*(Short film shown demonstrating the nature of the learning experience using interactive and digital products.)*

### **A Role for the BBC**

So what do we need to do, to set digital learning at the centre of our education system?

Well, the rapid planned introduction of broadband delivery systems driven across Government, cutting through any tendency to caution and dispelling nerves about working in partnership with the media. A change in the teacher's role from informer to facilitator, planner of differentiated learning experiences. The development of new support systems, including parents and the wider community. A change in classroom design. And, of course, the development of the content itself: ambitious, stimulating, demanding total involvement from users, stratified for individual usage and based on individual need. That's an exhilarating goal.

By introducing comprehensive, well designed, interactive digital content to deliver the curriculum, I think we can generate the creative skills for the twenty-first century economy through the process of learning itself. A digital curriculum can deliver tightly defined content, build high standards of achievement and develop the creativity of children as they learn.

Should the BBC take a lead in this field? I think yes, for two reasons: because it should and because it can.

It should, because the BBC is established by charter to entertain, to inform and to educate. It has created its educational resources in radio and television. It's a natural progression to create tomorrow's resources using on-line, drawing on its television archive to do so. If the BBC were not to take this step, it really needs to withdraw from its education mandate. It could not fulfil it.

It can, because the BBC is a media brand that parents and teachers trust; because it has developed real on-line and new media skills; because it can now harness the creativity of its world-class factual programme makers to build new media learning content, following last month's reorganisation; and because it can offer variant curriculum materials in Scotland, Wales and Northern Ireland, helping to sustain a devolved UK.

But what we need is not the BBC alone, but the BBC in a balanced partnership with commercial providers. The BBC's role, it seems to me, is to provide a comprehensive range of core content across the curriculum, accessible to all. To offer continuity of provision over time, but to regard itself as merely sheet anchoring this digital content market while others build and develop, anticipating the tendency of commercial providers to focus on particular subjects or key stages. But it is vital that the BBC works closely with the commercial sector to co-ordinate the development of services and ultimately stimulate a vibrant sector in which a wide range of publishers and media producers participate.

### **Towards a Learning Society**

That kind of partnership might help to create the learning society I think we have all begun to glimpse, but we really must now turn into reality over the next five years. By 2005, bringing together the skills of the British television and software industries, I think we can create a deep reservoir of imaginative learning content, underpinning a National Curriculum. We can have every school connected to a high capacity broadband network that brings digital learning via screens to every child. More than that, we can bring that same digital learning to every home – to the computer, but more importantly to the television screen – whatever the delivery method, again over time using

broadband delivery.

And finally, we can encourage the evolution of the teaching profession to work across the boundaries of home and school, supporting learning children within learning families. Because the opportunities of the digital media clearly go beyond children, they stretch to adults. And the BBC, for one, will now develop all its factual television projects as a starting point for learning journeys, with structured on-line learning laid behind the programmes, using interactive television and the computer screen, and leading learners to e-learning qualifications, in partnership with colleges, universities and public agencies. Offering the chance to acquire life skills – basic skills, but also competencies in health, life planning, relationships, citizenships – but also to develop cultural interests in science, history and the arts.

Above all, this is a democratic vision: the public sector supporting the commercial sector in bringing the benefits of digital learning to everyone, whatever media they may have, whatever the distribution system they have hitched up to. I think we have a chance and a responsibility to work together to create just that.

## Discussion

### Lifelong Creativity and the Public/Private Divide

*David Oliver*

Can I just offer a perspective from the business world about the importance of encouraging creativity throughout life? We have talked this morning about encouraging creativity in the school and the university system, but creativity is becoming increasingly important as one progresses through a business career.

I spent most of my life as a partner at Arthur Andersen. It was clear to me that for any organisation to continue doing what it is doing, incrementally better, means that it will fail. If it simply seeks to say, “How can we find a better answer to this question?”, it will fail, because it should be saying, “Are we asking the right question?”. So the encouragement of creativity; the move from linear to lateral thinking, actually makes business sense.

I found it useful in a training context within business to introduce arts based training, to get people to think laterally, to think outside the box, to think outside their normal thought processes. So I introduced, for instance, theatre groups and training using the visual arts. It was marvellous to see a bunch of tax consultants up to their elbows in paint. They were having a whale of a time, but they were actually thinking more laterally than they would normally do. That form of training helps people to bring more creative solutions to their clients. This is increasingly important, just to think about new ways of approaching problems.

We have talked about the knowledge based economy. We are a knowledge based economy and that’s important, but curiously, at the individual level, knowledge has actually become less important, because knowledge now is not something which builds up over a lifetime, knowledge is something which is accessible to anyone a lot more easily than in the past – and also, what knowledge you have is becoming obsolete a lot faster. It’s how to use knowledge which is the challenge for the new economy. How to use knowledge and encourage creativity throughout life and throughout society – that I think is our challenge.

*Peter Hewitt*

In hearing the very stimulating contributions about team work and collective creativity, children holding the key, project based learning, the need for a new soft infrastructure and new networks, it puts me in mind of something which has worried me for some time. There is a big disjunction at the present time between education, in the sense of schools and colleges, and the subsidised cultural community. There is an opportunistic set of encounters where they come together, where a particularly enthusiastic teacher or a particularly engaged arts organisation might make a link, but I think there is a huge amount to be done in bringing together two massive assets which this country has.

If the education system and the subsidised cultural sector were brought together in a systematic and comprehensive way, giving all children, particularly young children, the opportunity to encounter the professional arts early in their lives, I think some of the benefits which David Oliver just referred to (which I agree should be maintained throughout a life of learning) could be introduced more thoroughly into the early stages of young people's learning in this country. That disjunction between huge investment into education and significant investment in the arts needs to be brought together, for maximum benefit.

*Professor David Buckingham*

Two questions really. Firstly, in the context of talking about creativity in education, I am quite struck by the fact that nobody has mentioned the *All Our Futures* Report (the Robinson Report) which, as people will know, was commissioned by two Government Departments. This was raised for me particularly by what Tom Bentley said. It is a report which, in many ways, does reflect many of these themes and much of this broader notion of creativity, but I am wondering if there is a difference between the way you're defining creativity and the way Robinson is doing it. Is Robinson's definition too narrow, perhaps too tied to the arts? I think we need a bit more precision about exactly what we are talking about.

The second point was again raised by Tom's presentation, but also by some of the other things that people have said. It is really to do with the relation between the public and the private. I very much take the point about learning

organisations and so on, that commercial companies have an educational role on many levels. But I am also concerned, I suppose, that particularly the drive to introduce information and communication technologies in education is very much driven by commercial interests. In many ways the new learning society is a great business opportunity, and the question is really, on the one hand we want to argue that the public and the private need to work in partnership, that education and business need to work in partnership, and that is clearly important – but are there not points where they also come into conflict? Where do we draw the line? Are there not points where the motivations and imperatives of business conflict with the motivations and imperatives of public education?

*Response: Tom Bentley*

I think that there are very significant areas of overlap between the analysis in *All Our Futures*, a report with which I am intimately acquainted, and our work. I do think that the final report ended up with too heavy an emphasis on arts and traditional cultural spheres. I also think that one of the reasons it hasn't enjoyed the circulation that it might have is that it ended up (in a way nobody could have foreseen) being timed in a most unfortunate way, because it appeared in the midst of a raging debate about the level of pressure and potential overload on schools and teachers and pupils. And the way in which it tried to analyse the problems, or the areas of priority, that it wanted to address, was to introduce a whole series of very detailed and sometimes quite prescriptive recommendations about what schools, the DfEE and the Ofsted regime should be doing. So in that sense the way in which the analysis was framed added to the thicket of prescription, recommendation, institutional regulation and so on which currently surrounds the formal education infrastructure. But that said, I think that some of its core messages were very important and relate to the underlying themes of our work, and I don't think that that analysis should be left.

The other things I am going to say, which are based on all the contributions that we have heard, are designed to try and inject a bit of controversy into the proceedings.

From what I have heard, there is a pretty strong consensus appearing about the importance of these areas. The question is, what can be done about it?

The proposition that I am going to put is that because of the analysis of institutional life which I have tried to give you, the idea that institutions develop incrementally and, especially in the public sector, don't often change very radically or very laterally – actually there isn't much space for doing any of this, and we need to question the very basic conceptual curricular and institutional structures on which we rest. So to answer the points, I am going to make three suggestions.

If we wanted to create a genuinely radical, genuinely energetic, creative learning agenda, we should cut National Curriculum content by half, over a period of ten years, in order to increase the opportunity for both depth of understanding and wider creative application of the knowledge that students learn.

We should change the structure of the teaching profession to ensure that, in the long run, teaching became essentially a part-time vocation and was always allied with another vocational professional activity in another sphere.

And we should give up on the idea that the public interest is only ever held or guarded by a specific set of institutions with the name “public” prefixed to them. Although questions as to the relationship between commercial interest and public interest are vitally important and will become more important, we should be talking about how to reconstruct a public sphere which is not based on that implicit association with a particular set of institutions.

*Response: Michael Stevenson*

Can I just say something first about the public/private conflict in this learning market? Certainly in the States, it's about four or five years old, it's worth about half a billion dollars a year, and it is dominated by seven major players. What you don't get (although obviously the situation is complicated by it being a state system rather than a single system) is a wide range of comprehensive content across all needs and data groups. In fact, a great deal (for reasons which slightly elude me) seems to be focused on geography around the age of 11-14, where there are a vast number of competing branded products – which is to say that there is a role for the public sector, certainly on the British model (although hard to do in the States), to try to underpin the commercial provision and to achieve that comprehensiveness. But then it is incumbent on the public funded broadcasters to know the

limits of their role and to provide that core underpinning provision.

Just something on teachers, and taking Tom's challenge of controversy seriously. I wonder whether there is another model than laying off half the workforce, or asking people to work two days a week, which is to recognise that the teacher of the future is going to do much more than teaching, but is also going to be managing some very complex relationships. As I say, across the homework divide, trying to enable the parent to work alongside the child at the screen in the house, as the child picks up the work that it did in the schoolroom and then carries it through the evenings or the weekends. A very complex relationship will therefore be created, a triangular one between child, teacher and parent, and that will mean a new range of skills for teachers, building on those they have now.

But then, is there also a possibility that the teaching profession begins to segment, and that there are those who teach and there are those who work with the media companies to develop the software? And that as you go through a 15 or 20 year period as a teacher, you move through those various stages? Perhaps after your five years in your inner-city comprehensive, you get your five years position with the BBC – which I would position as being a boon, but who knows! So we actually get a more variegated and stimulating model of the teaching profession in this new digital sphere.

## **Imagination, Teaching and Social Exclusion**

*Valerie Hannon*

I was a member of the National Advisory Committee on Creativity – the Robinson Committee. So picking up David Buckingham's point, I think it might be helpful just to spend a minute or two looking at the connections and the disconnections between the analysis within that report and DEMOS' work, which is in *The Creative Age* and which I have enjoyed very much reading.

It is true that an important and significant difference between the two analyses is around the arts and the importance of the arts, and that may spring from our fundamental conceptualisation of what it is we are talking

about when we mention creativity. I think DEMOS has an excellent recognition there (and this isn't me dancing on the point of a needle, it is very important that we are clear what we are talking about) but the Robinson Committee suggested that it was important to acknowledge the role of the imagination within creativity, and that hasn't actually been mentioned yet.

I have got two points connected here. One was what Svend was saying, in terms of children as young learners. If you look at them in pre-school, they are not about problem solving or even identifying and finding problems, they are about using their imagination and their expressions and self-expression, and indeed looking for things which are beautiful.

This brings me to the arts and the importance of the arts in the Robinson Report and the lack of it which I found in DEMOS' analysis. We still believe that the arts create a very significant unique space for young people to come into contact with their own imagination, to express that imagination, and to become creative learners in quite new ways.

I have been looking at creative arts projects up and down the country in the last couple of months, from Dundee to London, and the capacity for young people to reconnect with their imagination within those is really startling. It seems to me, therefore, that one of the things that our analysis needs to do is to look at the way in which, within the hierarchy of knowledge expressed in the National Curriculum, the arts have been downgraded to a point where we ought to be seriously concerned. That's not to deny that we perhaps overdid that in the report (and it was probably a tactical mistake), but we should, all of us in this room I think, be clear that the arts are in considerable jeopardy. I entirely agree with a colleague from the Arts Council that we need to make better use of partnership, but we need to look too at the mainstream education system and the way the arts can enable young people to come to terms with their learning.

A final point, connecting with Michael's. We felt within the Committee (and we expressed, I hope, reasonably well in the Report) that we will get nowhere unless teachers are enabled to contact their own creativity too – to become creative teachers and model therefore what creative teaching looks like. We are not in that position at the moment, we are a long way from it.

And if you look at why teachers are leaving the profession in such serious numbers, that is a central issue.

*Lord Stone of Blackheath*

I was also on the Robinson Committee and I just wanted to point out an omission in what I have listened to this morning. We have talked about creativity in the arts, but we haven't mentioned science at all. We had a creative tension in our Committee. We had Sir Harry Kroto, who invented the Buckminsterfullerene. We also had Susan Greenfield, who invented the brain, and Sir Claus Moser, and I am not sure we put enough in about creativity in science. I noticed in the audience here that perhaps we don't have enough. I'll speak to Susan about the Royal Institution having somebody here, but I think we must add that.

*Keith Hackett*

I agree wholeheartedly with virtually everything that has been said, but I would add this. The DEMOS contribution talked about learning in work and talked about learning in play. It didn't talk about learning amongst those people who neither work nor, because of their social conditions, play a lot. The consequences of that for the young people who are brought up in those families is that it knocks on down the generations. I would ask that you simply add to your analysis and make some sort of reference to the socially excluded.

Equally, and it is the same point, Michael Stevenson talked from his perspective of the BBC, and I think what he talked about is fabulous and absolutely spot on. The whole issue still remains one of consumption. You talked about the partnership with the business community, you talked about the partnership with the public sector, but it is not good enough to base the partnership with the community or the people outside on some notion of popular docu-soaps, in the context of the descriptions you have given there. There are people who have so much more creativity to offer, particularly in marginalised communities. For many, it is their only way out.

*Pauline Tambling*

I think there is some confusion between whether we are looking at a skills based education sector or a knowledge and content based education sector. It seems to me that at the very heart of any education process is people.

We haven't spoken very much about teachers. When Tom Bentley talks about teachers working part-time, I would say that in the arts we have actually quite a lot of experience of a crossover between artists working in schools and teachers working within the arts. One of the most interesting things, I think, is that teachers feel empowered by being able to tap into their own creative roots and being able to do things creatively and then go back into the classroom and inspire young people.

We certainly know that in socially excluded communities, it is the people power that is the most important thing, about energising young people and making them feel valued, making them feel that they have got a contribution to make. So I feel we should be looking back, really, to the teachers and looking at the way they can act as brokers, bringing young people in contact with creativity, with arts and with activity that is going to inspire them. Because if not, I think we do risk producing a lot of content that will actually never, ever compete with Pokemon cards and that sort of creative activity that children gravitate towards very easily.

*Chris Yapp*

One of the issues that has come up is teamwork. It seems to me that there is a danger of going: old teacher plus IT (whether we mean the hardware or the content) equals new teacher. We also need to think quite radically about teamworking amongst teachers, because they are not a learning community in the way they are at present. It is a very, very lonely profession when the door closes. We need to think about a teamworking model there, so that children get examples of teachers working in teams as part of the role model for growing up.

The second thing is that we skirted around the issue of assessment. I think it really is an urgent area for policy formation. I have a number of friends who would like to become teachers, but when they have seen, not the curriculum now, by and large, but what they are assessed by, and needing to teach to the assessment rather than to the competence, many of the people who would like to take their experience from industry back into the classroom are put off by the assessment regime. If I had a plea for one thing coming out of today, it would be to take a radical look at what we are trying to assess for and how we are doing it, because it is too bureaucratic and ponderous.

*Response: Tom Bentley*

The points are well made, and particularly the social inclusion point. It's a strand that runs through almost everything we do, but I think you are probably right that it may well need to be strengthened in this case.

On Pauline's point about knowledge and skills, I just want to say one thing. Quite often in educational debates, when we discuss the balance between knowledge and skills in a curriculum, we behave in ways which suggest that they are isolated from each other, that they are not actually connected to each other in practice. But of course, in any context in which you might use knowledge, you need a set of skills with which to apply that knowledge or to develop that knowledge. We shouldn't be discussing or debating them as if there are two choices, one being a curriculum based purely on content and a particular way of assessing it, the other being based on a set of skills or competencies which are entirely free of the virtues of content and depth of understanding. What we need is a much more sophisticated debate about how these things are combined in practice and how those combinations contribute to the understanding of learning. And my point about cutting National Curriculum content is based on the fact that coverage, I think, at the moment in the Curriculum is the biggest enemy of deep understanding.

## **The BBC in Partnership**

*Ian Hargreaves*

Given that Michael Stevenson's vision is premised upon partnership between the BBC, other parts of the public sector and the private sector, I wonder what he feels the BBC has learned from the partnerships which it has had, including one with Pearson, which is the largest private sector provider of educational material now. That partnership lasted a number of years, but has collapsed, I think. And what does he think will be necessary for the BBC itself institutionally, as a creative institution, to be capable of creating and sustaining partnerships which are based on something different from either the BBC supplying things to others on its terms, or the BBC supplying things to others on their terms? Because I think the middle way, as he called it, requires a different set of terms.

*Response: Michael Stevenson*

I think what distinguished many of our earlier partnerships, perhaps in the middle 90s, was an international and commercial focus – I am thinking particularly of that Pearson relationship, the ICL relationship, and indeed the one that we built on which was perhaps the most successful, the relationship with Flextech which is now generating the UK commercial channels. There was something very particular about those and their focus. I think we learnt and grew in confidence that these things could not simply be created around the Council Chamber table and then be left to people without a clear direction, but had to be driven right down into the organisation.

What we are talking about now in this digital learning sphere is, I think, slightly different. This is a sort of public purposes partnership, or potentially so, between commercial providers and the BBC. The model needs to be collaboration in a number of ways, a number of dimensions – one, potentially, content generation. What the BBC is setting out is a huge agenda to create probably in the low thousands of modules to drive the National Curriculum over the next few years – never mind its aspirations for adults. It may well be appropriate to work with another major player, or a group of smaller players in alliance, to generate that content – and that will create big questions about the creative process in the BBC and how you create those teams.

I think, as I have already said, it does take the BBC to know what it's there for, which is to generate the core, the irreducible minimum, the comprehensive content, but nothing more than that, across the curriculum. In so doing, there is often an opportunity to grow a market, as I think we have just demonstrated with our revision materials around GCE Bitesize, where the market both for online content and ancillary content, CD-Roms etc., has grown significantly once the BBC came into that market, to the benefit of many of our competitors.

But thirdly, I think there is a collaborative model that has the BBC focusing, yes on its own content potentially, but thinking through how it works with other players, to distribute its content into both the home and school, to market its content to parents, to work with teachers, to create this alliance across Government. And that too will be a different model for the BBC, where it needs to think some of its differences and work in a new way – though that of course will also require new behaviours from our traditional competitors,

to come and relax with us and do something for the greater public good.

*Response: Tom Bentley*

DEMOS will be publishing later in the year a piece of work based on a fairly unique ethnographic study of the BBC and the internal experience of the changes of the last 8 or 10 years. I think that will help to illuminate the connections that we often struggle to find between structural and politically led changes at the top of large organisations, and the cultures and outcomes which they can lead to.

Central to it is the question, what makes a creative organisational culture, particularly in a very large-scale organisation which is not trying to be a leading edge, lean, hungry, corporate machine? (Well, they may be trying to be that, I don't know, but in my view it shouldn't be.) It speaks very directly, I think, to the question of what the public interest is, what the public sphere now is made up of, and how to understand the role and ethos in these questions.

## **Reaching the Hardest to Reach**

*Bishop Sentamu*

Tom Bentley and I were at a seminar together where he wanted to try and turn teachers into part-timers. I think Michael Stevenson's solution probably meets the issue he raises, which he sees as radical because it is a question of continuous learning. If all teachers are continuously learning, it is quite possible that the model you prescribe is a better one compared to purely making them part-timers.

The first question I want to ask, to both of you really, is that in your scheme of things, how much research or attention have you given to the workings of the brain? Because until that actually has been resolved, I think we are all coming up with all kinds of ideas that may never work.

Secondly, in view of Sir Claus Moser's research into the 7 million in this country who cannot read and write, who can't even read their own prescription on their medicine bottle, in what way can they be made creative and brought into learning? Unless they are also included, I don't think we are getting anywhere.

And thirdly, maybe I was hearing wrongly, but are you saying that the challenge for this creative knowledge and skills in this new economy is all the time that we need to be improving the supply side of education and learning, instead of the usual custom or demand side of it? Is that what you are saying, that the supply actually has to improve, otherwise no one is going to buy into it – and what the two friends of DEMOS were probably saying as well? I would just like some clarification.

*Dr Ian Johnston*

I think the key issue we have touched on is how we change the monolithic state education system quickly, and it is a very difficult question to answer. We have talked about creating parallel systems. The BBC is creating a parallel system, the University for Industry is creating a parallel system, and as a University Vice Chancellor, I'd love to do HyperIsland in England or Scotland, but in practice I suspect that the Quality Assurance Agency wouldn't allow us to do so – in fact, I know they wouldn't!

If Edward de Bono were here, he might turn it on its head and say that what we should do is not produce top-down solutions for teachers but say to the teachers, “How would you achieve the current outputs if you weren't allowed to teach?” And isn't that the key question? That's what you have been saying all the time, that teaching has gone, so turn it round exactly and say that you are not allowed to teach.

Secondly, how would you get the other outputs that we desire? And how would you build in, to integrate with your system when you are not teaching, all the informal learning that you are going to get from the parallel systems? I think the key question is, how do we learn without being allowed to teach?

*Michael Hastings*

Tom, you gave a new definition of creativity which was exhilarating (and I am sure you will find it turning up in a BBC book somewhere), but when you said, “the application of knowledge and skills in new ways to achieve a valued goal”, can you think outside the box a little bit? Because all of media – television, radio, on-line, newspapers, magazines – is part of a learning experience. Every kind of media teaches something, whether they are values you agree with or not. Have you thought about the implications of your

definition of creativity for all of our media and all of our content – for everything we experience from reading and writing to televisual and listening?

*Response: Michael Stevenson*

I think I should pick up the 7 million in Sir Claus Moser's Report, which seems to be about the most important thing we could address. There are two routes onto this that I see. One is through addressing directly the life skill deficit in many of those cases. The BBC launched a digital television channel about twelve months ago with this in mind. Its reach and share were small, even in terms of digital television, and what it showed us was what we might have guessed, that the preference is to watch other kinds of television than self improvement if you have got to go that far through an EPG to find what you want. I think the answer has to be on-line learning, but that is very tricky for many of those 7 million, and will be tricky until on-line goes straight into the television set and becomes a consolidated proposition.

Until then, I think the best we can do is offer the big campaigns on BBC1 in the health sphere and other areas, and try to guide people into learning opportunities in learning centres and elsewhere. And that means bringing our best creative endeavours to subjects that are often pretty intractable, which people don't want to engage with. We can schedule them between the regional news and Eastenders, which is our best bet.

I think the other thing we do is to address many of those people as parents, which I have already touched on – to try and bring parents into learning through the learning child, as learning goes digitally into the home. But then it does require enormous support and new ways of thinking about how we support parents and put them in that position.

My last thought is that many of those 7 million will be very, very hard to help, even through this revolution. The critical thing is to not make the mistake with their successors – to try and take the chance to get into the schools over the next five years and offer these IT and self-improvement skills and emphases for the next generation.

*Response: Tom Bentley*

Very briefly, I'm sorry I can't answer all of the fairly fundamental questions

that have been raised within the last ten minutes.

On the brain, yes it needs to be integrated into the way that we understand teaching and learning, but we should be very wary of trying to make direct connections between scientific research and applications or pedagogy or particular policy decisions.

On supply and demand, my crude characterisation is that most of education policy over the last hundred years is about fiddling with supply side, and that we need to have a much more balanced view which incorporates systematically a better understanding of the demand side. The issue of the demand side and the development of specific cultures and sub-cultures of lifelong learning is also one of the most important aspects to be addressed in answering the question of the 7 million, but I can't say anything more detailed than that.

Has teaching gone? It's a very nice question and it's worth exploring, but I don't actually think that teaching has gone. I think that conditions are changing radically, but I don't think that the core of teaching will disappear.

On the media possibilities, my one thought is that creativity in the media has usually been defined exclusively among the producers. The definition that we are offering as creativity, when combined with convergence and interactive media, suddenly distributes the potential for creativity among users of media in completely new ways. But again, we can't go further into that.

One final thought based on listening to the discussion: I am still fairly convinced that building a radical creative agenda in Britain depends as much on creative destruction as it does on anything else.

*Wilf Stevenson*

Well there's DEMOS' way: knock it out first and then you've got a chance. Thank you very much to everybody for a very exhilarating morning. This was not the debate I thought we would get into, but it has been far more fundamental and more far reaching, from David Oliver's first point about the need to think about creativity as a day to day activity within everything we do, through to redesigning the curriculum and knocking out the job descriptions

for just about all our key creative people. Well, we'll have to think about that and go forward.

Thank you to you the audience for being so positive and supportive of the ideas, and to our speakers for picking up on the points and turning them, as Tom said, into more controversial ideas.



## Seminar 3

# Investment and employment

A Seminar held on Wednesday 28th June 2000 at  
**11 Downing Street, London**

Edited by John Wilson

## Introduction

### Wilf Stevenson

Today is the third of our seminar series on “Creativity in the New Economy”. Those of you who have been with us for the others will know that we built from looking at music as an exemplar of how industries will have to adapt to life in the new economy and at the plans that have been developed between Government and the industry itself. In the second seminar, we looked at education for creativity. We examined, in a very wide ranging and quite powerful seminar, many aspects of how life would look if one were really to place creativity issues at the heart of the curriculum. Today, we are going to look a little more broadly at the industrial issues. We have a panel which will span across all aspects of industry, from the very small to the multinational.

Creativity is a word that you hear everywhere nowadays. It has been taken up by the Design Council, who are leading on their very interesting project “CreativeNet”. Recently the Arts Council’s Chairman, Gerry Robinson, gave a speech to a distinguished audience in which he dealt with issues about creativity in relation to his patch. He argued very persuasively for investment in artistic creativity, because that would unleash returns for the economy and for society as a whole which would be of value in the long term.

The Government argues that the third industrial revolution will be based around the skills and knowledge of the individual. This has wide policy ramifications, including for ways of measurement and valuation as well as for other aspects relating to how we might find jobs and substitute jobs for declining industries.

But ‘creativity’ is also a word that is, I think, difficult to define. It works well in art, because you can somehow see that connection between individual inspiration and the creative act. But we mustn’t forget that it also spans across into industry. There is a sort of informality about creativity, and there is a sort of anarchic view about it, which means that it flourishes where you don’t expect it to happen. And it’s not just about invention, it requires sophisticated market mechanisms to get the creative impulse to turn the productive penny and become something that will provide some form of investment return.

So market conditions are also a part of that. You only have to look at the history of inventions to see how that works – at things like radar, invented years before it had an application, but then eventually becoming something which is part of our everyday life.

It is that industrial aspect that we shall look at today. I am joined by a panel of three speakers, though the two on my right are going to do a double act. Keith Hackett and Peter Ramsden have been working together on a project called “Banking on Culture”. Keith Hackett is a consultant working on employment related research, strategic planning and project financing with cultural organisations. Peter Ramsden has had a distinguished career in Government, both in the UK and also in the European Commission, and has been involved in a number of very innovative projects, mainly in the north-west, but also in London. They will talk mainly about the smaller scale aspect of industrial work in relation to creativity.

Then we are going to hear from Stewart Davies of BT on the blue chips. His main responsibilities lie at Adastral Park, which illustrates one of the ways in which creativity can be spun out of the bigger companies.

As before, the Smith Institute is grateful to the BBC and BT for their support for this seminar series, and to the North West Arts Board for their assistance with this seminar.

## **Peter Ramsden**

### **The Key Messages from “Banking on Culture”**

“Banking on Culture” is a project that has been running since last July, when we received a grant from the European Commission, co-financed by the North West Arts Board, to initiate a programme of work to explore the potential for using financial instruments in this sector. Most of our work focuses on a definition of cultural industries, but we are also expanding this to look more widely at the creative industries.

We have five key messages. First, that the cultural sector has large numbers of small organisations and enterprises and small numbers of large ones, a really significant point which Keith will develop in a moment. Secondly, that mainstream financial and business support services are failing to meet the needs of the sector. That is critical – there is a failure here which has to be addressed. Thirdly, that new financial instruments have a role to play in developing the sector and creating sustainable jobs. Fourthly, that it is not just about money and finance, but also about developing accessible models of finance, linked to specialised business support. And finally, that these new instruments are sustainable, effective and can operate at scale. We think they can make a difference.

### **Development of the Project**

Our analysis has moved through two or three main phases. We did three studies at the outset of the project, which this presentation is largely covering. We looked at the employment and enterprise structures of the cultural industries. Then we looked at the situation on Merseyside, analysing business support services there and the financial mechanisms that were available. To give you one example, 72 organisations are giving finance to small enterprises on Merseyside – it’s an absolute plethora, a crowded platform of support. And finally, we looked at 80 third system financial instruments across Europe and analysed these to see which ones might be relevant to the cultural sector. These studies have led to two published reports, also available on our website, and a third which is only available in the latter form.

The second phase of the project has gone into what we (or the European Commission) are calling ‘demonstration’. This is really a phase of piloting.

We have demonstration partners in six member states. The North West Arts Board, as leader of the project, is leading the demonstration in the north-west of England, where we are doing three projects: one around creative local exchange trading systems, a second around micro-credit, analysing its feasibility for the cultural sector, and a third which is a research project looking at the financing needs and uses made by the new media sector.

In the region of Veneto, in fact in Padova, we are working with Fondazione Choros and also Banca Etica. They are looking at the potential of associations that do music and theatre work with prisoners, to combat social exclusion, to use financial instruments to convert from being associations into being social enterprises. In Holland, we are working with an organisation called Barataria which is developing a card money which they have called 'Consumptie'. This is aimed at use for festivals and cultural quarters, and they hope to implement it over the next year. In Ireland, Credo are working on loan finance to cultural organisations. And in Portugal and Greece we are doing exploratory work which includes a film support agency.

Keith Hackett is now going to explore the sectoral background, based on our first report, which is about employment and enterprise in the cultural industries.

## Keith Hackett

### Characteristics of Creative and Cultural Industries

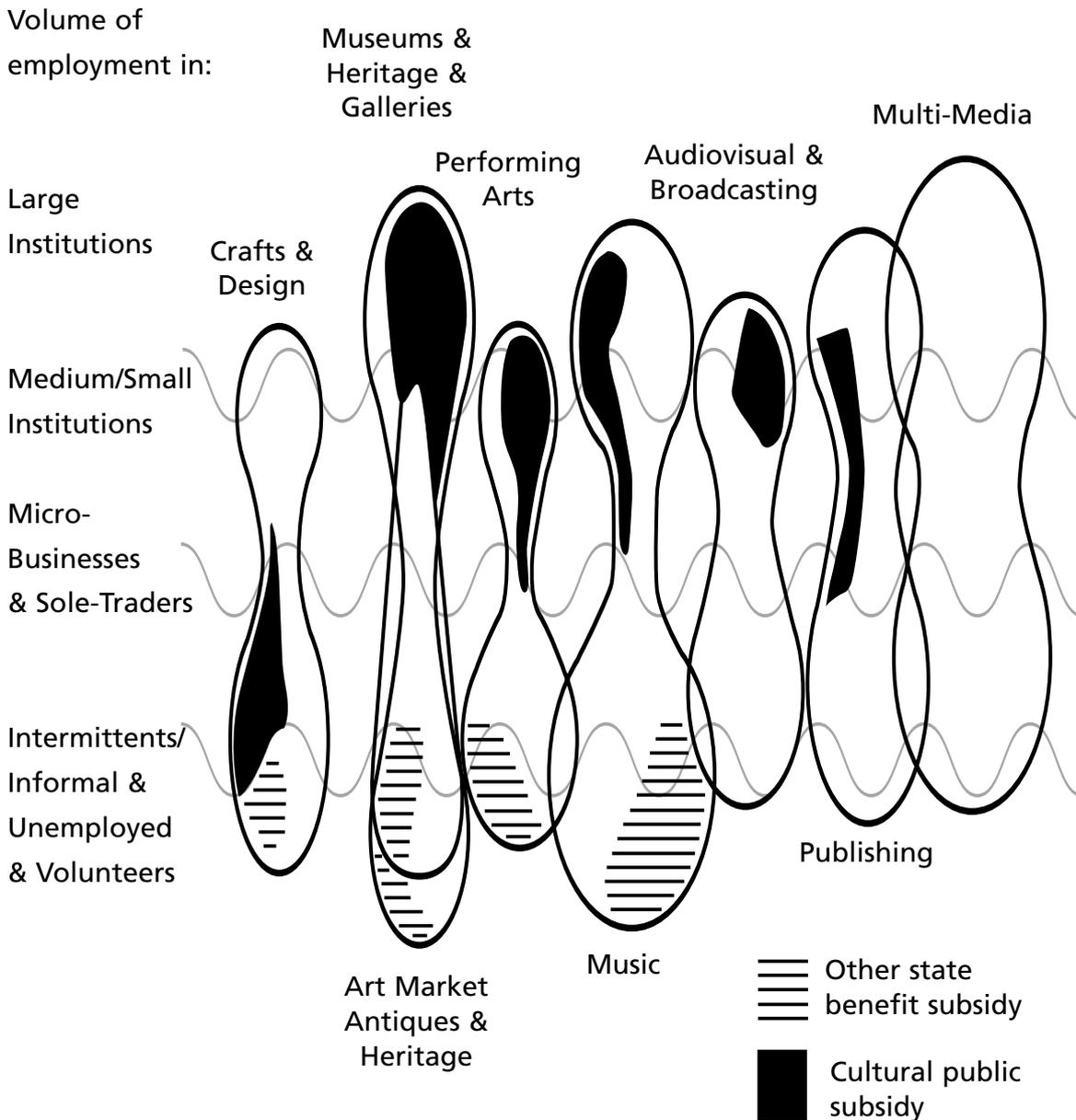
In the UK, the creative and cultural sector generates revenues per annum of £50 billion, employs 982,000 people, and generates value added of around £25 billion per year (figures that the DCMS has published with the Creative Industries Task Force). The situation is similar – it's a sector in growth – right across the member states of Europe. This project specifically was asked to look at what effect investment in the creative and cultural industries could have in terms of local economic development and employment impact. To do that, we looked at a number of things, as Peter has explained.

Before briefly running you through the characteristics of the sector, it's worth saying that they are similar across every member state and every region of Europe, with two exceptions, one being in the performing arts in the Netherlands and the other in Finland. So what you hear here is relevant at local level, regional level and national level.

As regards the characteristics of employment in the sector, it encompasses a broad range of occupations and activities, and it is common across Europe. It is traditionally defined by artforms. It is often knowledge-based, and is particularly affected by the changes in the new information technologies. It is one of the growth sectors across Europe as a whole. It contains enterprises which operate within the public, the private and the third systems. It works through networks of enterprises that operate across those three systems. Parts of it are extremely dependent upon public subsidy.

All the artform areas have an employment characteristic which we call the 'hourglasses'. By way of explanation, and again this is relevant, if you look at regional level, national level or right across Europe, the same analysis holds.

Across the top and bottom of figure 1 (over), you have the artforms. Down the left hand side, you have the size of institutions, ranging from large institutions at the top, through medium/small institutions, micro-businesses and sole-traders, down to intermittents/informal and unemployed people and volunteers, the grey economy.

**Figure 1. The Hourglasses**

Within each artform, the location of public subsidy is shaded in. You can see how cultural subsidy is clustered according to size. In addition to that, in all member states, you see a concentration of other subsidy in the form of state benefits, which supports creativity and employment in the sector, particularly in the performing arts and heritage and craft areas.

Effectively, you can summarise this diagram as follows. If you look at the diagram in detail, it shows that there is a growing convergence between the hourglasses. Driven in large part by technological change, the music industry, the multimedia industry, the publishing industry are all coming together. There is a clear move towards globalisation with fewer larger multi-national companies developing within the sector. There is a narrowing in the middle of the hourglass in the numbers of medium sized enterprises that operate in the sector. And there is a huge increase in the numbers of very small and micro-enterprises that are working in the sector. Equally important, there is significant activity in the informal economy, particularly in certain artforms.

### **Access to Finance**

As part of the study, we looked at access to finance. We found two broad conclusions. Access to financial services across the cultural and creative industries is neither equal, nor is it neutral, in terms of the impact those financial services make within the development of the sector, for the industry and for the economy, in the medium to long term.

I would like to concentrate on a few particular elements of that. First, commercial banking services are not available to some parts of the industry. In particular, small and micro-businesses and sole traders suffer significant problems in accessing credit from traditional sources (although it must be said that these problems are virtually identical to those suffered by small enterprises across all the other sectors in the UK economy). Secondly, and importantly, the lack of physical assets in this sector (an intellectual rather than building based sector) presents additional problems for small and medium enterprises to raise capital. They don't have the collateral that is necessary in order to lend and borrow against. Thirdly, the lack of financial services has an effect within the informal economy. If you are low paid, if you are in the informal economy and you cannot get financial services, then you cannot work your way out – so there is an additional deepening of financial exclusion. Finally, and critically, bankers themselves and lenders, typical commercial lenders, are not interested in making small loans. The cost of servicing those is just prohibitive. Therefore, in terms of commercial banking services, there are very real issues affecting the ways these hourglasses, and employment within them, grow and change.

There are also issues about commercial investment, for where it is available, it is often neither in the long-term interests of the cultural producers nor of the cultural industries. There are a number of commercial investments into cultural producers, but one of the ways in which people invest in this sector, in the producers themselves, is to withdraw their intellectual property, to take it away from them and to use it long term. That loss of intellectual property in the new age equally has an effect on their ability to grow within the third industrial revolution.

There are some moves towards venture capital within the medium sized enterprises, particularly in the new e-commerce area. The problem with that is that venture capital in the UK tends to be very short term – destined to take companies to the market within three to five years. This actually appears to have the effect of driving the narrowing of the hourglass in the middle. If that is all doom, there are one or two good things. This sector is the pilot. It has developed the ‘angel’ system. In addition to that, there are serious opportunities emerging for the Enterprise Investment Scheme, particularly in the area of film, where there is a whole area about research and development which is changing.

To summarise then, with two conclusions and a way forward. If the sector is to grow – or, if you like, if it is not to globalise at the top and fragment at the bottom – then logically there has to be access to financial instruments that are capable of accommodating the needs and requirements of all sizes and forms of enterprise operating in the industry, right across from the top to the bottom. And secondly, if they are there, it will benefit the growth of the industry within the UK economy in the long term and not just the short.

We believe, having gone through this part of the study, that the new forms of financial instruments that Peter is now going to talk about have the ability to contribute to those two conclusions and objectives.

## Peter Ramsden

### The Need for New Sources of Finance

This seminar programme is called “Creativity in the New Economy”. It is important to see that the types of enterprises we are seeing in the cultural and creative sector are very much new economy types of enterprises. So why are they different from ordinary traditional enterprises? How do they differ from the steel companies of the last industrial revolution? They are networked, often in new ways that are not traditional. Networking is an old thing, we have had that in the past, but they are networked vertically and horizontally and in much looser forms of organisation. They often lack physical fixed assets. Everyone has seen the figures of Microsoft versus General Motors in terms of fixed assets, but at the micro end and in the cultural sector, this is even more true. They are driven by knowledge and creativity rather than by production. They have very different needs therefore for finance and support.

Perhaps another reason why they remain excluded from mainstream services is that they have a different style and modus operandi from ordinary businesses. They dress differently, they behave differently, they keep different hours, they work at night. Obviously these are caricatures or stereotypes, but they are different, and they don't relate well to the mainstream.

A big debate that is obviously going to emerge is whether we are basically saying that we can replace the existing grant system? And what about grant dependency?

Firstly, the majority of grant aid doesn't go to small cultural enterprises, it goes to the big flagships. It is important to remember that. So anything that is done in terms of developing new financial instruments is likely to be complementary. Secondly, grants are still important. They still have their place, and at all stages and at all levels. But we are convinced that grant dependency actually limits the potential of the sector to expand. It acts like a ceiling. We are also convinced, from our research especially on the social economy, that complementary financial instruments can help the sector to break away from this dependency.

## **New Financial Instruments**

We see three main ways forward for financial instruments, with two add-ons.

Micro-credit is the basic one. We see this as being a core product which could stimulate cultural microenterprises. It has been well developed in the developing world – everybody has heard of the Grameen Bank and these types of micro-credit. Now, increasingly, it is being adapted for the developed world as well, and we see this as having considerable potential for the cultural sector.

Secondly, social investment funds. Here we are taking a wide definition, to include investment in profit making as well as non profit companies.

Thirdly, new currencies. Barataria is developing card money. Other forms of new currency are things like local exchange trading schemes, which we've already touched on, exchange systems with a credit and debit system, and web currencies, and also time money, which has received a considerable amount of plugging in the last few weeks through the BBC support for the Time Bank. Time money is a way of stimulating volunteering and can rapidly develop social capital in communities.

The fourth and fifth areas we put a question mark against because, certainly in terms of public intervention, these are much more risky strategies. We have an example in the West Midlands of a new equity finance instrument that has been created. And across Europe, there are considerable numbers of guarantee funds run by local authorities, or by arts organisations, and sometimes by banks.

Taken together, we see these as being the five most likely, most fruitful areas of potential support.

We have a number of lessons from existing funds. Firstly, it's the modern cathedrals. Financial instruments often take a long time to build and to reach their cruising speed. So if possible, rather than creating new ones, we should adapt and develop and reinforce existing ones. They are not there for a quick fix. We are in a phase of institution building.

But secondly, benchmarking, taking the European and world best practice

and fast tracking to achieve that best practice, is a way of speeding up the learning curve. One very positive example of this has been the micro-credit project Fundusz Mikro, which is operating in Poland. In its third year it was doing 12,000 loans. That's a fantastic growth rate. You can fast track; they also had \$20 million, which probably helped!

Thirdly, lending and equity are different disciplines from grant giving. The organisations and institutions that make loans have to be dedicated to that type of work. If you just try and convert your existing grant based organisation, you are likely to run into problems. In particular, your punters will still see you as a grant giving organisation, and they may not wish to pay back their loan. It requires capacity both from the investor and the investee.

And finally, scale is absolutely critical to achieving sustainability. Very small funds with very few clients don't have sufficient deal flow to wash their face. It is critical therefore to build more sustainable and larger systems.

### **Mainstream versus Separate Development**

That brings us on to another question for the cultural sector. Should it be using mainstream financial instruments and business support services or should it go for separate development? At the moment, we are clearly in a separate development mode. We found literally 20 agencies on Merseyside alone supporting the cultural sector. Such agencies are a reality, and the reason is that they offer the prospect of customised and relevant financial products. They exist because the mainstream agencies weren't being effective. Business Links and all the previous enterprise agencies haven't been successful with the cultural sector.

But the niche market lacks scale, it lacks deal flow, it lacks progression on to bigger and larger instruments, and it lacks long-term viability. It is also exclusively subsidy dependent – and nowhere is that truer than on Merseyside, where objective one is the big form of money. So our view is that the mainstream has to change. And it can change through partnership, for instance with these types of organisations, through providing syndicated products, and through major adaptation.

These are the major debates that we have identified towards the end of our

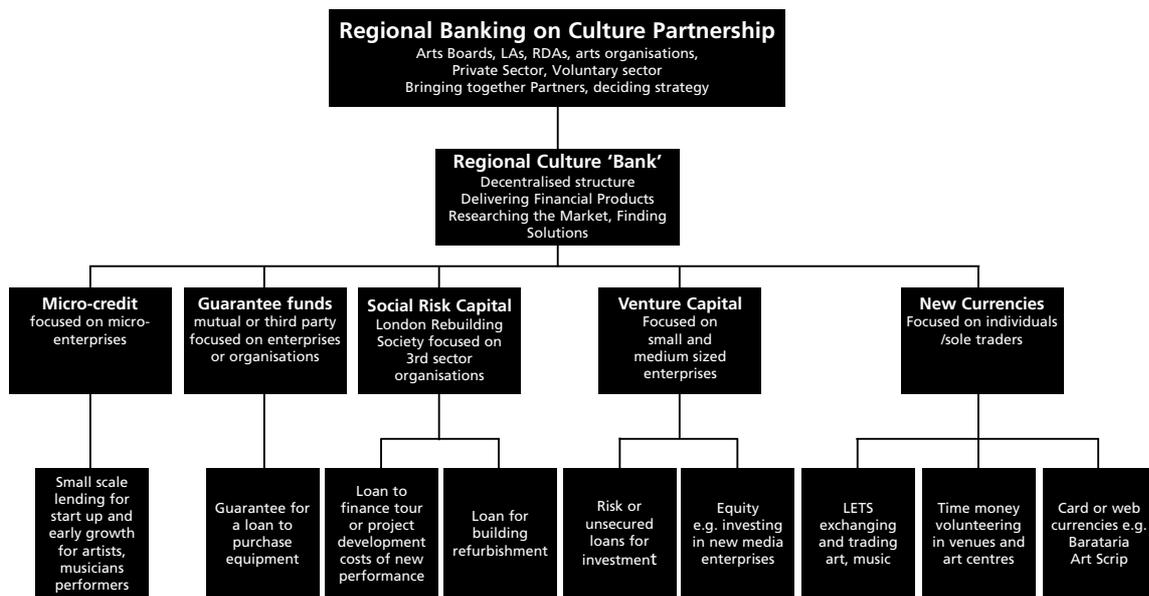
project. Firstly, regional and sectoral specialisation segments the market, cuts deal flow and threatens sustainability. So that leaves us with the question, should we be creating the Culture Bank? Or should we go for more generic solutions, or find some way of combining the two? Perhaps that's where the real interest might be in the discussion.

Can we use a sort of front office/back office approach to achieve deal flow with strong, sectorally specialised, business support services? That's a form of syndication. If we did this, what type of architecture would it have? How would our cathedral look? Would it have common access points? Would the access point be the small business service? And what would the products be? Would they be the five that I identified earlier on? And perhaps critically, how do we bring in the local, regional or national scale to this debate, in order to achieve the sort of scales that we are looking for? How do we play sectoral specificity against spatial scale?

### An Effective Approach

Returning to the key messages I started with, I'll just pick up the last three. The new financial instruments we consider have a role to play in developing the sector and creating sustainable jobs. It's not about just money alone; it is not a simple thing to do with finance, but about linking money to support. And these instruments are sustainable, efficient and effective.

Figure 2. Possible Delivery Architecture



I will give you one example of effectiveness. The papers this week had a report that English Partnerships had misrepresented their cost per job figures, and that they were now double what they had claimed and added up to £23,000 per job. In the micro sector, a report done last year by INAISE showed that cost per job in the micro sector was about £3,000 to £4,000. So we have almost an order of magnitude difference in the effectiveness and efficiency of these types of instruments, compared to traditional regional development.

In terms of moving this paradigm shift forward, there is still some need for continued research and development, particularly the development of models that can work with this sector. These need to be piloted; and then they need to be mainstreamed. They need to become part of the mainstream action.

Just to wrap up, I would also like to thank Danyal Sattar, who wrote the Financial Instruments Report, and Paul Roots, who has been our Project Manager and has given fantastic support to the team. I would like to emphasise that the work that we have achieved so far has been very much a team product. And I would like to thank the other supporters and sponsors of the project.

## Stewart Davies

### Lessons from Adastral Park

I'm Director of Advanced Communications Engineering, based at Adastral Park, which is just outside Ipswich. Adastral Park is the new name for what was previously BT's Research and Development Laboratories.

We have over 3,500 engineers and scientists at Adastral Park and they are really the technology asset base of BT. Of our people, 80% have at least one degree, 30% have at least two, and 10% have three. We are delivering leading edge technology into our market facing businesses. ACE, as we are fondly referred to, represents an annual R & D investment by BT of around £300 million. At any one time there are over 2,000 projects ongoing, in subjects as diverse as the internet, multimedia, mobility, intelligent networking and other facets of the telecommunications industry.

The creative output from the facility can be measured by the portfolio of over 13,000 patents, arising from 1,500 inventions which have been generated over the last 20 years. Among the examples of products developed recently is DSL. Now DSL enables broadband and multimedia services to be delivered to the home over existing copper infrastructure, and perhaps the perception of BT is that we have been slow to deliver DSL. The reality is that issues of both its economic viability in a competitive marketplace and the maturity of the technology have taken a little time to resolve. Another example is interactive television. We created and ran the world's first trials of video on demand. Yet another is mobile products and, not least, new security products for trading securely over the internet.

We renamed our labs at Adastral Park because we are turning into a much more open science and technology community, with non-BT companies on site. New start-ups are being spun up, based on the creativity of our people and a much closer relationship with the local hi-tech industries, and particularly with Cambridge and the universities.

I believe there are some lessons to be drawn from the way we tried to liberate creativity at Adastral Park, so today I will describe some particular examples and also make some more general points.

**“Bright Star”: An Incubation Programme**

First of all, I would like to table what I think we mean by creativity. The terms creativity and innovation are often used interchangeably, but they are not the same thing. Creativity is the capability to generate new ideas and fresh thinking, whilst innovation is the ability to turn those ideas into effective action. As a nation, we need to get better at both generating the ideas and exploiting them. Why should it be that we have such creativity and yet so often we have to witness others taking the same ideas through to exploitation?

Creativity requires certain conditions of openness and ideas sharing, risk acceptance and preparedness to suspend judgment, a preparedness to nurture and back more than the eventual number of ideas, and space and time for ideas to grow. On the other hand, innovation requires good methods of selection, funnelling, investment, implementation and of course continued learning. At Adastral Park, we are taking a very hard look at how we take forward creativity and innovation. In the process, we are hoping to see some of these thoughts spread through the rest of BT.

“Bright Star” is the name of our incubation programme. It is a new BT mechanism for exploiting intellectual property that otherwise might not be realised in our core business activities. “Bright Star” is creating a new environment, a new culture, greater shareholder value and accelerated economic development. It is doing this by enabling some of our brightest people to exploit their ideas outside the normal confines of BT processes and systems. If they have a proposal accepted by our “Bright Star” Review Board (which, by the way, is constituted not only of BT people, but others from outside industries), then it goes into incubation. They put together their business cases and they are allowed to move outside their normal line management chain to develop their proposals almost completely independently of our business – although, clearly, we keep a watchful eye over them.

This is creating entrepreneurs out of many of our people who previously viewed themselves as frustrated scientists. In small groups, they are creating their own companies, companies in which they have a real tangible and personal stake. And if, after incubation, their development is something that can fit within the BT portfolio, then it may be taken on by one of our market facing businesses. If not, it can be spun out, with BT retaining a financial stake

in the enterprise. There are currently eight new businesses in the “Bright Star” incubator and fifteen others lined up waiting to go in. Through “Bright Star”, we are creating and allowing our most creative individuals a route to quickly realise and reap the benefits of their own ingenuity – and we are hoping to make a few millionaires in the process. The benefits of “Bright Star” are very real to the individuals, to BT and to the local economy.

### **The Cambridge-Ipswich High Technology Corridor**

Now this isn’t happening in isolation. I am also BT’s Director for the East of England, and we are very conscious of the context in which we operate. Building on the internal activity and the proud traditions of Cambridge, links with the Cambridge Network, and the existing foundation of hi-tech companies, the Cambridge-Ipswich High Technology Corridor has been recently formed.

As part of the corridor, Ipswich, with its distinctive postcode, is now creatively marketing itself on the world stage as IP-City. This is a virtual inclusive community of businesses and organisations, gearing itself up for the twenty-first century. It mixes together a diverse range of technology businesses with new ideas and opportunities, as well as British ingenuity and talent. IP-City represents a cluster of businesses and organisations that recognise the opportunities for networking and understand the challenges that lie ahead. The IP-City community already numbers some 150 hi-tech businesses in and around Ipswich, and land around the town has already been earmarked for several new innovation parks – and that’s IP-1 through to IP-5. Adastral Park, coincidentally, sits in IP-5.

So is it really possible for the UK to build its own Silicon Valley? Well I personally believe it is. And in the east of England, Adastral Park is a major catalyst in creating new economic growth through the Cambridge-Ipswich High Technology Corridor. This new corridor will provide opportunities for exploitation of British technological know-how, as well as our world-leading design skills and creativity. It will also nurture new talent coming out of our schools and universities and provide an environment in which it can flourish. It’s geographically located in the east of England, but this is truly a national issue. If the UK is not first to rise to the challenge and to develop an enterprise to compete with Silicon Valley, then other European countries will – and I actually believe that’s guaranteed.

The Cambridge-Ipswich corridor presents the UK with a new unique opportunity. It builds on the existing strong reputation of Cambridge, with easy access to the continent, and is now attracting talented people from across Europe. Of course, the corridor won't happen overnight and the process will take many, many years, but it will require hard work, dedication, commitment and partnerships between businesses and the local authorities – not least, on some of the issues of land availability. It will require and generate a new skills base across the region, and so we need relevant education and training systems. It will also require very active Government support.

### **The National Context**

We do have the chance to truly compete with Silicon Valley, so what does all this mean in a national context? Well, the pace of technological change or experience is truly phenomenal. It amounts to nothing less than a revolution, which is accelerating and never seems to stop every day. But as is so often the case, this revolution seems to be being led by the USA. Why this should be is a real question for debate. It is certainly true that, looking back ten years, the US seemed to have identified the major economic drivers much earlier and with greater conviction than most European countries. Now is this fortuitous inspiration, attitude or culture, or a willingness to take greater risks? It is probably all three. Certainly it is true that in the USA business failure is not always seen as a failure in itself, but rather as a learning milestone.

Closer to home, the new business opportunities in the UK are real, albeit at an embryonic and critical stage in their lifecycle. Industry and businesses are actually reinventing themselves rapidly. The question perhaps is whether Government is doing the same. Einstein said, “No problem can be solved by using the same way of thinking in which it was created.” Does this mean that Government needs to learn and practice greater creativity itself, to move the UK forward?

### **The Role of Government**

There is (and perhaps you would expect me to say this) a crucial need to stop some stifling regulations. It's remarkable how more creative and flexible, for example, the tariffing offerings are in the less price-regulated mobile industry than in fixed line telecommunications. BT was the company that came up with the concept of a free internet service provider, but Freeserve was

first to market and got all the glory and the customers. Now, why was that? It was held to be anti-competitive if we did it. In the end we launched “BT Click Free” without regulatory approval, because we were so frustrated. Ex ante regulation closes off options and stops new models being created. We now have a competition law which can assess whether a company has behaved anti-competitively in effect, and punish severely, and compensate competitors who have been harmed. So let’s rely on that to stop genuinely bad behaviour, and otherwise give creativity free reign. And that, ladies and gentlemen, is the end of my personal party political broadcast!

But in a broader context, what can Government do in partnership with big business? I would like to consider financial incentives, education and training, infrastructure and public relations amongst other possibilities.

The changes in rules for R & D tax credits announced last November are a good step forward and will certainly offer some assistance to the growing sector, but what about large businesses? Can we not follow the lead of the US? According to analysis, the proposals to make the R & D tax credits permanent would spur productivity gains in the US economy. It would generate some \$41 billion of new R & D spending over thirteen years, whilst boosting personal incomes by some \$11 billion. UK personal taxation rules do not proactively encourage entrepreneurship, although the hi-tech industry and the R & D sector did recently receive a boost when the Chancellor abolished stamp duty on documents effecting transfers of intellectual property.

Whitehall’s Creative Industries Task Force places an emphasis on the industries of music, film and art. These are undoubtedly creative industries, but perhaps we need also to put our energies into challenging public perception of the other, equally creative industries, of communications, electronics and biotechnology, for example. Creativity is certainly not confined to artists and authors. It is a fundamental requirement of the way scientists and technologists approach their work – and indeed we have engineers at Adastral Park who are artists, and authors and engineers.

I believe that creativity can be learned and practised. It is not always a fixed rare gift bestowed at birth. The educational, training and employment systems of the UK could be much better vehicles for bringing out the

latent creativity in many of our citizens, and we could do this for even more focused learning and training. In the new economy, the increase in demand for specialist skills is well documented. According to analysis, the Western European skills shortage will reach some 1.7 million IT professionals by 2003. It is a very sobering statistic that internet skill shortages alone will reach some 33% by 2003. But as well as the traditional academic qualifications, our young people should be learning about creativity, about personal development, about confidence and self-esteem, and particularly communication skills.

The Government should also recognise that hi-tech industries will increasingly have to source skills on a global basis. Issues of visas and work permits are often cited as major hurdles to UK-based organisations being able to successfully recruit some of the world's most relevant experts. It is a global marketplace and a global stage we now find ourselves on, and this needs to be recognised in the relevant policies.

The new industries will undoubtedly rely on transport, but also on new network structure, whether it's mobile, fixed line, digital TV or satellite. If those investments are not rewarded, they will not be built. This is a key regulatory and political issue.

As a nation, I think that public relations is an area where we are not particularly or especially proactive. I really feel that we could do so much more in terms of national PR on a global scale. We have got a great deal to shout about, and a lot of ideas to share, but seem to be somewhat shy of selling ourselves. Communication and knowledge sharing are key to creativity.

### **A Critical Opportunity**

In conclusion, I believe that we are now at a once in a lifetime – or once in a century – opportunity. Business leaders and Government need to get people involved in the excitement and possibility of it all, right from the very beginning. It's about partnership: businesses working with customers, suppliers and collaborators, and Government lead-working with business to lead the way. Today, the multitude of issues and challenges facing big companies require business and Government to implement and maintain specific yet flexible strategies in all areas, not least taxation, education, transport policy and finally public relations.

We should be playing to our cultural strengths, which do include creativity and the ability to innovate, whilst addressing one of our weaknesses – the inability to see the results through to successful exploitation. We are in many respects a risk-averse culture and this is sometimes to the detriment of creativity. So let's see some failures celebrated as a stepping stone to future success, not derided as inevitable, in that ever so British way.

Well, we fully admit that we are learning at BT, but we need to work as partners with Government at national, regional and local levels, and with all businesses. Partnerships mean sharing the learning from our mistakes – as well as sharing our successes. For example, we have created and are sponsoring the Start-up \$1 Billion conference, to be held in London here from 4 to 6 September, and it's actually turned from \$1 billion to \$15 billion in the space of the last eight weeks. This is all about technopreneurs, or in other words, people with a passion to see their ideas reach fruition. As Andy Groves, Chairman of Intel once said, "The race is no longer between the big versus the small. It's now a race between the fast and the slow. The Amazons and the Yahoos of this world have shown us that." So I would like to run this race together.

## Discussion

### The Scale and Framework Needed for Effective Delivery

*Wilf Stevenson*

That's two perspectives from different ends, but I think there were some common themes coming out between them. The floor is now open for those who would like to contribute.

*Richard Penston*

To pick up on that comment about there being a common theme, I am a bit more confused than at the start. I don't see the common theme. I've heard our friend from BT really say that it's good business to be a good citizen and that what we need is less regulation and to work together. On the other side of the presentations, I have heard a very honest and straightforward way of looking at trying to help finance the arts, the more classic way of looking at creativity. But I didn't see the common ground. Can you explain it to me please?

*Wilf Stevenson*

I think some of the common themes will come out as we talk, but I'll just make three points. One is that both sides were concerned with flexible solutions to different types of industrial process and creativity development that are happening. On the smaller scale, the argument, I think, very crudely put, is that the input from traditional funding systems is missing the drive and personal desires of those who are capable of creating the jobs and creating the economy. But BT's experience bears on the same issue. The advantage they've got is that their in-house capacity to create funding within their structures is driving the entrepreneurial spirit that they are finding they do have in their employees, so that they don't have the same problem of access to money. But they are still having to come up with completely different styles of financing and approach than would be conventional, say for somebody outside BT wanting to go to a lending bank to get money for starting up and everything else. So there are new flexibilities required to develop the new economy and the new knowledge basis.

Also, we are talking about scale in an unparalleled way. Ten years ago, perhaps,

you could conceive of an EU-wide programme along those lines because the numbers would be so small. It just wouldn't work now, because so many people (as we've heard in other seminars) are trying to get involved in this. And a further common theme on both sides is regulation being the driver out of innovation and creativity and not the supporter and bolsterer of it. I thought BT made a very good point, which was that if you have systems in place that will allow you to catch up on where things have gone wrong, why do you also have to have thresholds and hurdles over which people must jump before they can get started. I think those are both points that we shall pick up on.

*Marc Collett*

Could Keith and Peter expand on their notion of scale. In developing these new financial instruments, what kind of scale is needed in a region like the north-west or a sub-region like Merseyside, for example, which you are using as part of your study?

*Dr Andy Pratt*

Much of what we have heard concerns the dispersal of information and knowledge and innovation, but there has been little discussion of the systems of governance, either in the public or private sector, through which a strategy can be developed to make everything work together. Knowledge and learning will only be converted into real development and growth if there is a strategy and a framework to ensure that this happens. If you ask why the US and Silicon Valley are different, there seems conclusive evidence that it is the way that entrepreneurs are able to operate and channel their activities within broad institutional strategic frameworks, rather than being left isolated. So where is our strategy – the UK national perspective, or the regional perspective? I am a bit worried about the recreation of a Silicon Valley on the M11 corridor. We seem to have a M4 corridor, and we have other clusters – are we going to have a competition between these different clusters? There's a problem there, which is why governance comes in. How do they work together?

*Ian Stewart*

I've spent the last twenty years building companies, being an entrepreneur. I'm now sponsoring a micro-credit programme, along with Goldman Sachs, New York, investing directly in companies and organisations in different places. The principal problem I have faced in trying to work out how to

allocate capital to small projects isn't, in general, the capital. If I approach people about providing the funding for micro-credit projects, the concern they always have is people able to allocate the capital to projects, people experienced in the management of the process, able to weigh up the value of a project correctly, so that the money is not wasted.

I was involved in an EU-wide programme to sponsor innovation in Europe when I was at Pearson in the late 1980s and early 1990s. I watched 400 million Ecu get frittered away over a five year period. It just disappeared. Not a single viable project came out of it, in spite of 25 investments. It wasn't that the underlying idea was a bad one. The capital was allocated and people generally believed in the process; there was Government and private sector co-operation (Pearson wasn't the only company involved); but the people who did the choosing of the projects, the way the projects had to be structured – you had to have people from five different countries and so forth – it was nonsense. It meant that people came together in groups specifically to get the money. The end result was, no result.

The problem we all face is finding people who are able to manage the process. There is some learning – the Indian projects are fascinating, and there are lots of things going wrong around the world that could apply some of these things. But the number of people who actually know how to do them is very limited. I would like to make sure that we have processes in place – knowledge transfer, training, education, relationships with those people – to ensure that we don't waste more money, which would be very sad.

*Response: Peter Ramsden*

Perhaps I can come back on Ian Stewart's point, which in a sense is about delivery capacity, and also try and link that to Marc's point about scale, because I think they are probably connected. Over coffee, Alistair Grimes used the analogy of aerial photography. As you look down on a city, it is not until you are about 1,000 ft above it that everything suddenly changes – and policy to implementation is the same.

We have quite good analyses. We realise that grant dependency is a problem. We know that new financial instruments have potential in this area – we've seen it in other sectors and it's clear that it could be applied here. But it all

goes pear-shaped in the actual delivery. Those of us who have built these models in the past know that that is, to a certain extent, always the case and you have to play odds. So you have to have more than one example. This is why you need piloting, you need to test. And I think it is right that we need a really serious sectoral development strategy around micro-finance and community finance which can train the people, identify and benchmark what the best models are, explore issues around intuition and skill in terms of choosing winners, choosing good projects and so on. At New Economics we are doing some of that; we are certainly involved heavily in the field. We are participating in a range of parts of the sector to do that, but I think it needs to be done at a concerted level in all the regions of the UK, and we need that type of capacity building.

The question about scale is harder to answer in a simple way. First of all, scale for what? Different products can be operated at different levels. The Creative LETS project that North West Arts Board is developing in Liverpool at the moment has about 400 members and will probably really fly if it could get 2000. It's about exchanging art and skills within a community of creative people. That type of thing could be quite local and needn't operate at a national or even regional level. When it comes to micro-credit, we do have problems about very small projects. If you are only doing 30 loans, your operating overhead is enormous to deliver those 30 loans, even using peer group systems and other approaches. I think we have to be talking at the regional level and possibly higher for that.

Andy Pratt is doing some work with us on new media. The new media sector may be so specific, the knowledge way that it works so unique, that you need some type of sectorally focused approach – which might not have a regional dimension – to get the operating scale. So it is a matter of horses for courses. You choose the spatial scale according to the type of product and the way you want to distribute it.

*Paul Roots*

Just to clarify a factual point about the Creative LETS programme, it is made up of individual and organisational members. The total membership at the moment is around 75, but some of those are organisations and therefore provide access to a wider group of affiliated members, which is where the

figure of 400 comes from. The same issue about scale applies there.

*Response: Stewart Davies*

My view is purely from a BT context. I work in an environment with highly talented, highly gifted individuals, where we create 150 to 180 new patents per annum. These are effectively, if you like, UK based patents, exploited around the world. I mentioned the issue about being unable to exploit what you create. One of the issues for us, and why we created the “Bright Star” programme, is that where BT – or its engineers and scientists – have been creative in creating new services which we have not been allowed to exploit, it gives us the vehicle to do that now, perhaps get additional returns for our shareholders, and give the people the opportunity to stay with BT rather than being frustrated and leaving.

One of my ambitions is to keep the people in the UK. That might sound extremely grand, but if you can find a mechanism, that’s what BT is trying to do – to ensure that its most talented individuals remain inside the BT group, despite the fact that they come up with things that the company can’t exploit because of regulation. If we can do that, then I think we are actually on a very strong footing.

The issue about frittering money away was important. We have some very rigorous hurdles for people who go into our incubator with their ideas. I did mention that there are external individuals on our review board who advise us, and we are learning very rapidly about the mistakes that others have made in the process of creating incubators for new ideas and exploiting innovation. So we are learning, and we know we don’t know everything, and I think that’s a very important point for the community. We have gone from perhaps being an organisation that knows everything to one believing that we will learn a great deal from others.

On the point about a framework for the UK, I put my citizen’s hat on rather than the job I do. I look at the UK, the opportunity of new ideas and inventions, and somebody else exploiting them, and I genuinely believe that the next five, ten or fifteen years will be a technology battleground in the UK, across Europe, and indeed with Asia and the USA. If we don’t believe that, then I think we will be looking back from 2020 or 2030 saying, why did all

these ideas go somewhere else? So I think some competition in the UK between different areas and so on is okay, but I do believe that the Government could help – not necessarily in an absolute framework, stopping one region competing with another, but just recognise that it has to get behind it all.

In my own area, I look at what's happened in Cambridge over fifteen years – 1,200 new companies, 25,000 new jobs, a huge proportion of the technology GDP of the UK now, and the ability to extend that down 40 miles to Ipswich – when you look at it geographically, the distance between Cambridge, Norwich, Ipswich and perhaps Bedford is the same as Silicon Valley. We can do it, but you have to work with people and to have a Government that believes that and will actually back it. That's what I'm looking for, and BT is using its own ability to help stimulate and generate new opportunities in that area.

## **Education, Social Exclusion and Risk**

*Paul Marsden MP*

One of the common themes is clearly creativity. The phrase that keeps coming into my mind is “small is beautiful”, coming down to the individual and how we equip individuals in order to be able to succeed.

I am intrigued by the “Bright Star” project. The technical question would be, “How do you retain a corporate governance over those employees and at the same time liberate them and let them just go off and be able to become millionaires and show their entrepreneurial skills?” But on a different tack, you told us that 10% of the employees have three degrees and most of them have at least one degree. How do you balance it up with how we equip those who are socially disadvantaged, so that it isn't an excuse that they can't succeed. How do we give them the skills and the support they need, whether it is the financial support through the mechanisms that we have talked about before, so that they can then get up and go to the same sort of places as those who have the right education or background – so that we can then liberate them just as equally as we can the brightest and the best in the country?

*Benjamin Metz*

Following on from the last question, I suppose, we have seen what the

financial world can offer the creative industries, but perhaps we should be asking what the creative industries can offer the financial world. I was at a conference a couple of week ago hosted by Urban Environment Today, looking at community financial instruments, where there was a very interesting presentation about some focus groups in the Sheffield New Deal for the Communities area. One guiding theme was financial literacy. The people on the ground haven't got it. It strikes me that the creative industries are an incredibly fertile and efficient way of conveying financial literacy to street level.

*Sir Christopher Foster*

Stewart Davies said quite a bit about what Government could do for BT, mentioning some very natural things about better transport links, better tax breaks, ex post rather than ex ante predation regulation. I don't know if there is more that you want, but perhaps the thing which intrigued me most was your suggestions about educational policy. Surely the drive towards numeracy gives you more or less all you want in terms of getting the right people, but is there something else that you are looking for on the educational front?

To follow up the last question on the other paper, it is not, I think, just financial literacy. I have never been in the lending situation of an Ian Stewart, but I have been in a great many. Given the structure of the media world, the loose structures of self-employed people and all the rest of it, it is extremely difficult for anybody lending money to get to grips with the risks involved, to get people actually to sketch out what the costs are likely to be, what the major risks are, in order to get a return or reward. Now I absolutely agree with the last point that was made. There is an awful lot in your talk about what finance can do for creativity, but damn all about what creativity needs to do to persuade financiers to lend money.

*Lord Simon*

Following a period running a large company (and recognising many of Peter Ramsden's points about how you get delivery out of creativity in a large organisation) and a short time in Government, I'd like to respond to one thing about the balance between strategic framework and distributed delivery.

Just as ten to fifteen years ago big companies recognised they could not compete using a command and control structure any longer, so I think

Government is trying to come to grips with the recognition that it too has to make that change out of command and control, through executive type ministries, silos of information and control and money and budgeting, into opening out regional and local responsibility. I think it understands that. And, having taken the Competition Bill through the Lords, that is a good example of an enabling framework which says we don't want form-based competition, we just want people to go out and compete freely, and behave themselves when they compete. They have to understand what governance is, and I believe that's the right way – an enabling framework from Government from which local initiative can flourish.

I think to focus on regulatory help, tax, etc. is to do a disservice, in a sense, to what Government is about. Government is about enabling and creating the strategic framework, and not so much about better regulation for people. Our big anti-Silicon Valley capacity as a country is lack of trust and lack of understanding of risk. It is a cultural issue. You won't regulate that. You can't improve people by telling them what to do. You can improve people by trusting them and giving them objectives and targets for them to chase themselves. It is devolving the risk through the structure. You have done that in business, and I am sure Government will try to do it, but the best service, if I may say so, for Joe Citizen (and I am paralleling the political experience with the financial experience we have just talked about) is for Joe Citizen to ask Government to do less, to take more risks himself and get on with creating. So there is a political process, which will have to parallel this financial process, where we have really got to persuade ourselves as individuals to take more risks, more responsibility, and ask Government to do less.

*John Newbiggin*

Channel Four invests about £400m into 400 little production companies (well, some of them were little but are now worth £70-80m each!) and probably 100 to 150 other companies in the sector. We are also working with some of our small suppliers to help them develop their business skills. All in all, it's a pretty effective operation, helping to develop the creative economy – really a kind of R & D lab. And of course Channel Four was set up by legislation – it is there by virtue of an Act of Parliament.

It does seem to me that there are some other areas – for example, the National

Grid for Learning – where the Government may be missing a trick. In the same way that Channel Four works as an engine helping to provide a platform for small companies, the National Grid for Learning is a potential tool of industrial policy, by helping to create a big market for learning content providers who would otherwise probably not be able to get into the market because they are too small. The Channel Four model has worked well over 15 or 20 years and doesn't cost the taxpayer a bean. It does seem to me that similar models could be built on that kind of idea for other areas of the economy, particularly when the Government itself is becoming a bigger and bigger purchaser of creative content services of one kind or another. Not just in education, but right across the whole field.

*Alistair Grimes*

To pick up on Fundusz Mikro as an example of a micro-fund, what I think is interesting about them is the way that they vary the questions they ask depending on the amount of money you are going for. If you want to borrow about £1,000 off them, they say, "You look like an entrepreneur to me – do you have a family that looks as if it could pay back the money?" If you want to borrow £20,000 off them, they ask a lot of serious questions about cash flow and the nature of the business. It seems to me that there is an interesting and important practical point here about one size not fitting all, and at the bottom end of the market just getting the money and doing it quickly.

My second point is about public policy in this area. There is an odd paradox, which is that in the private sector, if you have no track record, you can't get any money, but once you do have a track record, you can get quite a lot; in the public sector, we fund endless pilots, but once you have an idea that's actually up and running and working you can't get funding for it. It's Peter Ramsden's point about what have we learned from this, and scaling up. The answer is, we are very bad at scaling up what does work. Until we crack that, we will continue to have a lot of problems.

My final point is to try and answer his question about generic versus specialist. It seems to me that the evidence from the States and elsewhere is that the funds need to be generic, otherwise you can't get the scale. You can't just operate in niche markets around micro-credit, or finance for women's enterprises, or the social economy, or whatever. You need generic funds, but

what you need to link that to (and I think this is what you were saying implicitly) is specialist organisations which have the knowledge to help the trade off between risk and transaction costs. It's building up those specialist agencies and linking them in that's the critical issue.

*Naomi Kingsley*

We are talking about creativity constantly, and we are also talking about risk and risk aversion. Well, I think creativity is partly about taking risks. Another thought is that to create the framework, while we do need to address issues that are to do with the national, regional and local levels, we also have to think creatively about the collaboration between different sectors. We need big and small business, we need the non profit and the voluntary sector, we need Government, and what we also need is to inject some creativity across those, so that everybody is prepared to take some risk and to understand about risk and the management of risk. I would agree with the point about Government as enabler, but I think it is very important that those responsible for enabling through funding are also being creative and not too risk-averse, in relation to looking at these new ways of applying finance in sectors like the creative sectors. We need financial intermediaries, and we need the private and public sectors to come together to support those financial intermediaries and to be truly creative.

*Response: Keith Hackett*

I was also taken with the statistics about 80% having first degrees and so forth. I believe the grey economy, and moving people up into the real economy, is a very important issue. Micro-finance has the capacity to do that and therefore should be welcome. That said, I absolutely understand the problems that arise with the public sector. It is not fast, which is one of the big difficulties, and relates to the whole issue of scale. The public sector is also underpinned by the view of subsidy. One of the key points made was that organisations that deliver subsidy cannot deliver these loan-related services. They cannot, because the expectations of the people who enter their portals say subsidy.

For me, the really exciting statistic comes in Ruth Touse's analysis of cultural employment (published by the Arts Council). There are as many people working in cultural or creative occupations in the mainstream of British industry as there are working within the cultural sector. In addition to that, a very large number of people leave the creative industries, the cultural sector,

by the age of 40 and transfer across. Basically, it is a feedstock industry. One of the reasons they transfer across is that the wages are so appalling in this sector. That means there is a direct link between BT, the large sector creativity, and the subsidised sector, and a link through to the self-employed and the informal. It therefore follows (and I hope to have the conversation with BT) that the mix that forms these micro-credit funds should have the structural link to the private sector built into them, and should operate in the private sector amongst institutions that are not rooted in the subsidy economy.

One of the things that frustrates me, as one who works in an area where 80% – more than 80% – of people have first degrees, is the whole issue about social inclusion and progression. Micro-credits enable social inclusion and progression, in a way that other things don't.

*Response: Peter Ramsden*

I think this idea of one size not fitting all is crucial, and that we need to scale up the successful things. In Figure 2 we tried to show what a delivery architecture could look like at regional, local and national levels. Perhaps this picks up Lord Simon's point about Government providing enabling frameworks, and a real need for some investment to be syndicated now between the public and private sectors, to make this go up to scale. People do need to put their money where their mouth is. There has been a lot of talk about moving to a more investment based model, but actually the Phoenix Fund isn't enough. We have to have other types of instruments to do that.

So I think I'd end on scale. We have enough ideas about what might work. We need to build the capacity, so that scale can happen.

*Response: Stewart Davies*

On the point about keeping our people, one of the biggest issues for us at the moment is that high technology skills are at a premium and are going to be at a premium for many, many years (linking directly to the point about education as well, which I shall come back to.) We are finding it more difficult to keep our people. The attractions of the US are great. The scale of almost continuous innovation coming out of the US (particularly California and some of the stuff on the east coast) is attracting a lot of our people. I have to create an environment to induce people to stay in the physical location, and

I mean in and around Ipswich or Cambridge. If you look at the creation of Silicon Valley and the issues faced in the 1930s and 40s by Hewlett Packard (effectively the originators of it), they created something because their students, coming out of California, were going over to the east coast – which was, if you like, where the action was.

I feel exactly the same about where I live and operate. I've got three children who live in quite a nice environment. But Suffolk – or Ipswich – is a net exporter of talent. The reason for that is that there is no university in Suffolk; it is one of only two counties in the UK without a university. (They have been fighting for a university for years, but they still don't seem any nearer to actually getting it. I don't personally understand that.) We have an incredibly close relationship with Suffolk College, and we have considerable funding programmes that we put in across many of the universities in the UK, but what I'm trying to do is to keep these people in the UK and to actually keep them in the community in which I operate. They may leave BT – they may work for another company two miles down the road – and in three years' time they may come back to BT with much richer and broader experiences.

You also mentioned social exclusion. If any of you know the history of Ipswich, it had a very heavy engineering base which has virtually gone to zero. Drag-Line Cranes were made in Ipswich when I arrived there many years ago. Now the business has completely gone – massive things gone. We took the engineers from Cranes, who were mechanical engineers. In our first spin-out venture with Dupont in the late 80s, we took those guys who were looking for jobs, we reeducated them into hi-tech manufacturing of optical components. They are now a spin-out of Hewlett Packard and have doubled their size of operation in the last ten years in hi-tech optical components manufacture. We have just sold our photonics research facility to Corning, which is now co-located with us at Adastral Park, and we are taking in young people (whether they have degrees or not, they are people who you might say were in this socially excluded environment) into hi-tech manufacturing, and they are very, very good people.

With regard to numeracy and education and what more you could do, one thing is much closer links on the curriculum between businesses like BT (and obviously many other big businesses) – what we're looking for in new

students coming out of school, or people who will become technicians, or go on further in their education.

On risks, and Government being an umbrella Government, I think that is great – as long as you support failure. We have an appalling track record in my view (not a BT view), where people try to do things, fail, have some kind of social stigma and then can't repeat the exercise. In the US, as I mentioned (I deal with many successful people in the US, and we talk about their environment), there is no such thing as failure. You just move on to the next thing. Government may or may not be able to help in that, but you can set frameworks and you can also set moods of people in the country. Unfortunately, my personal view is that we don't have the mood of accepting failure. So risks go with rewards – but many risks actually create failure, and you should encourage people to start all over again. Like football teams!

*Wilf Stevenson*

I'm afraid we must stop. We have had a very illuminating event this morning. I'm not sure that my brief summary of the themes was actually sustained; I think there are more differences emerging as we go forward; but I think there are still points here that need to be taken forward, and that's largely due to the audience pointing those out. Thank you very much.

Seminar 4

# Valuing creativity

A Seminar held on Wednesday 19th July 2000 at  
**11 Downing Street, London**

Edited by John Wilson

## Introduction

### Wilf Stevenson

Welcome to the final seminar in our series on “Creativity in the New Economy”. Those of you who have been with us for the series will know that we have been building towards this moment. It is always unwise to build up expectations, but I know, having talked to our speakers, that you are going to be wowed by what they have to say. Not only that, we have been able to configure this rather low-tech environment so as to show you the best of BBC2 as well. With The Smith Institute you get entertainment as well as enlightenment.

The first seminar, you will recall, was about the music industry; about how an innovative partnership between the industry and DCMS had created conditions under which the economic and creative aspects of their work could be sustained through the new changes that are coming with the internet and other forms of delivery; and about thinking through some of the implications of that in relation to public policy in that area.

We then looked at education, trying to investigate ways of adapting the school curriculum and higher education to creativity as a concept. We addressed various aspects of that in relation to the way in which the delivery systems, particularly in television, could be seen to be a source of creativity in themselves. We also considered how the curriculum itself would have to change if we were to teach this subject.

Then we moved forward to look at various industrial aspects of creativity. Although creativity can in some ways be best identified in the arts, it is also a feature of technology and industry, and of improvements and changes in the way in which we do things. The sort of competitive advantage we get from being involved in new product development must also be looked at – the impact of that on the economy and the ways in which conditions at the small-scale end (single person firms going forward to small companies), and the research that has been done on that in the North-West, maps very well with the experiences of some of the bigger companies. We looked particularly at how BT had been spinning out innovation in Silicon Fen and at their work at

Adastral Park, which has obviously been instrumental in terms of trying to develop new arrangements for fostering creative talent in big business.

All these things give us a map of what is happening and some indications about the policies. But at the heart of it, there still remains a question about how one sustains a creative impulse – both in the more generic context of production, manufacturing and the economy as a whole and also in particular areas of creative strength, such as are exemplified by our speakers today.

We have chosen, this time, to look at British television, which is world-acknowledged as being a centre of excellence. We want to look a little bit harder at this notion of creativity – at what its origins are, what its values are, how it gets supported through the industrial process. To open up we have Lord David Puttnam. He is speaking to us primarily as the Chair of NESTA, which has been doing some work on this, but also of course as a distinguished filmmaker and programme maker. He will be followed by Jane Root who, as a programme maker herself of some distinction, as gatekeeper for the independents who wanted to work with the BBC, and now as Controller of BBC2, has a unique experience which will allow us to look at ways in which creativity can flourish.

## Lord Puttnam of Queensgate

### The Coming Revolution in the Classroom

When I originally thought about what I wanted to say this morning, I was essentially intending to enthuse and update you on what we are doing at NESTA in support of the creative economy. But in the last ten days I've been in the North-East, in Sunderland and Newcastle, and a whole series of issues have emerged which I feel are well worthwhile discussing this morning.

In many respects, I have been cheerleading on behalf of the creative industries for a decade and it hasn't been a waste of time; I do believe we've reached a point at which something very real is emerging, with serious prospects you can attach to it. But a whole series of misconceptions are, in my judgement, preventing us from really moving forward. So, with your permission, I'd like to talk about the challenges we face if we are to take the next steps towards a genuinely creative economy.

A few facts will, I think, help set the scene. When President Clinton came to office, there were just 50 websites in the entire world, they are now being added at a rate of over 100,000 an hour, and 100 million users will come on-line for the very first time this year. Over 70% of what we now know about the manner in which the brain gathers and retains information has been learned since 1985, which is something that, in my work with teachers and teaching, is of enormous importance when considering the future of education.

In talking to teachers, I've developed a story which I think works quite well, and which seems particularly pertinent this morning. If you took a brilliant surgeon from the year 1900 and time-travelled him into an operating theatre today, he (and it would have been a he) could literally do nothing more than wipe the brow of the patient, take their pulse, make a cup of tea and stand, with extreme interest, watching what was going on. Developments in Medical science and technology would have totally obviated his skill base in the intervening 100 years. Nothing to do with his skills or ambition as a surgeon, he literally would have found himself transported into a wholly alien environment. He might as well be on a spaceship!

Now take a schoolteacher from 1900 and put her (and it would be a her) in a class with a blackboard, a piece of chalk and 30 or so reasonably attentive faces, and in most subjects, she could deliver what would be entirely recognisable as a lesson, because technology has not as yet made any significant impact on the process of learning. And yet, going back to the figure I just gave you (70% of what we now know about learning and retention having only been learned since 1985), I would submit that similar knowledge frontiers will be crossed in the next 25 years in the utilisation of technology in the learning process, as have marked the last 100 years in medicine.

### **Selling the Creative Industries Beyond the Chattering Classes**

What does this all mean? I think several things. First of all, an enormous policy challenge. Creative industries are the key, without any doubt whatsoever, to the development of the global economy, and most particularly to Britain's contribution to that economy. This is true for all sorts of reasons which are not really worth going into, because everyone in this room almost certainly understands and agrees with them.

What is important is that these last ten days spent in the North-East have led me to the conclusion that we have miserably failed to sell the potential of the creative industries much beyond London and the South-East, and possibly not much beyond the chattering classes in even that limited region. The truth is that in the North-East, while the old manufacturing industries such as shipbuilding and mining have physically disappeared, to be replaced by elements of what some would describe as a "knowledge economy", they haven't disappeared emotionally. Their decline is still seen as an issue of tremendous regret. It was very interesting last week to find myself speaking in the Miners' Union in Newcastle, about the new economy. What you want to say is, "Not one of you would wish your sons and daughters to go down the mines". It was a dreadful job. Yet there remains this nostalgic affection, because it is somehow caught up with an entire belief system – the whole notion of community, security and stability – all things which are felt to be very wobbly in today's social environment. So here we are, offering up this brave new knowledge based future; we've held out its promise; but we haven't made it sufficiently concrete, we haven't involved those elements that win people's affection. We might have won their interest, but we haven't won their affection.

I was in the North-East because I'm Chancellor of the University of Sunderland. Now that again is an interesting situation. Here is a technology-focused university, with a brand new, beautiful campus, built on the actual site of the old shipyards. It has 16,000 students many of whom come from families who never dreamt their children would go to university. Yet for all too many of the people you talk to in Sunderland, it is not so much a symbol of a bright new future, as something that has replaced their traditional sense of security. The old industries were seen as reliable. They were hard industries, but they were felt to foster community. The new economy, symbolised by the University, is seen by many as limp-wristed, artificial, soft and somehow not supporting, or sufficiently supportive of, "community". With time this will unquestionably change.

What is interesting judging from data published over the last few days is the sense that the creative industries themselves are out of touch with the British gut instinct. So we have to ask ourselves why the debate has moved on so little since the publication of the Creative Industries Task Force Report two years ago. It's a debate that needs to move well beyond buzz words, well beyond aspiration, well beyond the fact that it's somewhere out there, the truth is, it's not "out there", we're living in it. We have somehow to find a new language to describe it to those same people whose lives and jobs are going to rely on what we broadly describe as "the creative industries" – or the knowledge economy.

### **The Creative Industries are Productive, not Transactional**

So, we have fairly successfully identified the nature of the opportunity. We have successfully identified the huge potential of this sector. We have even done some excellent work on benchmarking. But we have done nothing like enough to identify how, as a nation, we are going to take advantage of, or exploit the opportunities that exist.

I would suggest that we have to start by redefining the creative industries. For the most part they depend crucially on digital technology and that, in a way, is half the problem, because the creative industries have become hopelessly muddled up with the dot.com industries. In reality, they are more than somewhat different. They are built around the same technology, but in most other respects they are quite different. Wealth generation in the creative

industries, hinges, for the most part, on the creation and exploitation of intellectual property rights. It's about music, design, ideas, art, innovation – all qualities which, ironically, are just as vital to the old economy as they are to the new dot.com world. They are actually, and actively productive.

One of the things that might come out of this morning is a better understanding of the need to describe the new economy in language that resonates with the old economy. I know, for example, that when I promote the future of the creative industries, eminent industrialists like Swraj Paul get quite upset, because they immediately assume I am attacking the industrial economy. I'm not in any way minimising the importance of industry. I'm trying to suggest that the future of industry may crucially depend, in a way that has not been adequately focused, on design, copyright and patents, and that these 'economies' are inextricably linked. If you look at Britain's industrial decline over the last 30 to 40 years, it has always been the fact that whilst good at invention, we have been poor at innovation. We have been very complacent about taking good, original ideas and designs and turning them into products that are marketable in such a way as to become part of our "wealth creation" system.

Invention we have always been good at. If you visit the Science Museum today, you will see 50% of every world "first" since the industrial revolution. No other country can get near that record. America's contribution currently stands at about 12%. 50% of all the inventions – yet in terms of actually manufacturing those goods, and the wealth and job creation that comes from it, we have proved all but hopeless. So we have a serious issue here.

The dot.com world is principally about investing in the transfer of goods and services. An enormous spend on marketing, in the form of brand recognition, but not that much investment in what I would describe as human capital. It is a transactional rather than a productive economic activity.

My solution is an obvious one. We need to invest much more heavily in people and teams, we need to stimulate and promote our extraordinary pool of creative talent – that same pool of creative talent that created those 50% of all the world's "firsts" in the last 200 years. We have to generate productive activity, in terms of pursuing creativity right the way through to production and beyond, into the marketplace.

Essentially, the creative industries are intelligence-based industries. As I've said, they are about protecting and exploiting intellectual property rights. An over-elastic definition of the creative industries can lead to extraordinary distortions of reality. Some policy makers choose to include "call centres" as part of the creative industries. This is one of the problems I identified in the North-East. Every month in newspapers like the Sunderland Echo you will see banner headlines about "1,200 New Jobs" in the call centres, and these are taken as an indication that the new economy is somehow delivering. The problem is that those jobs are incredibly fragile. They are almost certainly doomed within the decade by the same technology that created them. Voice recognition will be the end of many of them. As far as I can make out, no sustained effort has been made (there is a little in Milton Keynes) to retrain and re-skill those people, to ensure that they are, as it were, "proofed" against the next technological leap. It may be expensive, but it desperately needs to be done.

So I would say that much of this aspect of the "new economy" is really McJobs, and without additional support in the form of training and re-skilling, many thousands of people could find themselves made redundant, almost overnight.

### **How Much Commitment to Creativity?**

We need to consider what a serious commitment to the creative industries might mean. Here is a rather symbolic example. Chelsea College of Art (in which I declare an interest – as a governor of its parent body, the London Institute,) is bidding for a site on Millbank; the military hospital, right next door to the Tate Gallery. It's not just a perfect site for the College but it could bring a number of disciplines together on a single site and serve as a fantastic showcase for art and design students in the UK generally. Sitting, as it does, next door to the Tate, with an enormous courtyard, it could become a unique national asset. At the moment we are bidding against a number of property developers. Unless there is serious interest from Government in ensuring that the Chelsea College of Art gets that building, it is likely to become expensive riverside apartments or something very similar.

To me, it represents a concrete example of commitment. Either we believe that the creative industries are our future, and therefore the people that drive

them are important to that future and their training fundamental; or we don't, and we drift back to what I would describe as a fundamentally "Tory economy". That in which the highest bidder rules and somewhere else is eventually found to tuck away the Chelsea College of Art. This is more than the politics of gesture, this is a question of how much we believe in the future and how strongly we are prepared to invest in it.

So I would insist that a massive commitment to education and training is absolutely fundamental. As just a small example (which many of you will be familiar with), the IT sector is estimated to have a shortfall of over 300,000 skilled workers by the end of 2003. In the internet businesses in particular, demand will outstrip supply by about a third. What is fascinating is that our IT firms are already looking to India for new employees. 38% of all skilled IT staff in the United States today originate from the Indian sub-continent and they are still arriving in planeloads.

So there is a sense that we may well be, as it were, behind the curve.

The truth is that we do not as yet have command and control systems equipped to deal with the challenges of the twenty-first century. We don't have them in central government; we don't have them regionally; we just don't have them as a nation. I'm not sure we've even grasped the full nature of the challenge. I have found this to be particularly true in dealing with the academic world. Yes, there is a sense that things have to change, and yes, there is a sense that change is being forced upon us. But affection for the old ways, the affection which Tony Blair quite rightly called small "c" conservatism, the notion that somehow we will muddle through, that Britain is a unique country that doesn't have to make the kind of adjustments or commitments that other nations have to address, that belief still runs deep in our national psyche.

On the other hand, the power of Government, once it is focused, can be awesome. But politicians have to learn not to spend their lives looking over their shoulder. Almost uniquely in Britain risk remains a four-letter word. It is not acknowledged as a necessary fact of contemporary life. I was stunned the other day, giving out diplomas to the Marshall scholars and talking to them afterwards, to discover that we send Marshall scholars home after two years. They spend two years here, they come to adore this country but we send

them home. Other countries are desperately seeking people like that to come to them, and we drive them out! Commonwealth students get no incentive, let alone priority, having finished their scholarships, to stay in this country. We have got to shake ourselves out of this torpor, acknowledge the depth of the challenges we are facing, and be prepared to amaze people with the audacity of some of our solutions. Until we are prepared to do that, we will continue to muddle along, going nowhere.

## Jane Root

### A Paradigm Shift in TV

I want to talk very specifically about television this morning, but with a sense perhaps of the lessons from television that we can apply a bit wider.

If we start with a few clips, it will just give you a sense of some of the most creative moments that there have been in television.

*Clips shown from “Walking with Dinosaurs”, “The Cops” and “The Royle Family”.*

While I want to talk about television in particular, it is a very strange medium. It has enormous reach. On a really good night, you can get 20 million people simultaneously watching the same thing. That is extraordinary when you think about it – 45% of people in Britain doing the same thing. “Walking with Dinosaurs” reached 15 million people. “The Royle Family” on BBC2 reached 5 million, and then got 8 million viewers when it moved to BBC1.

It has this enormous reach, but there is almost no room in terrestrial television. I often say to people that airtime is more precious than money to a channel controller. They don’t believe me, but it’s true. Running BBC2 is like a supermarket, where you can only put new products on the shelves as you get rid of old products. So the window in which we operate is incredibly small. Having new digital channels will undoubtedly help, but at the moment most of them are tiny. Only two, Sky One and UK Gold, get over 2% of the audience. So in terms of innovation on television, we are really still talking about this narrow window.

But the important thing in that narrow window is the paradigm shift. I’m using Thomas Kuhn’s description of the moment in science when something changes forever, like electricity. After that, nothing is the same again. Those moments happen in television too. After something like “The Royle Family”, you think nothing can ever be quite the same again. It’s the moment when you say, “I’ve never seen anything like that before”. They don’t happen very often, those moments. For me as a channel controller, the real issue is about how to get more of them to happen.

## The New Creatives

In thinking about how to get more of them happening on my channel and elsewhere in the BBC, I started to think about the kind of people who make them happen. What we have identified is a group we have been calling the New Creatives. There are people out there who just behave and think differently to the generations that came before them. My job (which is getting increasingly hard) is to keep them focused on television, rather than moving away to other more sexy and, in some cases, more rewarding parts of the economy.

I will give you one example of why these people are different. Last year the BBC did a big deal with Steve Coogan, whom many of you will know as Alan Partridge. Our aim was very simple: to keep Steve working within the BBC, to make sure that we had exclusive call on his services and to make him do the next “best things in his career”. He started to talk about having his own company, which we thought was complete vanity, I have to say. As one of the people involved in the deal, I thought, fine, do great comedy, and now you want your own company, you want the nice letterhead. In fact, I was completely wrong. In the six months that Steve’s company has been working, it has come up with three amazing projects, which we shall see later this year and at the beginning of next year. Only one of these stars Steve, which is a big surprise to me – I thought it would all be about getting him on screen.

That’s because Steve, I now realise, is one of this group of New Creatives, and what he does is operate with a single brain. He is simultaneously thinking about casting, about writing, about how to have new ideas – and about foreign sales, and about what the licence deal would be on something. It’s both entrepreneurial and creative in terms of content, almost in the same sentence sometimes, and that’s a very new thing. There is a sense that suddenly we have entrepreneurial and content-driven cultures working absolutely hand in hand in television. It is something which I think we associate with the Victorians in their absolute heyday, or with Hollywood at its height. It’s a very new thing in Britain.

One of the interesting things about these New Creatives is that they are technologically astute. There was an incredible amount of technological brilliance in bringing “Dinosaurs” to the screen. This is in an industry in

which not many years ago people used to celebrate their ineptness – they were proud of the fact that they made television but couldn't programme their video recorders. That has really changed. All the best projects that I see these days work on several platforms. Just to mention two, we have a big series next year called "Battle Honours", which is about the Second World War. The associated website will, I hope, record every single person who fought in the Second World War – so it's a huge undertaking. At the same time, Tony Garnett's next series, "Attachments", which is about cultural entrepreneurs running an internet company, also has a rather extraordinary internet application which you will be finding out about later this year.

As well as understanding technology, this group are absolutely up for whatever tools can be available to them. They are really interested in demographics. They really like focus groups. They come to focus groups. In fact, keeping them away is sometimes difficult! That sense of purity which was once such a big deal in the television creative community has really changed. It's the equivalent, in a way, of what has gone on in music, where sampling is now absolutely at the heart of dance music. That sense of stealing from anywhere, using anything at your disposal -that's a really new generation here. One of the big issues that we have to think about is how we train these people. What is training like for these people? I have a real sense that it is probably partly the training we've all been used to, but there is also something else there. It's kind of training, plus. These people don't want things that are too didactic, too static, too stuck in one place. We have to think of new ways of giving them new skills. I think things like the ICAL Entrepreneurs' Group, which has just started, is a really interesting example of how to work differently with this new generation.

### **Charismatic Individuals and Complex Audiences**

Part of why we need it to work differently with this group is that they really don't separate their working lives and the rest of their lives. They blend into one another. They bring a lot of themselves to their jobs. That's one of the reasons why it is so crucial that organisations like the BBC become more multicultural in the people we employ and work with. One of the things that they bring is a real sense of the complexity of audiences. There is a real irony in television that one of the moments when you are most powerful is when you put the role programme after "Eastenders" and sometimes as many as

11 million people will turn off in 30 seconds. And that happens. So there is that sense that you can't spoon-feed people anymore. You can't give people things that they don't want.

But audiences are just more complex. 60% of the audience of Jamie Oliver's "The Naked Chef" cooking programme (which has become a bit of a phenomenon recently) is aged over 45 – they are not young people. "Queer as Folk", Channel Four's rather brilliant gay drama series – 60% of that audience were female. Nobody predicted these things would happen, but the audiences found them. There is a real sense that people are changing and this new generation understands.

Most of all, though, I think that there are particular charismatic individuals within these groups who really change things. Tony Garnett, whose "The Cops" we saw there, was a revelation to me in this. I went on the set of "The Cops" and he walked around telling people not to do things. I heard him saying to some actors, "You're acting". Then I went into the cutting room and he got irritated because the editor had broken the rule of continuous shots which you see there and they had put some cut-away shots in. And then I heard him saying to the director, "Stop directing so much". What he was really doing there, in a rather brilliant Tony Garnett kind of way, was saying that the default isn't an option. You just can't do brilliant things if you do them by the old rules. And that is such an important thing about these key individuals.

Charlie Leadbeater described the true cultural entrepreneur as being "anti-establishment anti-traditionalists" and highly individualistic. Some of you have met Alan Yentob, so you will know that there's always been room within the BBC for those kinds of people. I think there has often been a sense that they have survived despite the core of the BBC. One of the things we have been trying to do in the last few weeks is a restructuring. Michael Stevenson and Lorraine Heggesey have just restructured the factual departments with a new job title at its core, which is "creative director". That sense of making creative directors the absolute heart of the BBC is a really important way of valuing these people.

We know that these people are important. One of the questions then is how

we can help them work better. One of my jobs is to try and find a place where they can innovate, where those big shifts and paradigm changes can happen – a place where the audience is going to accept you doing those things. One of the interesting things for me is that that place is often BBC, and BBC2.

Different things happen to a hit show on BBC2 and a hit show on BBC1. On BBC2, a hit show typically doubles its audience over the period of two series. “The Fast Show”, “The Royle Family” and “Changing Rooms” were all programmes which increased their audience by that kind of factor. Whereas for a hit on BBC1 – “Holby City”, or something like the “Dinner Ladies” – traditionally what happens is that they find their audience on their first show and they stick with it.

So there is a real issue for us about how we grow these creative moments and get audiences to accept them. One of the particular things that we are doing is putting a lot more money into growing things on BBC2, and then moving them, because we have discovered that that’s the place you can do that. There is a sense that on BBC1 and ITV, it is a bit like an airline. With your food on an airline, the one thing that they strive for is to have as few complaints as possible. That’s what they really want. They don’t want interesting food, or brave food, or difficult food, they want no one to complain. I think that culture is changing, but on BBC2 hardly anyone complains – and if they do complain, they normally complain because you’ve not been brave enough.

### **How to Help the New Creatives**

Here are some ways in which we have tried to back these individuals. The first is about money, which is very hard for organisations to do. It’s really tough if you are a BBC (or I’m sure other organisations) to say, “We’re going to give you money without enormous amounts of bureaucracy associated with it.” We were very influenced in that by things like the McArthur grants – the genius grants in America which I think for some people were real breakthrough moments of empowerment to spend their lives doing creative things.

The second thing is to make the money easy to get. As an independent producer, people often used to try and offer me grants for things. I never, ever applied for any of them, mainly because I decided with my business partner that our brainpower and energy and time were better spent working on our

own ideas than filling in forms. So we just never applied, and I am sure that that is the case with many of those key individuals.

We have been looking hard on BBC2 at where we should put our energy, in terms of awards and schemes like that. We had a sense that we were spending too much energy and time getting people in through the door with entry level schemes. On the whole, while entry level is very important, it is not actually the hardest thing. The hardest thing is to make a major breakthrough. So we have shifted quite a lot of money out of schemes that allow people to make their first films and into schemes that allow people to make films that are completely different.

And the hardest thing of all is to stop being fair. It's not actually about fairness, it's about disproportionately supporting people who are talented and creative, and that's a really hard thing for us all to do. It's crucial that we go out and find people, that we look wide and deep in the whole of Britain for those people. But when we find them, we have not to just give them a little bit of money and lots of other people little bits of money too.

In television, as elsewhere, size matters. There's that sense that we have really to invest in the heart of the schedule. You have to innovate in the middle rather than at the edges. There has often been a sense in television that you can innovate at 11.15 pm on BBC2, or throughout the night on Channel Four, or in ten minute films or short films. Sometimes you can, and they are very enjoyable parts of the mix, but they are not the real story. The real story is absolutely unreasonable ambition. We have to celebrate unreasonable ambition and help it work. I always use a gambling metaphor to talk about this – that sense that you have to put all of your money on a very few numbers in the casino, otherwise you won't ever win big. That's what's happened in Hollywood. There's a great book around called *Easy Riders, Raging Bulls* which talks about why Hollywood actually changed. It changed when they started to give huge amounts of money to people like Steven Spielberg and George Lucas.

We have to plan for success. There is a sense in Britain that we are rather good at not planning for success, and creative people are some of the worst at that. They are the ones in the front line, and very often they get all nervous at the

last minute. We have been trying really hard to have a twin-track approach, where we both plan for something to work moderately and also plan for it to be an explosion and work really, really well. The reason that “This Life” ended after two series is that we didn’t plan for that to happen. We actually planned for it to be a moderate success. I hope that we have now learned the lessons from that.

Finally, the big thing is that at some point in commissioning a project someone has to say, “This could be a disaster”. If nobody ever says that, then it’s probably not the right thing. It will never be brave enough. When we all saw the first pilot of “The Royle Family”, we were completely horrified. Caroline Aherne went out and buried it in the back of her garden. Being Caroline, she actually dug a hole; it was not just a metaphorical hole. You couldn’t see it, it wasn’t funny, you didn’t understand what people were saying, there weren’t any jokes – and everybody just looked at it and said, “Oh my God”. And it was actually because it was that brave that it became a huge breakthrough project, not only on BBC2 but now on BBC1 – one of those moments where nothing will ever be quite the same again.

## Discussion

### Backing Creativity

*Wilf Stevenson*

There are two very obvious points for discussion which have also come up in earlier parts of the series – that creativity only works if there is an understanding of the risk that it involves, and that risk, as Jane has just said, must also include the idea of failure. But she also brought out another point, that you can have many forms of success and you have to plan for the problems these bring as well.

David has picked up and Jane has also said that there is a need to get behind talent and give it absolute support. I suppose that if that is true at the micro level of programme makers and individual programmes, it must also be true at the industrial scale, which was what David was also saying. So this idea of “free” money, in the sense of just backing something or someone and accepting the risk in it, is also a common theme.

*Ruth Mackenzie*

I want to pick up on the idea of free money, which is a frightening idea for policy makers, isn't it? But it's probably something that funding bodies need to begin to look at. I was very heartened by the Film Council's innovation that instead of having a committee (we all know what committees make, they make camels) they are going to have commissioning editors handing out their money for filmmakers. They have three funds, adding up to £20 million, and three commissioning editors. It works in television; why shouldn't it work in a quango? It would be a lovely way to release the energies of those in funding bodies, actually to get back that sense that there is an expertise and an authority and to release some of our New Creatives from the horror of filling in forms. I mean, you don't have to fill in a form to come and see Jane Root, you come and you do a pitch.

So that's one thought – how can we take these ideas of releasing the energy of these creative people into our own funding systems?

The other thought which I think is important is about the new language,

because I share David's feeling that somehow the word "creativity" has become a bad word – there is a horrible way in which the Government picks up terrific words and then we turn them into something that you can't use any more. I've been getting a terrible kicking as I go round the country about how the Government is forcing people to become "creative", and that this is a bad thing. This is upsetting, in fact, but I think we do need to work very hard on finding the answer (as well as identifying the problem) to what sort of language we can use and how we can root that language in other people's experience – so it doesn't feel like these words have been appropriated by us and are then being enforced upon the communities that we are here to serve.

*Graham Hitchen*

I would like to ask both speakers, but particularly David, to try and make a connection between two fundamentally very different aspects of what was being said this morning. I very much agree with David's point that there has been a lot of rhetoric about the creative industries and that we haven't elaborated or articulated the substance of that particularly effectively. And Jane talked about backing creative individuals rather than seeking to be fair. If free money means free money for a limited number of individuals, that is unfair. But how does this square with a social exclusion agenda – when, as David said, we are talking about industries which have grown and are developing particularly in London and the South-East? I noted that what he talked about over the last week was being in Newcastle and Sunderland. How does that notion of being unfair, of backing a limited number of individuals, square with the experience of people who are coming out of old industries in the North-East and other parts of the country and who do, I think, have the potential, as David indicated, through investment and training, to be key players in these and other industries within the new economy?

*Michael Hastings*

Here is a very brief story which relates to David's points about innovation in universities and higher education. Last night I picked up my brother, now a naturalised American professor from MIT, on his way to Cambridge today to work with the MIT Cambridge group who are trying to bring modernisation to the University (funded by the Government). We were talking in the kitchen with my wife about what a professor from MIT has to teach a group of academics at Cambridge. He said to us, "What MIT are trying to do is to

help a leading British university to think about the kind of people that it takes in as first century students” (a way of putting it that had never struck me before).

The critical difference, he said, is that MIT only allow entrance at 18 (or even slightly older) to applicants who can prove that they have innovated in some way in their community, in their personal life or in business. They might, for example, have started a small community business or an enterprise at 16. They might well also have made a huge amount of money by that point (because many of them have). MIT’s output seem to be able to claim the leadership of major American entrepreneurial positions, companies, organisations – creative organisations and groups. Over here, we still tend to take people into our universities on the basis not of their ability to create but rather of their school learning experience, which may well have given them formal qualifications but not insight, ideas and inspiration.

What are we going to do about that difference, when we are now, rather oddly, in the case of Cambridge, looking to the Americans to come and tell us how to rejuvenate ourselves? That is not a bad thing to do, but what can we actually do about it ourselves?

*Response: Lord Puttnam*

I was making notes all through Jane’s talk and I picked up on the need to “change the criteria, to prepare for the paradigm shift”. I think there is something in that and I’d like to come back to it.

But first, there are a number of other things worth saying about Jane’s presentation. Christopher Frayling will know a great deal about the first of them. What she described in terms of the “New Creatives”, I’ve lived through twice. I lived through it in the early 1960s. But what went wrong then was that the New Creatives either went abroad, mostly to the States, or were assimilated into the mainstream. We were ahead of the United States in terms of good new creative work by 1963/64, at exactly the time that *Easy Rider* came along. And you’re quite right Jane, *Easy Rider* was a desperation movie. The American film industry was dying on its feet and *Easy Rider* came along and seemed to offer the way forward.

But what the Americans achieved that we failed to copy was to somehow create a “dual track”. They kept, as it were, the old economy going but, at the same time, they were also able to develop alongside it what became Silicon Valley. It’s not an irrelevance that Bill Gates dropped out of college. The fact is that he believed his university had nothing to teach him, and that he was better off on his own. That is true of a lot of people who I think Jane would describe as the New Creatives. They quickly come to terms with the fact that the traditional academic structure has nothing to offer them. Now that doesn’t mean that the traditional academic structure is, by definition, no good, but it does mean the two have failed to connect. The academic structure, which in most respects has a great deal to offer, failed to connect with the New Creatives.

May I offer a couple of examples? One revolves around the fact that we are in danger of worshipping at the altar of a thing we now call “accountability”. Accountability can be a crushing thing. It has little to do with anything interesting; there’s no such word in any language other than English; the word doesn’t exist in French, Spanish or Italian, because they assume that it is related to trust. But we have managed to divorce accountability from trust – and therefore, we have reached the point at which if you can’t invest accountably, you can’t invest at all. This revolves around what Jane is saying about trusting Tony Garnett, trusting people to get on with their job, because you really believe in their talent. We have created a system where that becomes almost impossible. We have to rethink what this bloody word “accountability” really means, because it has become in effect a set of handcuffs and in the end that can only be very damaging.

Here is another example of where change will impact at the sharp end. We’ve developed creative institutions (the RCA is a good case in point) of a size, and a scale, and indeed an importance, that were unthinkable even fifteen years ago – and also of a complexity. But we have done little or nothing to develop the skills to manage those institutions. It is a sort of miracle that Nick Serota has the kind of organisational capacity to deal with the magnitude of what he administers at the Tate, based on an education essentially gained at the Courtauld.

Now unless we address this issue, I’ll tell you exactly what will happen. Any

serious group of trustees or governors of these institutions will, sooner or later, opt for bringing in a businessman to run them because the risks of having someone who is financially inexperienced will have become too great. So what will happen is that the most creative people will get squeezed out of the management of creative institutions – and we are doing precious little to address this issue. What we have to do is get the best creative people and help them with a broad range of management skills and competencies, and the confidence to run very large-scale organisations. Unless we do that, the sense of managing risk within these organisations will atrophy, and they will eventually be run by finance directors.

These are the enormous challenges we are facing. In an attempt to address this we have modelled our NESTA grants on the U.S. McArthur grants. We use nominators, we trust the nominator to come up with a couple of good people, and once approved by the Trustees we back them for two or three years, in the hope that something special will emerge. But I have to tell you, there's a tremendous amount of criticism of that scheme. Is it really a proper use of public money? In answer; you and I would probably say, "Absolutely, that's exactly what some public money should be all about." But go before a Commons Select Committee and try and explain that and you can get a very uncomfortable time. So we have got to square our ambitions with our over-developed "blame-culture".

This comes back to my very first point, which I now think I made rather badly. We have to reassess what the creative economy is about, what are its fundamentals, and try to find a way of getting back to those fundamentals. Ruth's point just now is very important. We have managed, almost miraculously, to make creativity a dirty word, by using it so casually, in fact by thoroughly misusing it, and failing in its "over-use" to give it the energy or excitement it deserves.

Finally, the worst example of this problem is when senior educationalists and their fellow travellers argue that creativity in education is somehow "anti-standards", that in one way or another there is a conflict between the rigour of academic achievement in literacy and numeracy, and this other, sloppy, limp-wristed thing called creativity. Unless we find a way of building children's natural creativity into the entire curriculum, from start to finish,

create environments in which it is as natural to them to be engaged in music as maths, and in which these things are not seen as opposites; unless we can make that leap we will still be floundering about twenty years from now – and some other group of well meaning souls will be meeting here saying, “Where on earth did we go wrong?”

## **Creativity, Education and the Need for a Paradigm Shift**

*Christopher Frayling*

Why does everyone always talk about Oxbridge when they talk about university entrance and the way universities do things? Art and Design Colleges, Performing Arts Colleges have to depend on people coming and on looking at what they do, at their portfolios, at their achievements – sometimes not even matching them with their application forms. You have to go with what people are capable of. And they always have operated like that. They are the kind of model of what’s being described. The result (we did a bit of a survey at the Royal College) is that an average of 90% of the entrants to those colleges comes from the state sector, which roughly matches the national average. There is a whole swathe of university activity which has been doing this for about twenty years. Part of the benefit reaped from that is precisely what Jane is talking about, the graduates moving on into the creative industries. So I feel very strongly about that.

The other point is about the phrase “paradigm shift” that Jane used, and it meshes very nicely with what David was saying. People misuse that phrase in the same way that they misuse the phrase, “creative industries”. “Paradigm shift” means not just the technological change but an acceptance and understanding of that change, so that an entire community thinks in a different way about the world because that mind-blowing change has happened. That is what Kuhn was on about. I think the technological change has happened but the paradigm shift hasn’t – except within the professional worlds that deal with it. David has a really interesting point there about spreading that shift – it’s a whole mental set, a set of mental attitudes about technological change – because I don’t think it is shared by many people outside the professions that actually make their living from them.

*Aileen McEvoy*

David made the point about the North-East so I'd like to talk a little bit about creative industries in the North-West. I think the argument for recognising the growth potential of the creative industries has been made and won with the North West Development Agency in terms of basing it on data and research, but it hasn't been won at an emotional level. So still, when we are dealing with the Development Agency, it has been notionally won and recognised, but people don't really believe in it, they don't really feel it. We haven't captured the kind of outcomes, the kind of language, to talk about the creative industries in a way that makes people light up rather than think, it is really something rather ephemeral that can be supported, but only at quite a minimal level (because actually we don't really understand this thing).

My second point is to do with creativity and education and the evidence of the fantastic experiment in Reggio Emilia. Reggio Emilia is a city-state in Northern Italy of about 400,000 people and they have an artist and an arts studio in every early years setting. It's just recognised that linguistic skills and numeracy skills are simply not enough and that children have a whole basket of skills and talents. The exploration of those talents with the children is the basis of the educational system – encouraging young people to develop and explore their own creativity and the whole range and spectrum of their talents. The outcome of that experiment, which has been running in Italy for 40 years, is the most extraordinarily creative young people coming through. I think there is a model, and we should look to it and perhaps see what we can do with that in this country.

*Peter Coe*

The celebration of success has been talked about but hasn't been a big theme. It is a big issue for NESTA. We are certainly trying to add management and other skills to creativity, with money which is free and not tagged, but I am concerned by the reference to Italy and educational creativity. The Bangladeshi schools in Tower Hamlets are doing things within five years which it has taken Italy over forty to do. If you go to East London and look around Bethnal Green, it is the biggest artistic quarter in the whole of Europe, and we don't necessarily celebrate it. People flock here for the opportunities that there are. Maybe someone from MIT comes to help Cambridge, but people flock to England for the opportunities here and for the fact that

success is seen as something, in a fair society. I don't think we have to be humble about it, we should be proud.

## **Creative People and Big Institutions**

*Kim Evans*

Like David, I am worried that there could be a split and fragmentation because of creative industries. Last week I was at the Cultural Entrepreneurs Club, a kind of “dating agency” set up by the ICA, NESTA, the Arts Council and Channel Four, where a whole group of young people were just getting on and doing things. I was also involved in discussions about how we find a successor for Michael Kaiser at the Royal Opera House and Trevor Nunn at the National Theatre and a managing director for the RSC. I don't think you could drag some of those young people screaming to run those institutions, because it is about buildings and institutions rather than people and art. I really worry how we get the kind of creative leadership that we are getting in the creative industries into what could become the museums, I guess, of creativity.

I think what is really important is training the managers and the creative partnerships and rethinking how we run those institutions, and we have to do those things in tandem. What the BBC is doing with its creative directors could be a way of showing us how to do that, but I do worry about the danger of fragmentation there. Can David or Jane provide solutions for getting a real cross-fertilisation between creative people and big institutions, which are about buildings as well as about getting on and doing things? How do you persuade Sam Mendes that he doesn't necessarily want to have a life where he can go into Hollywood and make his own movie and then come back to the Donmar Warehouse, but instead take on a soaking great bit of bricks and mortar to look after for the future of this country and the health of the arts in this country? I think that is the real challenge. I guess it means rethinking the role of the artist and creative people and making it okay to back creative people in big institutions as well as out in the rest of the world.

*Response: Jane Root*

There is an interesting sense, I think, from several different speakers about a

different kind of training or education that is needed to get people to run some of Kim's institutions – to bring a connection between the creative bits of people's brains and running things. And there is a sense that it is not entirely clear, other than just by accident, where you learn to do those things. Someone like Steve Coogan is sort of doing it at a small scale. How you get someone like that to do it at a much bigger scale, and how you can actually make that into a method rather than just accidental, I think is quite a big question we should all look at.

## **Creativity and Accountability Across the Corporate Spectrum**

*Julia Hobsbawm*

I wanted to talk a bit about the psychology of creativity, which it seems to me we are discussing, and in particular the ghettoising of creativity into the so-called creative industries versus business and commercial creativity. We are involved in a project (which in fact Chris Frayling is a contributor to and the Smith Institute is going to debate later in the year), a book called *Creativity Works*, where we are juxtaposing creative innovators like the architect Daniel Libeskind, along with Christopher Frayling and other representatives of the so-called pure creative industries, with Terry Leahy from Tesco's, with Herman Hauser, with Chris Evans, the biotech investor. I think there is a danger that we take the two as separate when in fact they should be together. God forbid that PR should ever be thought to be a creative industry, but that's what we strive for in our small business.

I'm nervous about demarcations that say, creativity is BBC2 (which is what one would expect of BBC2, and it's fantastically interesting to see a deconstruction of how you get the best creativity from BBC2). But I think it is as crucial to see whether or not a call centre is in fact creative, not in terms of the business strategy that means that those jobs may be redundant (which of course is not creative), but if in fact you look at the Carphone Warehouse, or Chris Gent's Vodaphone, which are truly innovative, creative businesses which rely on some of this new technology, some of these creative New Creatives, I think it's a mistake to overlook them and overrule them or separate them out in the main debate.

*Jonathan Charkham*

Working on the board of one or two companies and having been involved with corporate governance for over twenty years, I wanted to pick up David Puttnam's point about accountability. I approach this whole subject from the point of view of large industrial companies, because they in the end have most of the responsibility for most of our economic activity. They have been under huge pressure for the last twenty years to improve the way in which they run themselves – their accountability and their ways of controlling risk. Nearly all their reports and accounts use words like, "Our staff are our greatest asset", but there is a discontinuity between that statement of belief (or hope) and what actually takes place. There is, I feel, an intellectual acceptance of the idea that if they are going to make progress, they need to gain creativity from the people who work for them. But the emotional fact is that they actually don't believe it and don't really get on with it.

It is not at all clear that British company processes are so designed as to give the freedom necessary for people, within the framework of the business, to be sufficiently creative. I don't know if this has been studied in a fairly considered way to see what could be done, but I do know that sitting on boards, one doesn't tend to get down to that on the agenda in any meaningful way. If you make any progress, it's generally outside the board. It is not a theme that is looked at systematically.

If we are wanting to release the energies of so many people in the country (because these companies are where they actually work), we really do need to give some attention to the whole question of creativity as a balancer for accountability. Accountability is necessary. You can see what happens to companies that get it wrong. But at the same time, unless there are people who are going to drive the company forward by being creative, producing the ideas and goods and products and services, we shall have no industry left in twenty years time. So this is an area that would repay a great deal of study and attention, because that's where the decisions are made and where we can make a difference.

*Response: David Puttnam*

Picking up on Julia's point (and, in a way, Jonathan's points are not dissimilar), I understand exactly what you are saying about Vodaphone and

Carphone Warehouse, but I would argue somewhat differently. I don't know if this is a corporate problem or just a media problem, but I get no sense of Vodaphone as a creative company. Had the last shareholders' meeting been dominated by complaints about the amount of money being spent on the professional development of the staff, that would have been interesting, and I would have rushed to invest. But it wasn't, it was about Chris Gent's salary, and that I'm afraid is half the problem in this country. I'm a great admirer of Chris Gent, but if you compare his apparent approach to his shareholders with that of say John Chambers at Cisco's, they are light years apart. When Chambers talks about human capital being locked up in his company, you get the sense that the entire company believes in him, and that here is a company that is moving forward. Have you ever heard anyone at Vodaphone or Carphone Warehouse (other than in the context of what price they might float at) talking about the human capital locked up in their company?

What I'm saying is that we genuinely seem to have such a narrow focus in describing shareholder value. I'd go further, in many cases I think we are misperceiving what shareholder value is, because in the creative economy shareholder value will increasingly be locked up in the quality of the staff, it is, for example, the imaginative use of the training budget. I will give you one very simple example. I sat on the board of Anglia Television for twenty years. We had developed an extraordinary brand in "Survival". Over and over again at board meetings (always under Any Other Business!) I would say, "You do realise that the vast majority of the people making our programmes are over 50 and in some cases well over 60. What are we doing about developing new wildlife and nature film makers?" There would then be an endless debate about, "do you take someone with a degree in the appropriate subject and teach them to make films, or do you train a film maker?" In twenty years, I never got what I would call a remotely adequate training budget let alone a vision for a new generation of film makers. Net result? "Survival" now makes a lot of money re-versioning old material, but to the best of my knowledge there is no dedicated training programme, no scheme in place to take this wonderful brand, an extremely successful subset of a successful business, and build on it.

Now that is just a tiny snapshot, but I think it illustrates a problem that runs right the way through British business, risk remains a "four-letter word".

We don't do anything like enough, the shareholders don't, the City doesn't, to give businesses the confidence to risk. And Jonathan is right, because unless we actually cross that bridge and make these adjustments, we are going nowhere fast, because the rest of the world has a different attitude and is investing differently in its people. As I've said I'm afraid we are in serious danger of dropping way behind.

## **Risk-Takers versus Incrementalists**

*Brian Roussel*

I work at the moment for a company in a sector which is, I think, very risk-averse. It's a very risk-averse culture overall. I support a lot of what David and Jane said and I think they are absolutely right about the whole question of how we overcome this. Within a company it is quite clear that most people, in talking about strategy and creativity, are actually talking about the Japanese word *kaizen* – incremental improvement, thinking inside the box, doing things slightly cheaper each year, moving on – doing new things, yes, but very much *kaizen*.

I would be no good at *kaizen*, because from my psychometrics I know that that's not my play, that's not where I'm good. There are a few people in the company who have this paradigm shift, this ability to make quantum leaps in thinking. They are seen as completely alien within the culture. It's very, very difficult to move forward within the utilities sector if you think outside the box and have the paradigm shift. So I would say we need to recognise that many companies need to have a kind of dual strategy. The *kaizen* people are very important for the continuing running and improvement of the business, but you also need people who think strategically, and the paradigm shift. They are two different types of people, and strategy means different things to each of those.

*Ian Rowland-Hill*

Picking up on that last point, I think that one of the greatest achievements in the management of creativity in the last twenty years was the introduction of Channel Four. Some very brave decisions were taken then. For example, Jeremy Isaacs gave a few million quid to a freelance writer to set up a

production company to make the soap opera. He had no production company behind him, and out of the 120 people that production company employed in its first year, something like 60-70% had never worked in television before, and something like 50% of those had never worked before, they were straight out of college, as technicians, sound engineers and so on. A fantastically brave thing.

But it succeeded, because there was the management creativity, the opportunity and the structure there that we weren't completely reinventing things and nothing was totally new. The financial management and the structures of running the company were quite traditional, but there was an opportunity for new talent and creativity to get access to the airwaves. In a way, and no disrespect to BBC2, I think what it is doing is fantastic, but it's playing a little bit of catch-up on what Channel Four did twenty-something years ago (which is nevertheless a very good thing).

We know the lessons of what we need to do. The creative people are there in every aspect of creativity. It's a question of how we manage it and how we give it access to the opportunities. That holds in mainstream: architecture, advertising, design, television and so on. But what also concerns me is that while there are phenomenal opportunities for people to gain access to creative professions, there are a whole range of people who don't want to do that, and they are looking for something new and different. Maybe that's why the dot.com businesses have been so successful. There's the combination: the money's there and available, and people can do completely new things and make mistakes. But what about the people who are socially excluded and don't want to follow the traditional routes? What are the opportunities for them?

*David Oliver*

Can I just return to the concept of accountability? I think this does represent a significant malaise which affects artistic and business life in this country. What does accountability mean? It actually means being able to be blamed and shamed if things go wrong. That's what accountability is, and because we put so much stress on accountability, we create a failure avoidance culture. We can talk glibly about risk and say, "Risk is a good thing" and, "Isn't it nice when we take risks?", and we think about when those risks actually come off.

But to embrace risk, we have to accept that there will be times when failure occurs and failure is actually alright.

We need to have the courage to fail, and we have seen this failure avoidance culture – the airline food example has been mentioned. In this country, we really rather gloat over failures, we love it. We love it when a series like “Eldorado” falls on its face. We like to look at businessmen like Sir Clive Sinclair. Now if we look at Clive Sinclair, he was a man of enormously fertile ideas. Mention him to anybody in the street in this country and they will think about electric cars, which nobody bought, and they love that particular failure.

In the US, the culture is totally different and you are not accepted as being a serious businessman until you have been bankrupt at least twice. We need to create a culture from the grassroots of this country which gives people the right to fail – which gives them credit for the successes, and gives them credit for trying, and if people fail that’s accepted. Otherwise, we will just remain with the culture where too many people work with the ethic of nothing ventured, nothing lost. That is what we have to change, right through schools and university and in the business world as well.

## **Two Kinds of Accountability**

*Sir Christopher Foster*

I hesitate to disagree with both Jane Root and David Puttnam on what I think are crucial points, but let me have a go and I’ll probably do them a great injustice in what I have to say. There really are two mechanisms in the world for accountability. One is the competitive process which you believe in as being fair and in the end the winners are reasonable winners and the losers are the people who by and large should lose. When I hear what Jane Root is saying, she is telling us that airtime is more valuable than money. She is telling us that she has an acute rationing problem and that she is departing from fairness towards a situation in which you pick a personality who’s got pretensions to do all sorts of things, you give them a blank sheet of paper and they then produce – and she gave this example – something which you bury in the garden the first time round, and then everybody powers in to rescue it,

so it's alright on the night, so to speak.

What I'm really saying is that as the airwaves become more crowded, and given the multitude of people who want to enter this world, there will be problems about social exclusion and fairness and the criteria. And whilst, from her point of view, she may get a better result the way she goes about it, people are bound to ask the other sort of question, whether the competition, so to speak, is a fair one.

Then to turn to David Puttnam, it's all very well to say that somehow or other creative people should emerge on top, but, as others have said, one does have to recognise that creative people have to work with other people who have other skills which are not necessarily creative ones. If I think of Price Waterhouse Coopers, it may be odd to put it in this context, but PWC is a mass of very small businesses (at least, the non-accounting side is) who are doing all sorts of things in which creativity is very generally fostered, which is run by people at the top, most of whom have some background at some stage or other, but have moved away from it and developed sets of rules, so to speak, within which the people below can operate, such as rules to do with profitability and the reputation of the firm.

But that won't do for manufacturing industry, whether it's pharmaceuticals, or cars or whatever. In that context, accountability has to mean that you are being creative against the objectives of the firm. Yes, you may be able to spin off a few things like BT at Martlesham, but for the most part, what really matters on the railways is getting better signals, better rails, better processes. In that context, the creativity that we really need (and it's terribly important, and I quite agree with Jonathan that it is very rare) is releasing the energies of people down the line to try and come forward with ideas of how to improve the job they are actually doing – not so much spinning off into something new, but what they are actually doing, which is a very different but equally important task.

I think we have to do that. We are very bad as a nation on our manufacturing side in releasing that sort of creativity. It is a very different problem and answer from either Jane Root's problem or the problems David Puttnam has been describing in most of the industries he has been talking to.

*Anthony Carey*

Just to follow up on David's points about making sure the creative people have business skills so that they remain in a number of senior positions in the creative world, I think it is equally important that we make sure that our financial people have creative skills, and that we ensure that the training encourages the development of creativity in our financial people, and that we celebrate it where it does occur. I think the City, in a number of ways like financial instruments, has been very creative in developing new models for spreading risk in different ways.

The other point I'd make very strongly concerns the way we measure performance in the corporate world, the way in which we have corporate reporting. It is extremely important that we move away from the traditional balance sheet approach, which focuses on yesterday and focuses on physical assets, to a much broader approach which looks to the value of creative assets and other intangibles. I think that there is a revolution starting, and that it is very important that we contribute to making sure that we understand value, and that we try actually to capture that value and to report on it in the corporate world.

## **Individual Creativity and its Social Setting**

*David Phillips*

Just to put things in context, I am the enlightened accountant surrounded by a lot of unenlightened accountants! I am working on a project to try and create a new reporting model for companies, built around value creation and not realisation. But the point I would like to come to is the issue of creating critical mass and community.

One of the biggest challenges we have (and we see it in today's world of the dot.coms) is that creativity is often seen as a very individual thing. Certainly in the commercial world, and certainly in a service-based business, knowledge is power. Knowledge is what gives an individual competitive advantage in a big organisation. Creating a sense of community, therefore, even in an organisation like ourselves, is difficult. But to do it inside a region of the

country, or the country as a whole, is, I think, an even bigger challenge. That's one of the issues that really has to be looked at very carefully.

Where universities are concerned, I think we should be looking at linking the activities of universities with the corporate sector much more than they are today. But I do think the whole issue of creating critical mass (and this is not critical mass achieved over the internet, this is critical mass achieved in a physical sense) is fundamentally important.

*Dr Andy Pratt*

One point coming through in the discussion is that creativity is not just about individuals, it is also about the context they work in. Of course, everyone loves a star and loves the things that encourage stars, but how does that star value get translated into something winning and something more permanent? That's about the context. You couldn't have a better example than all the inventions in the Science Museum that didn't turn into manufactured products because the inventors were not working within a context in which they could make contacts with and learn from the financial world, the manufacturers, etc. Innovations take development through a whole range of processes; they aren't just the bright spark.

So building the context is important, and that is where the issue of risk and failure becomes important. If you look at individual entrepreneurs and they fail, nobody learns (except, maybe, the entrepreneur), or people see simply a failure, but if it happens within the context of a network or an institution, other people learn from it. It's a learning organisation, then, which the failure can help build and develop. It is a matter of linking learning by doing with learning from others, of creating a context in which bright individuals can learn from one another.

This sort of context also helps spread both the new ideas and the involvement (which is where the social exclusion agenda comes in more strongly as well, about other people being involved). When the production company was set up for the soap at Channel Four, people who weren't involved before were drawn into the production context of a new soap, learning from others in the process. You have to move away from just seeing the isolated stars to looking at the context in which they develop, and manage that context so that people

learn in the process. Otherwise the great ideas just fall on barren ground; they aren't fertilised; and others don't get involved.

Finally, in our concept of what the creative industries are, I think we have moved away now from just focusing on the artists. You have to consider the design, but also manufacturing. Production and marketing are part of innovation as well, and there has to be feedback and interrelationship. If you hive off and specialise manufacturing and put it somewhere like Taiwan, then you haven't got that intimate connection and interaction. Both at the spatial and the organisational level, you can't just separate out – or if you do, then I think you don't have a future.

*Janice Kirkpatrick*

The last point was interesting, because for me it feels more real to broaden out creativity away from an individual to a context. I think there is a terrible danger in compartmentalising creativity and then always giving creativity a name – it's Steve Coogan, it's Chris Evans, it's "a person". Everybody is born with the possibility of being creative, and we lose the potential for political support and for unleashing the true potential of human creativity if we focus only on individuals. I think that very early on, people are "named", and they live up to the expectations that their parents or educators place on them. My father was a pest control officer, yet he was a very creative individual who never realised his potential, sadly.

I think it is very important that we don't have departments and people who have job titles that allow them to be the sole owners of creativity within organisations. That is a terribly dangerous thing to do, and it also kills the social inclusion component of the whole argument, which I think is a real political opportunity to completely revolutionise and give ourselves new power lines by which we divine ourselves.

I was always interested in Philip Dodds' take on Britain as a cultural nation – a nation with a particular set of circumstances placed upon it through its weirdness which allowed it to be a real creative powerhouse in the world. I think this is actually true. I spend my life trying to work out why it is. He described it as being a phenomenon. We were a mongrel nation, I think he described it, and our navel gazing and eccentricity and the weird sort of

cultural melting pot that is several different nations and languages is actually our biggest strength. It seems to me that we need somehow to build this into how we look at creativity in the broader sense. It again probably comes back to David's point about it being "education, education, education". That's where it all changes.

## **Creating Creative Institutions**

*Ruth Mackenzie*

I want to reinforce what the previous two speakers have said and particularly to pick up on the notion of stars and on Kim's theory that what we need to do is to force Sam Mendes or even grow Steve Coogan into running one of these terrible institutions that we can't recruit anyone to. I think that the problem lies in the institutions, not in the unaccountable lack of enthusiasm for a star to go into what they perceive as a prison sentence. We need to look seriously at how we turn these institutions into places that are learning, that are networked, that are all creative – everyone should be creative at the National Theatre and then it wouldn't matter quite so much who the leader was.

Nick Serota is an exception to the rule because he could create his own institutions. But for those institutions that we have already got, we need to be looking (it's back to policy) at how they can continue to fulfil their brief, which is to be places where you can risk, places that are full of trust – both for artists and for communities, both for the socially excluded and for the haves who are "arts fans". Until we have got those institutions to be the most gorgeous risky places, where the risky people will flock (and there are an awful lot of people of whom we automatically say, "Oh, they're too risky, we couldn't possibly have them, they couldn't possibly run the Royal Opera House"), and the risky audiences will flock, then we are going to have a problem. So it's not actually "education, education, education" alone, it's also our role, top down, to transform these institutions.

*Response: Jane Root*

The crucial thing, I think, is how do you get critical mass? How do you make really big changes? And part of that has to be about people. I absolutely agree

about the “Brookside” example at Channel Four, but that is because Phil Redmond absolutely had a passion to do that and to make that work – he is very similar in the way that he works to Tony Garnett.

The big question is, how do we make these people not just operate as individuals and stars (and I’m in agreement with a lot of things people are saying about stars), but operate and use their new potential to be part of bigger organisations and bigger businesses.

The reason I wanted to talk about stars at all was because they are a powerful thing in the outside world. They are powerful symbols of how you change things. Caroline Aherne is not merely somebody who is a kind of wacky comedienne, she is somebody who has actually created a new way of making situation comedy, at a time when everyone regarded it as a moribund industry, and something that’s now being made into feature films and everything else.

But that sense of critical mass, what do you need to do to change things? What do you need to do to make things different? Part of that, for me, has to be about actually trusting the people who really want to change things and to get out of that sense of organisations continuing to run on the tracks that they have always run on, incrementally changing things a little bit. I think that was a very well made point.

It’s very important to think about the precise process by which risk and risk-taking happens and to understand some of the examples where that has gone on, because on the whole we haven’t been brilliant at it as a culture. It’s happened as the exception; it’s got through the wire; it’s got under the “Sam Mendes gets to do it”. What we have now to think about is how a new generation potentially has the capacity to do that on a much more organised and bigger scale. My point about innovation at the heart of the schedule is about getting people to take on really big challenges and to really think hard about the big stuff, rather than being content to do their small things.

*Response: Lord Puttnam*

First of all, I didn’t in any way mean to imply that somehow or other the creatives have to end up on top. My point was that you have to define what an

institution needs. If at the end of the day you have a museum being run by an accountant, it sooner or later ceases to be a cultural institution and becomes a business, and you've got to recognise that. Therefore, the key is to ensure that someone with a passion for the subject that the Museum, the Opera House or the Theatre, covers (let's say the V & A) is sufficiently equipped, in terms of his or her business and management skills, in fact with a range of skills, to do that job. That is the point I am trying to make, because if they're not, a good trustee must sooner or later say, "I'll opt for the financial controls, because at least I know we will stay afloat."

But what comes out of this is our instinct in this country to see things as either/or. Either we've got to do this, or we've got to do that. The truth is we are only going to move forward when we perceive all these problems to be interlinked and coherent. I was involved in endless discussions recently about money going direct to schools. Is it going to go into books and computers or is it going to go into a more attractive working environment for the staff? This is a non-choice, because you are not going to get the maximum value out of the books and computers if you haven't got really good teachers, and you will not attract and retain really good teachers unless you can offer a working environment that the rest of us would regard as reasonable, let alone attractive. I should make it clear to you that most teachers work in a slum. I have visited over 200 schools in the past three years and I don't know any responsible business or manufacturing industry in Britain that would allow its staff to work in the conditions that most schoolteachers find themselves working in. So the idea that there is a kind of choice here, that we either spend on books or working conditions, is a nonsense. It's that sort of thinking, that has to be banished from the way in which we look at all these issues.

To be entirely practical, I'd like to see every annual report have a page (not just a line from the Chairman) devoted to the training activities and ambitions of the company. How much does it invest in training? How much did it invest last year and the year before? What are its policies and what are its professional development plans for its staff over the next three years? We're probably never going to make it statutory, but that ought to be the kind of the City insists on as a benchmark for good companies. Because if they haven't thought that through, should you really be investing in them? That is something we could genuinely work on.

There is a line in the Bible that says, “Where there is no vision, the people perish”, and I think that’s true. Take three examples of things that I have been connected with recently: the Dome, the Tate Modern and the Wellcome Wing at the Science Museum. All of them could claim to have a vision attached to them. The difference was that the Dome didn’t really have an overarching vision; the vision was the building. From the moment the building was complete, all vision vanished, and for the most part it became a process of “embarrassment avoidance”. That’s why what’s inside the Dome is incoherent, that’s why little of it wasn’t remotely good enough.

In fact, the Dome was a victim, not of insufficient management, but of too much of the wrong sort of management. In reality it was a triumph of process over content. When one looks at the Tate Modern and the Wellcome Wing from a business point of view, or a balance sheet point of view, neither of them should exist. They made no possible sense from any orthodox viewpoint. Where they did make sense was through their vision of where Britain was going and the way in which Britain could best express itself. Through that, eventually, the money was found; eventually people came on board. What you’ve got in both cases is a holistic, demonstrable vision – a “reason to be” – that’s why people will flock to them, and that’s why people will enjoy them – because they are what they set out to be. The Dome never was what it set out to be, because halfway through it forgot what it was all about, and when it lost its way it lost its confidence.

However I do think there are important lessons to be learnt from the Dome (I only hope the right lessons are learnt), not lessons related to its failure as a public spectacle, but the failure to understand the decision making mechanism that could have made it the triumph that it ought to have been.

Again, I keep coming back to that same thing, confidence. Confidence is education, because “education, education, education” breeds “confidence, confidence, confidence”. It’s confidence we need to really move forward as a nation.

*Wilf Stevenson*

Thank you very much indeed for all your contributions and support. Thank you to our speakers. This has been a very successful series. I am very grateful

to the BBC and BT for supporting us through it, but we also worked with the Design Council, with NESTA, with North West Arts, with the Arts Council of England and with DCMS, to provide something which I hope in time will be seen to be a timeous reflection on how we can take forward some of these crucial issues.