

Growing the UK's Creative Industries

What creative enterprises need
to thrive and grow



**Creative.
Industries.
Federation.**

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Creative Industries Federation

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EXECUTIVE SUMMARY

The creative industries are the fastest growing sector in the UK economy, with the potential to unlock even more significant growth.

From large household names through to small creative enterprises, working across advertising, fashion, film, museums and more, the UK's creative industries are a diverse and interconnected sector that is far greater than the sum of its parts.

One in eight UK enterprises are creative enterprises, collectively responsible for generating £101.5 billion gross value added (GVA) to our economy – that's a greater economic contribution than the UK's automotive, aerospace, life sciences and oil and gas industries combined. But more than this, they drive and unlock innovation, deliver significant social impact, and invest heavily in the regeneration of communities throughout the UK.¹

To a greater extent than in any other sector, commercial businesses, publicly-funded organisations, and freelancers work hand in hand both across supply chains and internationally to produce the creative services and products that deliver this economic, social and cultural success. Without one part of the creative industries, others would fail.

The majority of creative enterprises employ fewer than 10 people, and over a third of the sector's workforce are self-employed. In this report, 'creative enterprises' refers to both those who are self-employed and those who employ more than one person. Many are clustered together, and these clusters appear right across the UK.

We surveyed over 1,000 creative enterprises to ask what 'growth' means to them, their ambitions for growing more, and what holds them back from realising these ambitions. What follows is a summary of our findings.

What does 'growth' mean to creative enterprises?

Government has traditionally measured enterprise growth by either turnover or headcount. **Turnover was**

an important measure of growth for many creative enterprises, but most also stressed that other factors, such as increased profile and social impact, were additionally vital. For some, recognition and reach of their creative brand, product and/or service was a key growth measure.

Many stressed that their **growth did not always follow a linear trajectory**, having experienced fluctuations in their income depending on the particular project – for example, film, festival, or campaign – that they had been commissioned to deliver. Such project-based work is common across the creative industries.

For most creative enterprises, **headcount was not a primary measure of growth** – a reflection of the sector's freelance-heavy workforce. Many creative enterprises consist of a core team with freelancers contracted to provide specific skills, services, and/or products where needed. **Despite this, the creative industries are still creating jobs at twice the rate of the UK's average job growth.**

This more complex picture must be taken into account in any policy-making and business support targeted at the creative industries.

What are their growth ambitions?

81% of creative enterprises reported that they aim to grow over the next three years. Some have the ambition to rapidly increase their turnover, but **the majority aim to grow at a steady rate over a long period of time.** The creative industries are home to a number of high-growth firms, and as such, government's support for scale-ups and those with high-turnover potential is welcome. **However, the majority of growing enterprises that sit outside of this bracket require just as much focus, given their significant contribution to the UK economy.**

To realise their growth ambitions, creative enterprises **highlighted the importance of collaboration and partnerships** – a trait that is particularly unique to this sector. The nature of creative services and products require creative enterprises to work closely with one

¹ For a recent report of the role the creative industries play in driving growth and innovation, see "The Design Economy 2018: The state of design in the UK". Design Council. Available at: <https://www.designcouncil.org.uk/resources/report/design-economy-2018>

another, across the supply chains of all UK industries, and with partners worldwide.

The publishing industry is working increasingly with video games and film; performing arts with immersive tech; and design with cutting-edge solutions to global challenges, such as climate change. Such collaboration and innovation was deemed necessary to secure not only the growth of the UK's creative enterprises, but the growth and success of our economy at large.

This way of working must be supported and incentivised by national and local government, all UK industries, and international partnerships.

What challenges prevent creative enterprises from growing?

Creative enterprises share many of the challenges that are faced by the wider business community – lack of time, finance and funding, business support, and talent came out as top. **But these challenges are particularly felt by those in the creative industries** due to the high volume of self-employed workers, the micro size of creative enterprises, and the fact that Intellectual Property (IP) is their bread and butter.

The creative industries rely on intangible assets, which are far more difficult to value, communicate, protect, and export than tangibles, such as cars. This applies additional pressure to both creative enterprises looking to grow and those looking to invest in and support their growth.

As such, many creative enterprises reported that **those offering finance and support were either lacking in their understanding of the way the creative industries work, or could not tailor their product or service to their specific needs**. Some creative enterprises had also struggled to articulate their business proposition in a way that investors and lenders required.

A number of creative enterprises were **unaware of the finance and business support** available, highlighting the need for better signposting and marketing that is tailored to them.

Many – particularly micro-businesses and self-employed workers – **were also not undertaking enough measures to protect and maximise the value of their IP**, and were **unaware of the growth opportunities that exporting their services and/or products** might deliver. These two

areas were highlighted by those on higher turnovers as being important to their growth, revealing a gap in awareness that must be urgently plugged.

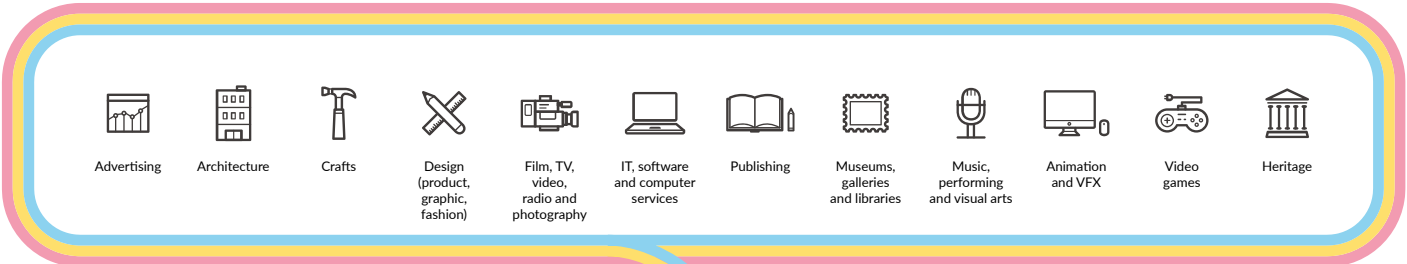
Unlocking growth in the UK's creative industries

The creative industries sector deal – joint commitments made by government and industry to help unlock the sector's growth – recognised many of these challenges and has kick-started a series of initiatives in response. This momentum must now be maintained. Our recommendations – detailed in chapter 5 – call on national and local government and industry to:

- **Ensure creative enterprises continue to flourish in a post-Brexit UK**
- **Safeguard and strengthen public investment and fiscal incentives to pump prime innovation**
- **Recognise sustainable enterprise growth as vital to the growth of the UK economy**
- **Tailor the finance and business support landscape to the needs of creative enterprises**
- **Empower local authorities, city regions, Local Enterprise Partnerships (LEPs) and industry to attract and support creative enterprises**
- **Recognise creative education and skills development as a foundation for growth**

THE UK'S CREATIVE INDUSTRIES

The Twelve Sub-Sectors

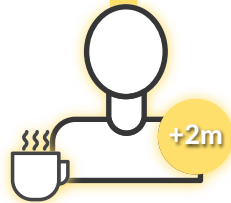


Gross Value Added



The GVA of the creative industries is bigger than the automotive, life sciences, aerospace, and oil and gas sectors combined

Jobs

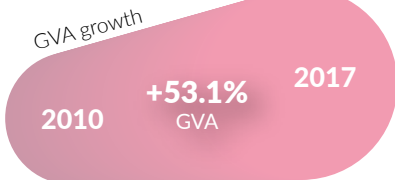
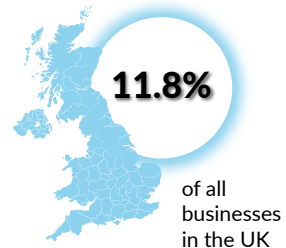


More than 2 million jobs

Businesses



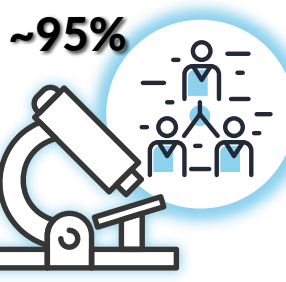
businesses



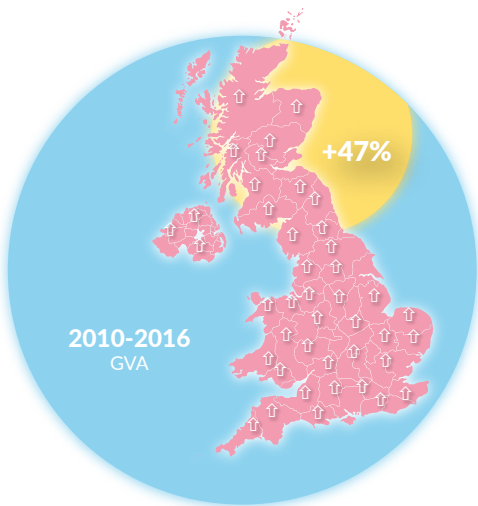
Since 2010, the GVA of the creative industries has increased by 44.8%



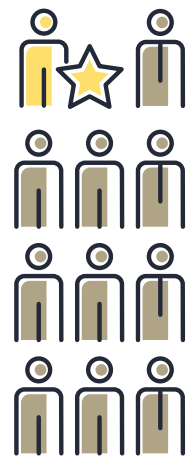
Since 2011, the number of jobs in the creative industries have increased by 28.6% - double the average UK job growth



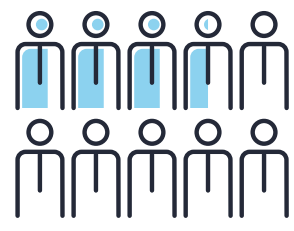
of creative industries businesses are micro businesses (fewer than 10 employees)



Between 2010 and 2016, the GVA of the creative industries increased in every region of the UK - the creative industries in the North East and Scotland grew by 47%



1 in 11 jobs are in the creative economy - 700,000 more than in financial services



35% of creative workers are self-employed (compared with 15% across the workforce as a whole)

INTRODUCTION

The creative industries are the fastest growing part of the UK economy. They contribute £101.5 billion in gross value added (GVA) – greater than automotive, aerospace, life sciences and oil and gas sectors combined. Between 2010 and 2016, the creative industries experienced impressive growth in every region of the UK, with GVA growing by 47% in the North East and Scotland.

Their contribution to innovation, exports, and job creation is significant. The sector is recognised as world-leading in cutting-edge creative tech, exports more than £40 billion in goods and services, and has created jobs at double the rate of the UK’s average job growth. Underpinning this success is the creation and deployment of intellectual property on which all creative enterprises rely.

The potential for future growth is clear, and must now be unlocked. Despite the success story to date, creative enterprises – which make up one in eight of

all enterprises in the UK – face major challenges that prevent them from growing.

The creative industries sector deal – joint commitments made by government and industry to help unlock the sector’s growth – recognised many of these challenges and has kick-started a series of initiatives in response. This momentum must now be maintained, which will require even greater action by UK and devolved governments, combined and local authorities, Local Enterprise Partnerships and, importantly, industry itself. Chapter 5 sets out our recommendations.

This report aims to get to the heart of the issue: what do creative enterprises understand by growth, how fast are they growing, and what prevents them from growing more? It is based on a survey of over 1,000 creative enterprises, a series of focus groups undertaken throughout the UK, and one-to-one interviews with trade bodies, government, and support intermediaries. The full survey data is available on request.



PROFILE GROUPS

Analysis of the survey responses is presented throughout the report in two ways

1 By sets of key characteristics that cut across the 12 sub-sectors of the creative industries.

These key characteristics form the following profile groups:



Creative enterprises

This group refers to all survey respondents, including creative businesses, grant-funded organisations, and freelancers, as detailed below.



Creative businesses

This group consists of respondents whose primary source of income is generated from commercial activities.



Grant-funded organisations

This group consists of respondents whose largest proportion of income is from non-commercial activities (grants, endowments or donations). It is important to note that many grant-funded organisations also generate commercial income.



Freelancers

This group consists of all respondents that consider themselves primarily to be freelancers.

2 By the 12 sub-sectors that make up the creative industries:



Advertising and Marketing



Architecture



Crafts



Design (Product, Graphic, Fashion)



Film, TV, Video, Radio and Photography



IT, Software and Computer Services



Publishing



Museums, Galleries and Libraries



Music, Performing and Visual Arts



Animation and VFX/SFX (Visual and Special Effects)



Video Games



Heritage

1. WHO AND WHAT ARE THE UK'S CREATIVE ENTERPRISES?

Who and what are they?

The creative industries consist of a remarkably diverse mix of enterprises. They include large organisations and well-known names such as Penguin Random House, Ubisoft, and Liverpool's Everyman theatre, through to small businesses such as animation company Bait Studio, micro businesses, and freelancers.

The majority of enterprises in the creative industries are micro businesses (95%) – businesses that employ fewer than 10 people. A significant proportion of workers in the creative industries are self-employed – 35% of the sector's workforce compared to 15% across the UK economy. This make-up was reflected in the demographic of our survey respondents.

Creative Micro Businesses

The high number of micro businesses in the sector reflects the dynamic, lean nature of much of the creative industries. With an average number of 3.3 employees, many creative enterprises consist of a core team with freelancers contracted to provide specific skills, services, and products where needed.

Profile Creative Micro Business

Digitom Video Content Agency

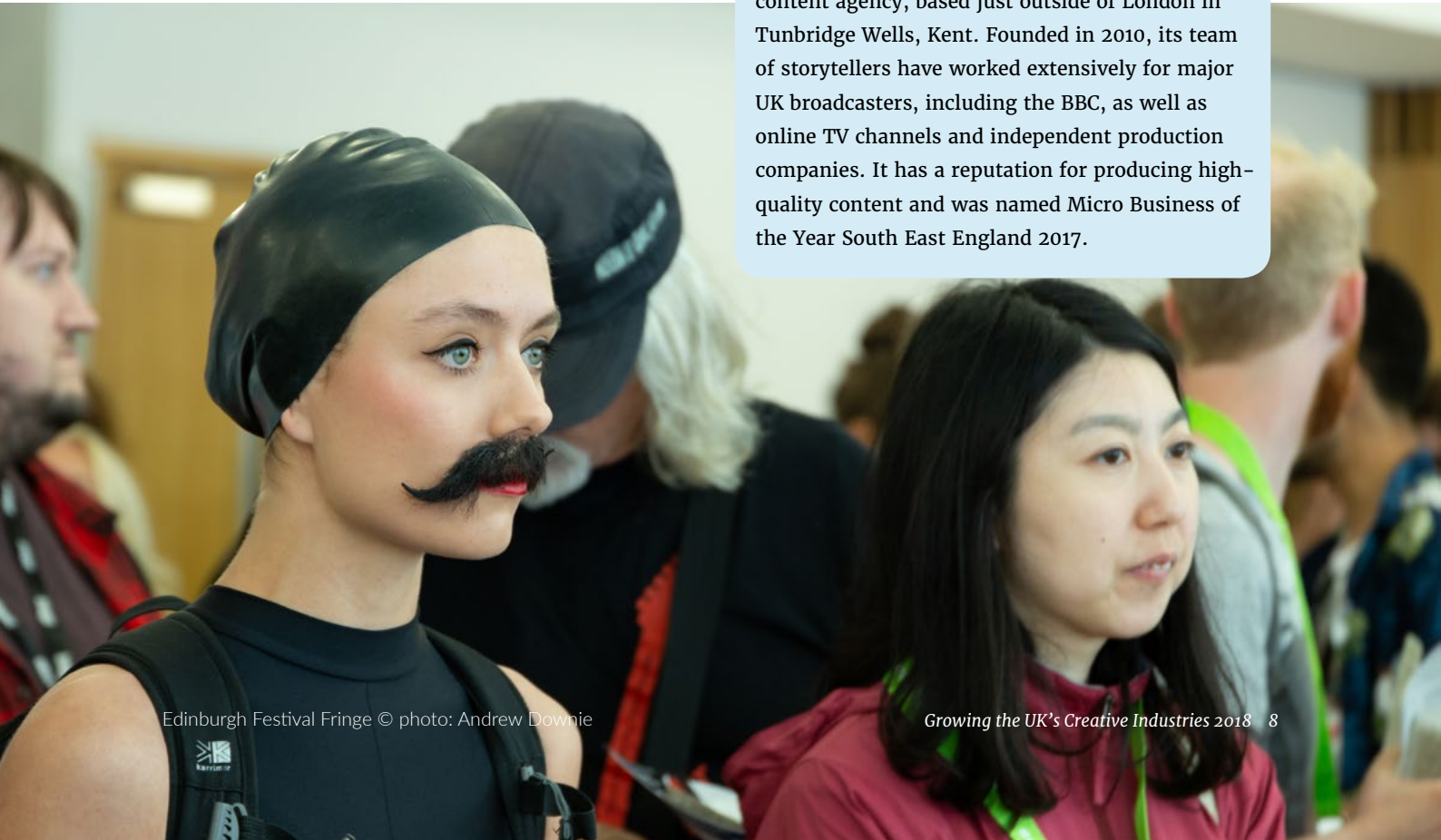
Established • Incorporated in 2009, and started trading in April 2010.

Location • Tunbridge Wells, Kent.

Turnover • £96,000 in 2017, with a £100,000 projected turnover for 2018.

Size • Two full-time employees, two contractors.

About • Digitom is a multi-award-winning video content agency, based just outside of London in Tunbridge Wells, Kent. Founded in 2010, its team of storytellers have worked extensively for major UK broadcasters, including the BBC, as well as online TV channels and independent production companies. It has a reputation for producing high-quality content and was named Micro Business of the Year South East England 2017.



Profile Creative Micro Business

Create Studios Digital Media CIC

Established • Incorporated in 1984 and became a Community Interest Company in 2014

Location • Swindon, Wiltshire.

Turnover • £300,000 in 2017.

Size • Three full-time employees, 10–15 freelance associates.

About • Create Studios is an award winning digital agency working nationally from their base in Swindon's emerging cultural quarter. One of Arts Council England's National Portfolio Organisations, and supported by Swindon Borough Council, Create work with 9,000 people a year. Their Create Inclusion programme offers opportunities for participants to develop new digital skills, connect with their communities and make choices about their future.

Profile Creative Micro Business

DeuXality Games

Established • 26 February 2015.

Location • Inverness, Scotland.

Turnover • £50k–£150k in 2017.

Size • Two full-time employees, three freelancers.

About • DeuXality is a games company that develops augmented reality and mixed reality experiences designed to enhance the users' understanding of the world around them. DeuXality has a core belief that learning should be fun, and gamification of education is one of their linchpins. They recently completed the HighlandAR app for the Highland and Islands Council, an Augmented Reality experience which brings local legends to life across Inverness.

Creative Freelancers

The creative industries are built on an army of talented and skilled freelancers.² Freelancers are self-employed and do not have employees.

Freelance work in the creative industries takes many forms: from artists and musicians to peripatetic teachers, producers, designers and more.

Profile

Creative Freelancer

Anne Beresford

Established • Self-employed since 1988.

Location • Based in central London.

Turnover • Varied! If I'm looking after a project for an outside agency, my own company turnover would be low, and in a year when my company is producing then it would be higher.

About • I am an independent film and television producer. I often work at the intersection of film, dance, music and theatre. Projects range from three-minute dance films to £2m feature films. Sometimes I work as a Series or Executive Producer for hire, sometimes films are produced through my own company.

Recent clients include: Channel 4 Random Acts & Sadler's Wells; Creative England & France 3 TV; British Council and GREAT Campaign; The Space Digital Development Agency.

Profile

Creative Freelancer

Toby Cotterill

Established • Self-employed since 2015, working on a part-time basis.

Location • Based in Hebden Bridge, West Yorkshire.

Turnover • In 2017 I turned over £9,000.

About • I am a jeweller and silversmith inspired by the natural world and process of making. I use traditional silversmithing techniques to create unique, articulated pieces of wearable sculpture.

This year I took the plunge to be a full-time maker, and I am making the most of the opportunity to do what I love for a living. We face many challenges as makers. On top of the usual pressures of running a business, we are often isolated in our workshops and have to work hard to develop the skills necessary to run a successful business. I recognise the need and importance to access support networks and get help from a variety of sources in order to grow and thrive. As a new business I'm still working a lot of this out, and despite the challenges ahead feel excited to be a maker.

² For an in-depth profile, see the Federation's Creative Freelancers report. Easton and Cauldwell-French. "Creative Freelancers". Creative Industries Federation, July 2017. Available at <https://www.creativeindustriesfederation.com/publications/creative-freelancers>

Where are they located?

There is a concentration of creative enterprises in Greater London and the South East, but also significant clusters right across the UK. For example, video games companies are clustered in 12 places in the UK including Brighton, Cardiff, Dundee, Guildford and Warwick.³

Cluster Bristol & Bath

This cluster covers the West of England area, aligning creative content production – film and TV in Bristol, publishing in Bath – with a strength in tech ranging from chip design to software.

It generates **£650m GVA** and **employs 22,750 people**.⁴ From 2011–2016, creative industries GVA in Bristol increased by 18.6% and by 14% in Bath.⁵ It is highly networked, with around 7,000 people working for companies which are members of industry-led Bristol Media.⁶

Bristol's TV sector is the third largest in the UK, with outputs ranging from Blue Planet 2 and Poldark through to BBC Antiques Roadshow. It is a UNESCO City of Film.

In four years, Bristol-based Plimsoll Productions has grown to be the sixth biggest UK independent, while Films at 59 Bristol is the UK's top facility house.

The cluster drives wider growth in the South West, with the highest creative industries employment outside London and the South East. It is well-placed for further growth in immersive experiences, with the CAMERA motion-capture facility at University of Bath, the creation of the Bristol VR Lab and the unique 5G testbed, and Bristol Vision Institute at University of Bristol.

It is one of the nine AHRC Creative R&D Partnerships,⁷ combining all four universities and Watershed. University of Bristol is investing £300m in a digital innovation campus.⁸

Cluster Yorkshire

Screen Yorkshire has led screen cluster development in the region since 2002, and initiatives such as the Yorkshire Content Fund, established in 2012, have led to the highest rates of growth in the sector UK-wide. The Yorkshire Content Fund has so far invested in 45 film, TV and digital projects, ranging from Peakay Blinders to the forthcoming Official Secrets starring Keira Knightley.

The cluster generates **£157m GVA** and **employs 4,900 people**. From 2009–2015, the cluster grew by 247% in GVA compared to a UK average growth of 118%.

Yorkshire and Humber boasts some of the most important out-of-London independent production companies such as Warp Films, True North, Rollem and Daisybeck, as well as recent start-ups such as Air Television and Duck Soup. Kirkstall Road in Leeds is home to one of ITV's three production centres, at which *Emmerdale* is based.

On the gaming front, Sumo in Sheffield is the largest employer in the region with over 250 staff. There are over 150 smaller developers across the region.

Alongside this, Screen Yorkshire has partnered with the University of York and the British Film Institute in a successful bid to become an AHRC Creative R&D Partnership. The four year research project will support the cluster in adapting to developments in virtual and augmented reality (VR/AR) and big data in order to take advantage of the opportunities new technologies will offer.

³ "The UK video games sector: a blueprint for growth". Ukie. Available at <https://ukie.org.uk/blueprint>

⁴ Garcia, Klinger and Stathoulopoulos. "Creative Nation: How the creative industries are powering the UK's nations and regions." Nesta, February 2018.

Available at <https://www.nesta.org.uk/publications/creative-nation>

⁵ Data from <http://data-viz.nesta.org.uk/creative-nation/>

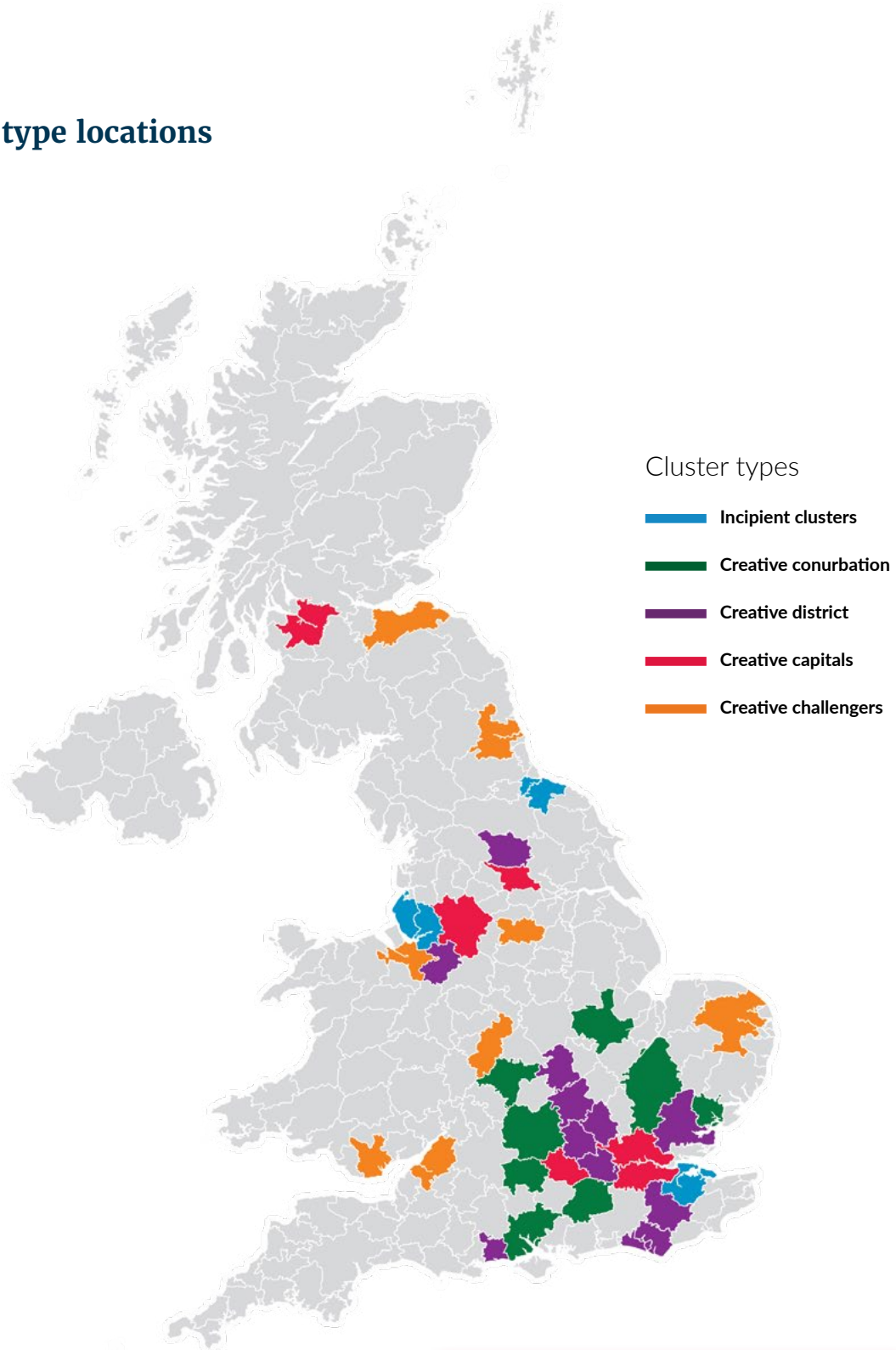
⁶ Bazalgette. "Independent Review of the Creative Industries". Department for Digital, Culture, Media and Sport, September 2017.

Available at <https://www.gov.uk/government/publications/independent-review-of-the-creative-industries>

⁷ Available at <https://www.bath.ac.uk/announcements/bath-and-bristol-to-lead-the-way-in-inclusive-innovation-and-growth/>

⁸ Available at <http://www.bristol.ac.uk/temple-quarter-campus/new-campus/>

Cluster type locations



Clusters Definitions

Incipient clusters are younger and less stable creative clusters found generally in the North, including TTWAs such as Liverpool and Middleborough. They experience high levels of business and employment churn, and the lowest creative business survival rates

Creative districts are mostly in the South of England, such as Brighton, Slough or Bournemouth. These have many micro-businesses and stable firms from a wide range of creative sectors, and a smaller share of high-growth businesses than some other models.

Creative conurbations such as Cambridge, Guildford and Leamington Spa are relatively stable locations where creative firms have high survival rates. High-growth firms play a stronger role in job creation than in other clusters, and churn rates are generally low.

Creative capitals include larger locations in England such as London, Manchester, Reading and Leeds, and in Scotland, Glasgow. Large and medium creative businesses are more important here, and there is a bigger share of high-growth firms.

Creative challengers includes a sizeable group of large cities in most part outside of London and the South East, including Birmingham, Bristol, Newcastle or Sheffield, as well as Edinburgh in Scotland and Cardiff in Wales. These locations have gained creative specialisation recently, and have diverse ecosystems with some high-growth firm presence.

How do they make their money?

Creative enterprises

Creative enterprises have mixed income models. These may include selling to the **private sector** (for example, a visual effects company providing their service to feature film and TV productions), selling to the **general public** (such as an indie publishers selling their first feature book), selling to the **public sector** (which includes architecture and heritage firms working to maintain historic buildings), and grants, endowments or donations.

In addition to presenting the survey findings of all respondents, this report makes a distinction between creative enterprises that generate the majority of their income through commercial activities (creative businesses) and those for whom the largest proportion of their income comes from grants, endowments or donations (grant-funded organisations). **These groups include freelancers**, who work across the two. In this report, 'creative enterprises' refers to both creative businesses and grant-funded organisations.

While there are lots of shared features between the two, there are some important differences that impact on how they measure success and the kind of support and incentives that are needed to grow. Grant-funded organisations tend to receive such funding in order to deliver a public good and/or address market failure, whereas creative businesses tend to give primary focus to financial returns.

It is important to note, however, that many creative enterprises are also more nuanced than this distinction implies, which is unpacked in the chapters to follow.

Creative businesses

Creative businesses generate the majority of their income through commercial activities. An example is creative communications agency Karmarama, which has developed award-winning campaigns for First Direct, Plusnet and The Guardian.

These commercial activities also include selling to the general public – for example, Birmingham Hippodrome's primary source of income is through ticket sales – and to the public sector – such as Aesop, which has successfully sold its evidence-based dance programme which helps to prevent older people falling, Dance to Health, to the NHS and local authority public health departments in six regions.

Grant-funded organisations

Grant-funded organisations' largest proportion of income comes through grants, endowments or donations. However, almost half of the survey respondents (48%) reported that they also sell goods and/or services to the general public and undertake additional commercial activities – for example, 18% of Opera North's income is generated through its box office and related income.

This mixed income reflects a growing trend where grant-funded organisations are diversifying their financial models in order to become more sustainable.



2. WHAT DOES GROWTH LOOK LIKE FOR CREATIVE ENTERPRISES?

This chapter outlines our findings and analysis across the following four areas:

- A. What does 'growth' mean to creative enterprises?
- B. What are creative enterprises' motivations for this growth?
- C. What is the nature of creative enterprises' turnover growth?
- D. What are creative enterprises' ambitions to grow?

A. What does 'growth' mean to creative enterprises?

Government has traditionally measured enterprise growth by:

Turnover = net sales generated by a business.

Headcount = the number of individuals carried on a firm's payroll.

We asked creative enterprises what they understand by the 'growth' of their business. Traditional metrics of turnover and profit were important to them, but so were other factors, including reputation, profile and social impact. Headcount was not a primary measure of growth for most creative enterprises.

Chris Hirst

Chairman Havas UK and CEO Europe

"A defining characteristic of all successful businesses is their ability to grow - and that means increasing the amount of money they make. This is what allows them to invest, hire, retain their best people and crucially gives them the confidence to be able to say yes or no - on their terms. The secret is to stop seeing a compromise between creativity and business, but rather to embrace the symbiotic relationship between the two, and recognise that success in one is a necessary counterparty to success in the other."

Traditional metrics of profit and turnover are important to creative enterprises:

- For creative businesses, more than half of survey respondents used profit or turnover as their primary measure of growth.
- For grant-funded organisations, 42% of respondents used turnover as a measure for growth, with 25% of respondents noting that it is their primary definition of growth.
- Some creative enterprises reported significant fluctuations in their turnover as a result of the multi-year, project-based nature of their work. Whilst turnover was important, they were therefore reluctant to use it in isolation from other growth measures, such as reputation and reach.

Headcount is not a primary measure for growth for creative enterprises:

- Only 4% of creative businesses and 6% of grant-funded organisations use headcount as their primary measure of growth.
- This reflects the freelance-heavy workforce and project-by-project working practices that are particular features of the creative industries. In this regard, many creative businesses do not grow via headcount but instead bring on extra capacity through freelancers as required.

Case Study 1927

(micro business theatre company) on why headcount/turnover is not a useful measure for the creative industries.

1927 is an independent artist-led theatre company founded in 2005 that creates magical, filmic theatre through live music, animation, opera and performance. The company has studios in Margate and London with a core team of three full-time and four part-time staff. 1927 has partnered with 27 freelancers and engaged additionally with 600 artists and specialists to create its productions and operas.

Jo Crowley, Executive Producer of 1927 says

“For the first 10 years, we didn’t ‘grow’ as an organisation through the traditional measure of an increase in staff numbers. Instead, we grew in terms of reach and impact. As an artist-led independent touring theatre company, we measure how our productions have grown through demand, reach, diversification and profile of partners. For example, our third theatre show Golem had 250 performances and reached 120,000 people in 43 venues across 15 countries and five continents. It has also reached over 50,000 people through exhibitions at museums in Zurich, Berlin and Paris

While our turnover has increased, it does not follow a linear year-on-year increase since we experience fluctuations and spikes in our turnover due to the multi-year nature of creating and distributing productions. It is much more appropriate to look at our growth in collections of years rather than per annum.

We have chosen to make a small-scale production this year instead of a large-scale opera in order to diversify the audience that we have the potential to reach. On paper, this may look like we are not growing due to the potential reduction in turnover or audience. But for us, being able to diversify our audience and grow our creative practice is an equitable alternative to achieving greater income or overall audience numbers.

The government’s use of employees and turnover as growth measures reinforces an old-fashioned assumption that bigger is better. It negates consideration of the reach and impact that even the tiniest of companies, and often those fuelled by the collaboration of freelancers, self-employed and autonomous collaborations, can have. From a (non-building-based) theatre perspective, and a perspective that I believe extends to much of the creative industries, it fails to consider or capture the impact, influence and reach that artists and companies that connect with communities have on a daily basis. For those companies, like 1927, that operate on the world stage, it also fails to reflect the significant and vital role they play in terms of cultural diplomacy and soft power.”

Reputation and profile is important:

- Almost two-thirds (61%) of grant-funded organisations and over half (54%) of creative businesses use reputation and profile as a metric for growth.
- One in 10 creative enterprises use reputation and profile as their primary growth measure, with many citing the importance of attracting new clients, projects, and audiences.
- This was particularly important for emerging artists and those starting up their own business, where investing in reputation and profile in the early stages of their development had opened up greater opportunities for growth in subsequent years.
- The nature of how freelancers work also means that they, themselves, are the brand and the business. When they are selling their services and/or products

to prospective clients, they are essentially selling who they are. The unpredictability of working on a project-by-project basis, where projects often require rapid turnaround, also means freelancers need to be constantly visible to potential contractors – having a strong profile and reputation is vital to this.

- Brand and profile was also paramount in certain industries where networking and word-of-mouth are common practice for obtaining work. Notwithstanding the positive aspects of networking in general, the creative industries have also come under considerable scrutiny due to the prevalence of this working culture and its effect on diversity and inclusion. While the sector is working to address this particular issue, in general it is still a reality that many people in the creative industries are acutely aware of and accustomed to working in this way.

Case Study

Amahra Spence/MAIA

(micro business based in Birmingham)
on brand and profile.

MAIA, incorporated in 2014, is a creative consultancy and arts production company that aims to build infrastructure, relationships and platforms to support sustainable creativity in cities.

Amahra Spence, Founder of MAIA says

“Brand and profile-building has helped us to maintain a level of sustainability, particularly in the start-up years while building a track record. As the company’s founder, I’m also able to use my own profile as an artist and producer to leverage momentum and opportunity for MAIA. Having established brands such as BBC and SBTV partner and advocate for our work has led to an increase in connections, audience and income.

All of this has led us to a position where we’re able to deliver the self-initiated work we want to. Currently, we’re leading the proposal to set up an artist-led hotel and cultural centre in Birmingham.”

Social impact is important:

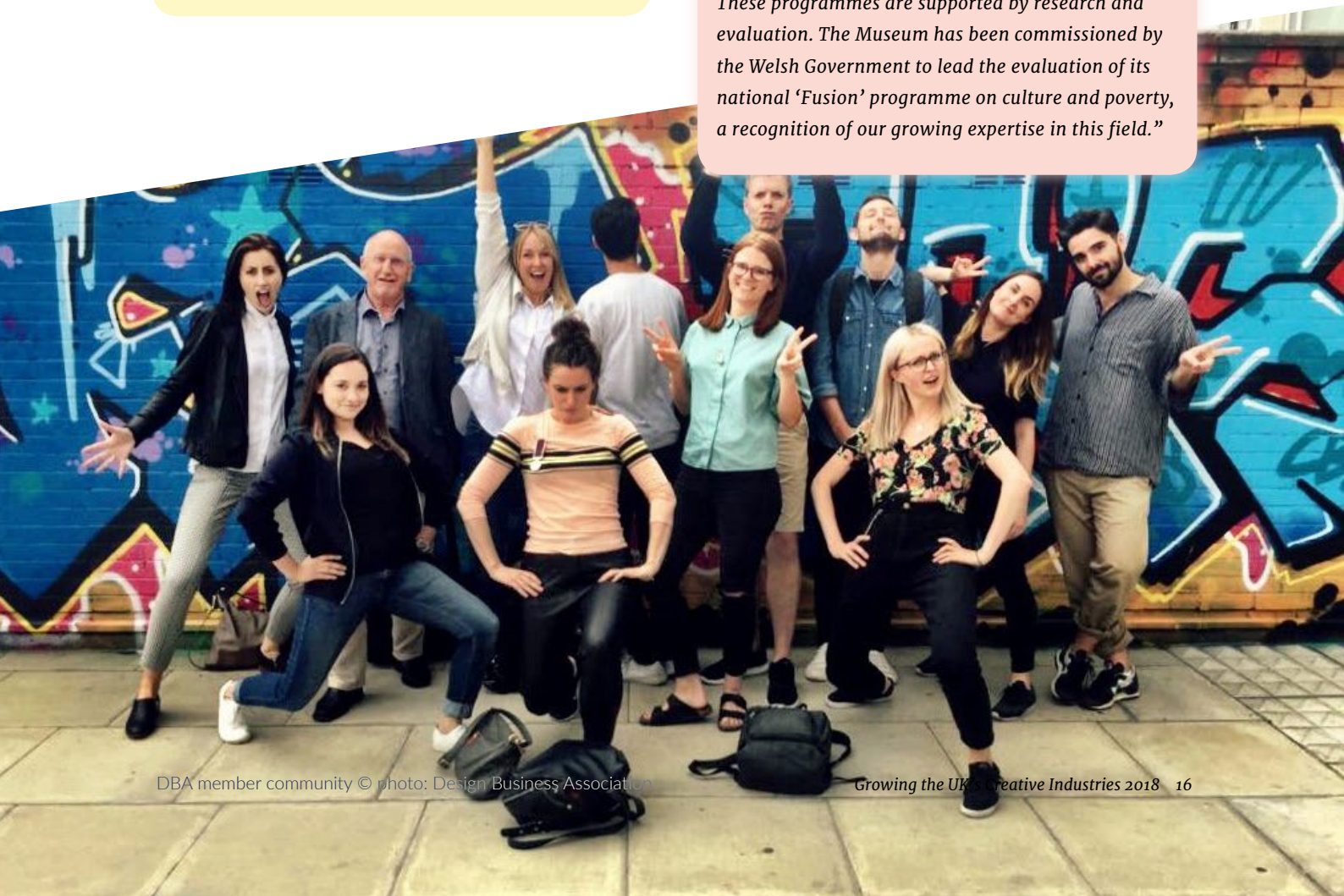
- For many creative enterprises, social impact is understood to mean how an enterprise acts as well as the work that they do.
- More than half (54%) of the grant-funded organisations who responded to our survey selected increased impact in the community they serve as a key measure of growth.
- Around a quarter (24%) of creative businesses surveyed selected it as a key measure of growth.

David Anderson

**Director General, Amgueddfa Cymru –
National Museum Wales**

“Wales has the highest level of poverty of the four nations of the United Kingdom, so social impact is central to our work. Using the framework of national goals developed for the Wellbeing of Future Generations Act (2015), the Museum has designed programmes to improve health and wellbeing, educational performance and levels of cultural participation – all of which are correlates of poverty.

These programmes are supported by research and evaluation. The Museum has been commissioned by the Welsh Government to lead the evaluation of its national ‘Fusion’ programme on culture and poverty, a recognition of our growing expertise in this field.”



Deborah Dawton

Chief Executive, Design Business Association

“Many design businesses view social impact as integral to the success of both their own businesses and their local supply chain. In practice, this can take the form of contracting with local suppliers and freelancers, mentoring smaller businesses in their supply chain, and investing in the next generation of local talent.

Since last year, we have encouraged members to advocate a “Small Giants” approach, based on the book of the same name by Bo Burlingham which outlines various ways of achieving positive social impact in the local community. DBA members have really embraced this and many have come forward with truly inspiring projects.”

Examples include **Mr B & Friends**, a creative agency in Bristol, that decided they wanted to

contribute to the local economic community and so developed a roster of local supplier businesses they rarely deviate from. **Simon Barbato, CEO**, said: *“We felt there was a need to put some corporate social responsibility into our thinking and demonstrate that we want to be a meaningful organisation within the business landscape in Bristol. We support the circular economy in Bristol by spending locally.”*

Better, a marketing agency based in Teesside, believe they have a responsibility to the next generation. They are deeply committed to supporting the High Tide Foundation and invest heavily, both as a business and as individuals, in the growth of the Foundation. They provide sector-driven programmes which provide real-life work experience and life-changing opportunities for young people. Often the graduates go on to begin apprenticeships and further study within STEM, creative and digital areas.



B. What motivates creative enterprises to grow?

For some creative enterprises who responded to our survey, their motivations to grow were in line with what might traditionally be expected from businesses seeking growth – increased profits or an expanded geographic presence or product offer that will reach more customers. However, these motivations were not the most common reasons given, particularly for micro businesses and freelancers, and they were rarely the sole motivation for creative enterprises at large.

Other motivations for growth cited by creative enterprises in our survey included:

- Responding to an unexpected opportunity, for example a request from a client or a reaction to a potential crisis
- The pursuit of a ‘burning idea’ or innovation, and the drive to turn it into reality
- The desire to be recognised as highly successful in their creative field
- To remain competitive
- Personal aspirations, such as the ability to live a certain lifestyle or work in a certain way or environment
- To pursue something they love
- To increase their social impact
- To earn a sustainable income

Imogen Heap

Music and tech artist

“Throughout my career the one thing that has been consistent in contributing toward my success, defined as being able to work and innovate around that which I’m passionate about, has been the work I’ve achieved across different disciplines. The magic lies in the intersections, the happy accidents. The resilience that comes from spreading the net and therefore bringing backup support if ever in free-fall from one project. Here lies the strength in a career like music and tech, where I currently sit.”

Survey respondent

“I have always worked with music I love and with projects that have been successful. These kind of projects are few and far between and I don’t want my ‘job’ to become like a factory processing music I don’t believe in just to earn money.”

Case Study

Agent, Liverpool

Since its inception 12 years ago, full service marketing firm Agent has seen year-on-year growth, not only in business expansion and reputation, but also in creating major social impact, contributing to the local economy.

Over the years Agent’s approach to growing the business has been in response to client demand and gaps in the market, resulting in new departments and services. Agent is always looking for opportunities to grow and ultimately, the team want to work with organisations that make a difference. They know that their combined skills can be a powerful force for good and as a result play a significant role in supporting the third-sector and good causes

In 2014 Agent launched Agent Academy in response to the noticeable skills gap facing the creative industries. The 12-week programme was established as a solution to the issues faced by 16–25 year olds who find themselves, post-education, without the skills and connections they need to start a career in the creative industries. To date Agent Academy has delivered eight sets of programmes, helping 95% of its graduates into full-time jobs, generating combined annual salaries of over £2.2 million.

Future plans for both Agent and Agent Academy include continued team and client expansion as well as a new office in Manchester.

C. What is the nature of creative enterprises' turnover growth?

The sections above reveal a complex picture of what creative enterprises understand by 'growth' and their motivations behind it. It is vital that this is acknowledged in any practical intervention or policy-making.

Nevertheless, turnover growth does remain the dominant measure of growth for creative enterprises, and so we asked our survey respondents more about their turnover history, what contributed to their turnover growth, and their turnover ambitions for the future.

Turnover history⁹

The majority of creative enterprises reported that their turnover either remained steady or increased over the last three years. 71% of creative businesses reported that they experienced sustainable or high turnover growth and 67% of grant-funded organisations reported that they have experienced sustainable or high turnover growth.

Profile Groups

- **High-turnover-growth.** Those that reported that their turnover had increased by 30% or more over the past three years
- **Sustainable-turnover-growth.** Those that reported that their turnover remained steady or increased by up to 30% over the past three years
- **Decreased turnover.** Those that reported that their turnover decreased over the past three years.

Adala Leeson

Head of Social and Economic Research
and Insight for Historic England

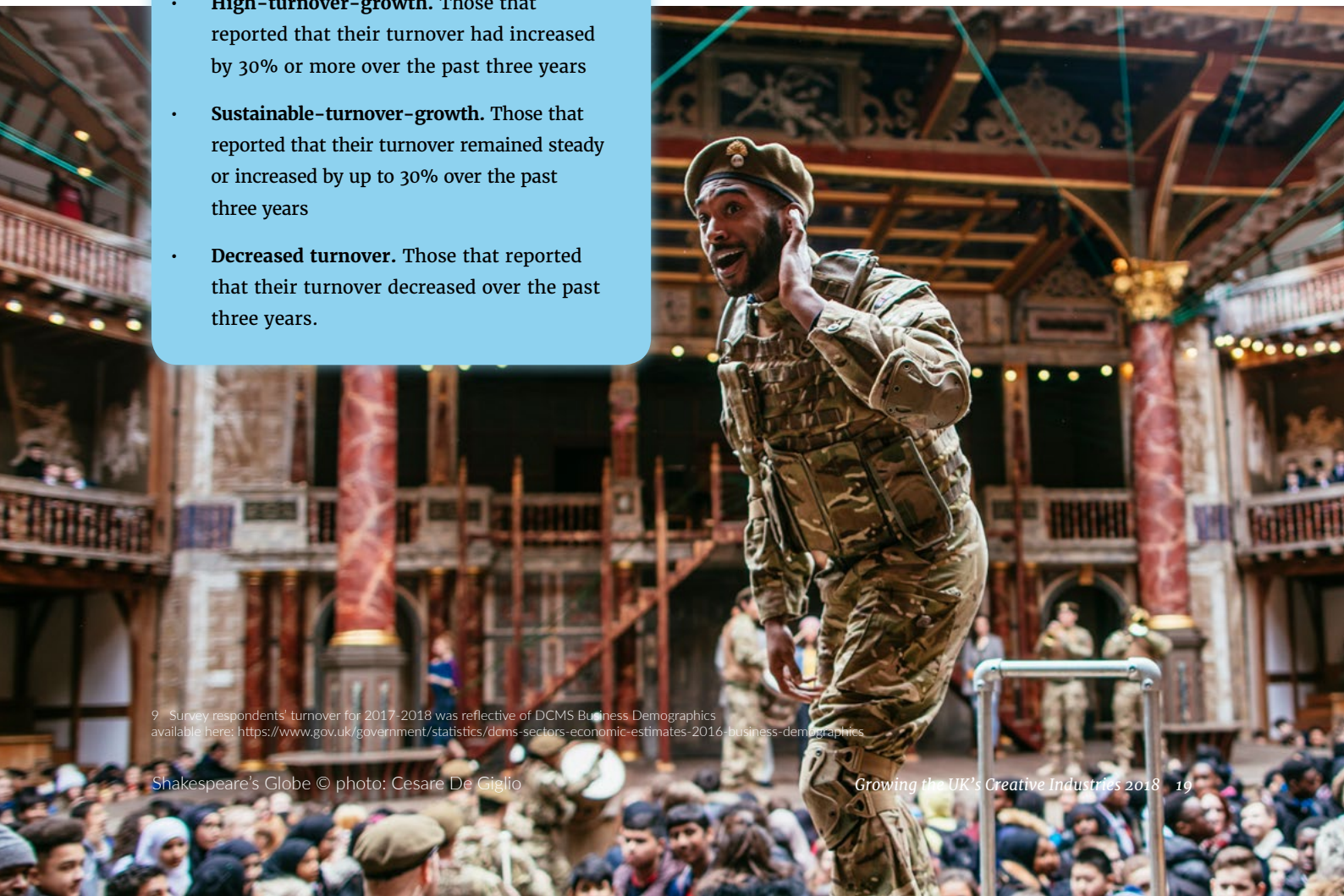
"Historic buildings can play a valuable role in raising the brand and profile for creative businesses and individuals who want their workspace to reflect their creative identity. In our experience, the idea of working in a listed building, where you are by extension also custodians of its historic significance, tends to resonate strongly with those from the creative community."

What contributed to turnover growth in creative enterprises?

Creative enterprises were most likely to attribute their turnover growth to:

- Focusing on brand and profile (44%)
- Building a larger client/customer base (44%)
- Developing products and/or services (35%)
- Collaborating/partnering with other business organisations (34%)
- Focusing on sales and marketing (27%)

⁹ Survey respondents' turnover for 2017-2018 was reflective of DCMS Business Demographics available here: <https://www.gov.uk/government/statistics/dcms-sectors-economic-estimates-2016-business-demographics>



External finance and funding was also important

- 20% of creative enterprises selected ‘accessing external finance/funding’ as a key driver for growth with two-thirds (65%) of grant-funded organisations selecting this option.
- Of the 13% of creative businesses that attributed their turnover growth to accessing external finance/funding, more than half (57%) had accessed some form of grant funding in the past.

It is clear that grants play an important part in the support eco-system for the creative industries as a whole. Public investment in the creative sector plays a vital role pump priming innovation and testing out new ideas.

Increasingly, in the face of tightened public budgets, there is a focus on using public investment in ways that generate more self-sustaining benefits – thereby increasing the multiplier effect of the initial investment. This is reflected, for example, in the strategic focus of Arts Council England Development Funds for 2018–22 on “diversity, resilience, innovation in business models and leadership development”¹⁰.

This is a view shared by Edge Investments, who provide an investor’s perspective on the impact of grant funding on the investor market (see below box).

Edge Investments

“Grant funding allows creatives to experiment with concepts that private funders can then support at a more developed stage, ultimately allowing many businesses to receive private financial support which would not otherwise have done so. In the creative industries there is often a tension between those seeking financial returns and those that are focused on increasing creative output. Grant funding allows room for creative risk and is therefore a crucial part of the funding environment for the sector. This grant funding then allows for a greater degree of clarity on the likelihood of future success for funders such as ourselves that have a responsibility to our own investors to invest in businesses with demonstrated traction.”

Edge also provides an interesting perspective on the unintended consequences of grant-type funding and how the prevalence of it in the creative industries may affect the perception of how investible it is.

“A notable aspect of the creative industries is that they attract patrons to support the work of the sector, and we have seen several examples of theatre productions, films and art exhibitions that have been funded by individuals with limited requirement for economic return. This is fantastic for creatives requiring support, but has an interesting knock-on impact which is that other investors see the sector as ‘impossible’ to make a return.”

¹⁰ Available at <https://www.artscouncil.org.uk/how-we-invest-public-money/arts-council-development-funds>

Creative businesses with higher turnovers were more likely than those on lower turnovers to attribute their turnover growth to:

- **Exploiting/protecting IP** five times more likely.
- **Focusing on innovation/R&D** five times more likely.
- **Adopting new technologies** three times more likely.
- **Expanding internationally (including exporting)** three times more likely.
- **Hiring more staff/increasing core workforce capacity** (which does not include contracting additional freelancers) four times more likely.

Nicola Solomon

Chief Executive of the Society of Authors

Solomon explains that Intellectual Property is paramount to growth:

“Without copyright law, writers cannot benefit from their creations or insist that they are named when their work is used. If writers, illustrators and translators don’t get named, they will lose the opportunity to enhance their reputation and profile as a method to grow. The last few years have seen detailed and rigorous review and debate of copyright legislation both domestically and in Europe. The result for the UK is a legislative framework that is balanced in respecting the rights of users and creators. It is important that we maintain a strong copyright regime, harmonised with the rest of Europe, to ensure that authors are paid and that we can still export to major markets.”



Jamie Coleman

Founder of Codebase

“As we help to grow significant creative businesses such as TV Squared, Outplay Games and Flickapp, it is clear that more than 50% of the spend is on R&D as we seek to develop new products and services to cater for a global audience. The pace of innovation is constantly increasing and a relentless focus on R&D is the only way to survive and thrive.”

D. What are creative enterprises' ambitions to grow?

Our survey revealed that:

- **81% of creative enterprises aim to grow**, according to their own measures of growth, over the next three years.
- **92% of creative businesses that are currently growing plan to continue to grow and almost two thirds (61%) are looking to grow at a steady/moderate rate over a long period of time.**
- **Almost a third of creative businesses (30%) expect to experience high turnover growth** over the next three years.
- **19% of creative enterprises do not intend to grow further.** More than half of those (52%) are not planning to grow, either because they are happy with their current size (30%) or because their aim is to become sustainable (22%). Around one in 10 (8%) are not aiming to grow because they are concerned that growth would compromise or dilute the original purpose of their organisation. Other noted reasons include uncertainty around Brexit and potential cuts to grant funding.

Survey respondent

On why they decided not to grow:

“Quality of service would be compromised if I took on too many projects and brought in additional staff. My business model is to collaborate with other freelancers to provide a flexible and bespoke service to clients.”

How do creative enterprises intend to achieve this growth?

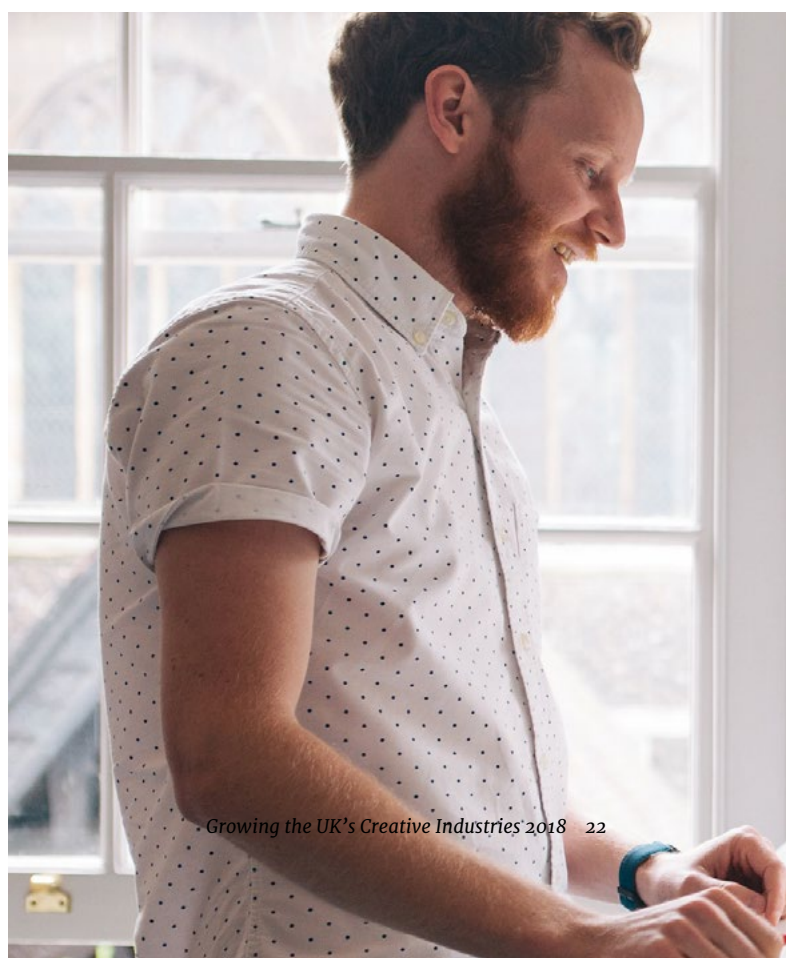
Creative enterprises (whether creative businesses or grant-funded, higher or lower turnover) all identified **five top priorities** that would help them to achieve their self-defined measures of growth:

- Building a larger client/ customer base (60%)
- Building their brand and profile (58%)
- Collaborating with others (54%)
- Increasing their sales and marketing (45%)
- Developing products/services (44%)

In the focus groups, **collaboration and partnering with others** was perceived to be particularly important for those with the ambition to grow, and this is a sentiment that is shared across the creative industries. Many participants explained that working creatively can naturally foster a desire to collaborate, which has become common practice across the sector. This was particularly the case for those working as freelancers or in micro businesses, where partnering or working together on projects is fairly common, and indeed vital to their success.

For creative enterprises based outside London, the importance of building relationships with those outside of the creative industries and with the local community came through particularly strongly as a way in which they intend to grow.

For micro businesses, freelancers and sole-traders, **training and skills development** was highlighted as particularly important to their growth. They not only have to deliver their work but also oversee their own business functions, from financial management and marketing through to bringing in new business. Through our focus groups and survey, numerous sole traders and freelancers identified the importance of training to support their careers, as well as some of the challenges that prevent them from investing in additional training.



Case Study Collaboration

Hudson Architects, Norwich

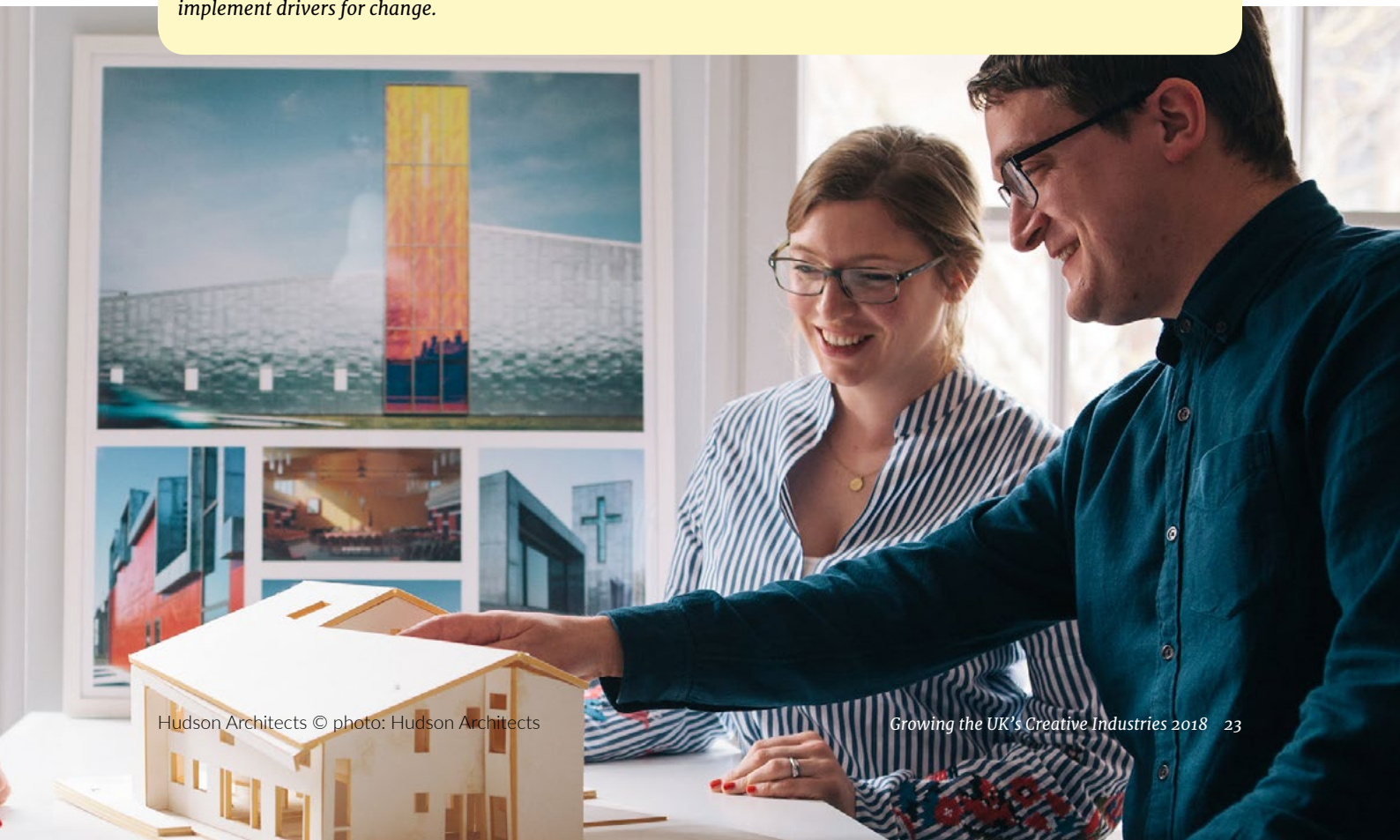
Hudson Architects is a design-led, award-winning architecture practice based in Norwich with a satellite office in London. Founded in 2002, the practice experienced steady growth between then and 2008. In 2008, Hudson Architects relocated to Norwich which led to a more rapid period of growth. From 2014 to 2018, the practice has increased in staff size by 180% and now employs 28 staff across the two sites. This growth stemmed from new pools of clients, repeat clients with access to larger projects, reducing overheads by moving outside London, and fostering collaborative relationships across other sectors and geographical areas.

Anthony Hudson, Director of Hudson Architects, views collaboration as a driver for growth in architecture and the creative industries:

“As architects we are interested in placemaking, with the aim to design buildings and spaces that reflect the aspirations of the organisations and communities we are working with. Since we do not have all the answers, it is vital to the success of these projects that we collaborate with others to develop, prioritise and implement drivers for change.”

Examples of our collaborations include partnering with specialist consultants, such as museums consultants, exhibition designers and interior designers, to boost our knowledge and skills offer when bidding for specific projects. We have also worked closely with Norwich University of the Arts to develop its BA Architecture course which will ensure that Norwich has a much-needed flow of graduates coming into the architectural practice with the relevant skills and experience. We have built many relationships within the local creative industries that offer mutual benefits to organisations, such as sponsorship in exchange for staff development or client entertainment. We have also established a pop-up gallery on the ground floor of our studio, which gives local artists the opportunity to exhibit and sell their work. This also allows us to host events and invite the local creative community into the practice to further develop relationships and opportunities for collaboration.

Here in Norwich, we have experienced first-hand the value of bringing together people from different disciplines with different specialist knowledge, experience and perspectives. Unlike other sectors, there is no set way of doing things in the creative industries. The more collaboration that occurs, the more potential and possibilities open up.”





Toby Trembath

Tasty Digital

"I went fully freelance in 2012 to set up Tasty Digital, which crafts digital experiences for clients through quality branding, digital design and website development. Our clients range from art galleries and not-for-profits through to construction companies and sports tech startups, including London Cycling Campaign, British Society for Rheumatology and [OpenTrack.run](#).

We commit at least four hours every week to self-directed study: understanding recent technology developments, improving existing skills and learning new ones. Skills and training for us include reading, taking online classes, and practical training courses such as Modern Javascript Masterclass, Design Thinking and Innovation, Planning and Management skills in Software Projects and The Lean Startup. Effective skills training allows us to apply the learning to existing projects, which improves our processes and outcomes and helps to remain competitive in an ever-changing digital landscape."

Lara Ratnaraja

Freelance Cultural Consultant

"I develop and deliver projects on the intersection between cultural and digital sectors as well as leadership, resilience and business development programmes for the arts.

One benefit of producing your own programmes is creating informal training through the process. My recent projects, ASTONish with Helga Henry and Hello Culture, have developed my own skills in both leadership in diversity and digital technology. They have also advanced my profile and increased my market reach. As a freelancer, most of my work comes from referrals and recommendations based on my thought leadership.

One difficulty I am currently facing is accessing relevant mentoring and leadership training for myself. As such, my training and skills development is informal rather than formal."

Imogen Michel

Freelance Aerial Performance Rigger

"I am a freelance performance rigger and rope access technician based in Edinburgh, Scotland working across the theatre, dance, circus, film and TV sectors.

Without high standards or up-to-date training and qualifications it would be very difficult and potentially unethical for me to work in my field of aerial rigging. The biggest challenge I have with training is money: most qualifications expire within 3 to 5 years and must be renewed at a very high cost."

Agnieszka Solska

Freelance lighting technician

"I've been working in theatre lighting since 2009 and went freelance as a lighting technician in 2016. I am also in the developing stages of starting my own theatre company, Arbalest.

After I graduated with a two-year foundation degree in stage management and technical theatre, I wasn't able to pursue my ambition of going freelance as I didn't have enough experience. I worked at a full-time job between 2012–2016 that provided me with relevant training courses. I've recently completed a masters in Creative Producing and was able to write and produce a play as part of the course. Access to training and skills are vital to me as they have provided me with credible experiences, made it possible for me to go fully freelance and build my own, personalised career path."

3. WHAT CHALLENGES DO CREATIVE ENTERPRISES FACE?

There are huge opportunities for growth in the creative industries, but many creative enterprises face barriers that prevent them from growing. In our survey and focus groups, creative enterprises highlighted **four main challenges**:

- 1. Lack of time to focus on growth**
- 2. Lack of finance/funding**
- 3. Lack of business support and understanding of where to find it**
- 4. Lack of quality and diversity of talent, both now and anticipated in the future**

Other identified challenges included external factors, such as competition in the market, the economy, Brexit, and lack of market opportunities.

Although many of these challenges are shared with other UK sectors, they are particularly felt by those in the creative industries due to the high volume of freelancers, the micro size of creative enterprises, and the fact that Intellectual Property (IP) is their bread and butter. The creative industries rely on intangible assets, which are far more difficult to value, communicate, protect, and export than tangibles, such as cars. This applies additional pressure to both

creative enterprises looking to grow and those looking to invest in and support their growth.

Through the focus groups and interviews with business support intermediaries, such as Local Enterprise Partnerships (LEPs), it also became clear that many creative enterprises – particularly micro businesses and freelancers – were not undertaking enough measures to **protect and exploit their IP**, and were unaware of the growth opportunities that **exporting their services/products** might deliver. The reasons cited for this were primarily that both IP and the process of exporting – particularly something intangible – are complex landscapes that take time and money to navigate and get right.

Given how crucial both are to the growth of many creative enterprises, it is vital that these challenges are additionally recognised, and this gap in awareness and understanding is plugged.

A snapshot of the survey data

Almost half (47%) of creative businesses selected lack of time to focus on growth as one of their main challenges and **one in five (19%)** selected this as their most significant challenge.

Two-fifths (38%) of creative businesses selected lack of finance as one of their top challenges, with **one in five (18%)** claiming it is their principal challenge.

Two-thirds (65%) of grant-funded organisations selected lack of finance/funding as one of their main challenges to growth, while **over half (56%)** selected lack of time as one of their most important challenges.

One in five (21%) creative businesses highlighted a lack of support and/or a lack of knowledge on where to find that support to grow as a key challenge.

More than one in ten (13%) creative businesses identified a lack of business skills as a key challenge. This is a particular issue for those on lower turnovers and freelancers.

1. Lack of time to focus on growth

This is a common challenge shared by small businesses across the economy. Many creative enterprises reported that they are too busy reacting to day-to-day challenges and opportunities to have time to strategically plan their future growth. This was particularly the case for freelancers in our focus groups, who highlighted that their project-by-project working practices often means that they do not have time to plan beyond the next project. This is reinforced by a survey undertaken by BDRC for the Creative Industries Council, which revealed that creative businesses are less likely to plan than small and medium-sized enterprises (SMEs) generally and only 38% of its respondents had an initial business plan to grow.¹¹

2. Lack of finance/funding

The challenges surrounding access to finance were a common theme across all focus groups and featured significantly in the survey responses. Many felt that some of these challenges were particularly unique to the creative industries. 61% of respondents to BDRC's survey believed that the creative industries struggle more than other sectors to access finance.¹²

In our focus groups, participants raised the following key challenges:

Not enough investors understand creative enterprises

- The BDRC survey reflects this finding, where 67% of creative business respondents thought that lenders find their sector hard to understand.¹³
- A lack of diversity of potential investors and those working in the investor community exacerbates this challenge, according to our focus group participants.
- However, many creative enterprises also acknowledged that they struggle to present their businesses in a way that resonates with investors and/or are reluctant to relinquish some ownership to secure equity finance. This challenge, known as 'investment readiness', is unpacked in more detail below.

Not enough financial products and services are tailored to creative enterprises

- Many creative enterprises reported that the financial products and services available are often not tailored to their needs, ways of working, and/or business model (which vary across the creative industries), and tend to be marketed at larger businesses. This is unpacked in more detail in the following chapter.

Finance and funding is lacking at crucial stages of growth

- Focus group participants highlighted that there is a lack of support for creative enterprises that are neither startups nor aiming for high growth – those on moderate or sustainable growth trajectories.
- Creative enterprises looking to transition out of their startup phase reported that there are few funding options available to them. Many highlighted a gap in the provision of more modest amounts – £50,000–£250,000 – to enable and sustain their growth.

Accessing grant funding is particularly challenging for micro businesses and freelancers

- Grant funding plays a vital role in enterprise growth.
- However, many micro businesses and freelancers reported that accessing grant funding can be too complex or time consuming.

¹¹ "Access to finance." BDRC for Creative Industries Council, June 2018.

Available at <http://www.thecreativeindustries.co.uk/media/471225/cic-access-to-finance-research-report-june-2018.pdf>

¹² Ibid.

¹³ Ibid.

Caroline Norbury MBE

**Chief Executive, Creative England and Chair,
Finance for Growth, Creative Industries Council**

“The breadth and diversity of business models within the creative industries necessarily means that they have a range of finance needs. For some, with significant growth potential, equity is the right option, which is why the government’s efforts – through the Creative Industries Sector Deal – to increase access to equity outside London is an important step forward.

But in our day to day experience, and as this report underlines, there is still a significant, unmet need for other types of finance. For example, there is a funding gap at £50,000 to £250,000 for established businesses that want to pivot their model from providing a service to developing their own IP, or keen

to expand into new markets. Looking forward, we need greater investment at ‘rung one’ of the ladder of finance to support steady, sustainable growth across the sector.

Our own investment programme proves what this kind of client focused funding can achieve.

In the last five years Creative England has invested £20m in 350 businesses. We’ve raised £4 of private capital for every £1 of public investment, 81% was invested outside London and 45% in places with the highest job need. We’ve grown revenue, created jobs and improved business sustainability – and demonstrated that creative industry businesses can be excellent investment propositions.”



Investment readiness

While investors may lack an understanding of the sector, many creative enterprises acknowledge that they struggle to pitch and present their businesses in a way that resonates with this audience, and/or are reluctant to give something up in order to become an attractive investment proposition. This is part of a much wider challenge known as ‘investment readiness’.

This concept of investment readiness concerns businesses of all industries, and has become a particular priority for SMEs. However, while creative businesses share some challenges with SMEs outside the sector, they also face challenges regarding investment readiness that are particularly pronounced within the creative industries.

Investment readiness of creative businesses

There are broadly three aspects to consider regarding investment readiness: equity aversion, investability and presentational failings.¹⁴

1. Equity aversion. This refers to the organisation in question’s attitude towards equity financing. SMEs are generally quite averse to equity finance, perceiving it as ‘giving away’ ownership and control. This feeling is particularly pronounced among many creative enterprises - there is a concern that taking on equity finance (and reducing ownership) may affect the autonomy of a creative process.

This concern was raised throughout our focus groups, and may point to why many creative enterprises fail to secure equity finance. Without a transactional exchange, the return for investors is insufficient and they are therefore unlikely to invest.

2. Investability. Investability refers to a set of attributes that investors look for in their investments. While the details of these attributes differ from investor to investor, there are some areas that are generally key. These include the robustness of the business plan and financial projections, the track record in revenue generation, evidence of market research and USP (unique selling point), and the capabilities of the management team. Underpinning all of this is the extent to which an investor can see growth potential in the business. There is also a significant element of subjectivity involved – investors tend to want to invest in industries and areas with which they are familiar.

There are some fundamental issues that make it particularly difficult for many creative enterprises to easily “fit” with what investors are looking for. These include the fact that many organisations are operating on a project-by-project basis, which is not necessarily conducive to producing consistent revenue generation or linear growth trajectories. This affects certain sub-sectors more than others – including Film, TV, Video, Radio and Photography and Music, Performing and Visual Arts – but it is a common working practice that exists across the creative industries.

This is compounded by the lack of investors who really understand the creative industries.

This asymmetry of information, where creative businesses and investors lack the information to meaningfully engage with one another, emerged as a point of frustration for many participants in the focus groups. Creative enterprises often interpret the disinterest from the investor community as them being too risk-averse or not being open-minded enough, with one participant describing creative enterprises as not fitting within the investors’ “tick-box spreadsheet”.

The perceived lukewarm interest from the investor community in the creative industries is frequently contrasted with how investors have embraced the technology sector. Accepting that there are fundamental differences, both sectors have experienced significant growth in recent years. Latest figures show that both sectors have been growing at least twice the rate of the UK economy.¹⁵ Some organisations from the focus groups mentioned feeling pressured to alter their original proposals to include technology in order to secure new sources of funding.

3. Presentational failings. Even if the business plan and investment proposal are sound, the enterprise may still be deemed not to be investment ready if these qualities are presented poorly to investors. This perception that investors are not interested in the creative industries is balanced by the recognition that many creative enterprises do not have a realistic understanding of what investors are actually looking for.

This is exacerbated by the language barrier that can exist between investors and creatives, both in terms of terminology and how they articulate their work more generally. For example, investment jargon is often in contrast to how a creative may discuss their

Concludes overleaf...

¹⁴ Mason and Kwok, “Facilitating access to finance: discussion paper on investment readiness programmes”, OECD. Available at <http://www.oecd.org/global-relations/45324336.pdf>
¹⁵ Bakshi and Yang, “Creativity and the Future of Work”, Creative Industries Federation and Nesta, March 2018. Available at <https://www.creativeindustriesfederation.com/publications/creativity-and-future-work>

Investment Readiness of Creative Businesses continued...

discipline or practice. The different ways that growth is defined by creative enterprises in this report also illustrates this. This ability to communicate on mutually understood terms forms a key part of this third facet of investment readiness.

While investment readiness is generally discussed within the context of access to equity finance, much of it is also applicable to the requirements of accessing external finance more generally.

Investor's insight

Edge Investments

The challenges of investing in creative enterprises

Edge Investments looks to invest between £1-5m in established businesses within the creative industries as well as the technologies that enable them. Edge invests in both content owners and producers as well as technologies that increase the engagement, distribution or commercialisation of that content, with a requirement that there is some core intellectual property present. This enables the businesses to develop long-term value for the founders and investors, and provides a possible exit for investors in the future.

Niall Santamaria, Investment Manager at Edge Investments says *“There are two primary complications with many creative businesses from an investor's point of view:*

Project funding – as a rule we will not invest in project finance as we need to ensure there is a tangible business we are investing against. The fact that many creative businesses look to split their work into projects, which are then independent and do not allow investors any security, often inhibits investment in the sector. To raise external finance, you will often need to structure the investment into an IP-owning business and not just a project. Creative businesses need to be able to generate some IP if they are going to be able to build long-term value.

Individual creatives – as an equity investor our return generally comes from the sale of the business in the future. If the value of the company is the individual themselves then there is limited opportunity for a buyer to take over the business and run it successfully. One of the most important criteria for us is that the management team is exceptional, but this should be distinct from the business being entirely reliant on their capacity and ability.”

3. Lack of business support and understanding of where to find it

Our survey and focus groups revealed that there is a perceived lack of support available – that is accessible, appropriate, and affordable – to creative enterprises looking to grow. 62% of creative enterprises reported that there is not enough support. 19% of respondents had no view on the level of support available.

Focus group participants highlighted that many creative enterprises do not know where to look for such support and/or find the business support landscape tricky to navigate. Identifying sources of support that they can trust in terms of quality was also raised as a major challenge. As with access to finance, many also felt that the content of existing business support was not appropriate for creative enterprises, and instead geared toward larger businesses in more ‘traditional’ industries. These challenges are unpacked in more detail in the chapter to follow.

Closely linked to business support are the skills and services required to effectively run a business. Focus group participants emphasised that they and others across the creative industries lack the right level and mix of business skills to ensure the growth and sustainability of their business.

Focus group participant

Cardiff

“You do [your job] because you know how to do it, but not because you know how to manage it.”

Managing finances, including cash flow, late payment and taxation, was highlighted as a key challenge in our survey. A quarter (24%) of creative businesses named cash flow as a major challenge.

Participants in our focus groups identified two specific reasons for this:

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Participants in our focus groups identified two specific reasons for this:

Career paths A significant number of individuals in the creative industries start their careers as freelancers or portfolio workers, and many will have not undertaken training in business management and development. Freelancers in particular highlighted the need for support in their personal development and training, which is outlined in detail in our Creative Freelancers report.¹⁶

- **Working practices** Many creative enterprises work on a project-by-project basis with unpredictable workflow, which for many means that core business practices, processes and people are not established to undertake business management and development. Participants also highlighted that this way of working can also make it difficult for business owners to focus on building a core team, which would allow them to delegate and take on a more strategic role in running the business.

¹⁶ Easton and Cauldwell-French. “Creative Freelancers”. Creative Industries Federation, July 2017. Available at <https://www.creativeindustriesfederation.com/publications/creative-freelancers>

Investor's insight

WardWilliams Creative

The challenges of growth for creative businesses

WardWilliams Creative provides business support, accountancy and tax advice to people and brands working within the creative industries.

The director/founder Erin Walls saw a need for a specialised and dedicated accountancy service for creatives.

"Finding the right support is a huge challenge. Most creative businesses start out due to a passion for creating within a certain field. Usually they are focused on the innovation and creation sides of what they offer – so the business side gets tacked on when it's necessary. Then, when the business is successful, the founder is exposed to situations and problems they may not have anticipated because they started out to create!"

Process is also a big challenge. When your business grows and the founder who up until now has been used to doing everything finds that the organisation is now too big for that to be possible, there is no process, no manual in place to guide them along the journey. Companies getting ready to grow need to get a process in place beforehand to minimise the disruption that rapid growth can lead to.

At some point there is a choice to be made by the founder. Do they want to continue to be the creative, which means handing the business side over? Or, if they want to continue to drive the ship, they need to step away from the creative side.

It's a hard choice but if they don't pick one and try to do it all, the company can't ever get past a certain size as capacity will be limited to one person's abilities."

Lack of quality and diversity of talent, both now and anticipated in the future

The quality and diversity of talent working in the UK's creative industries has been the bedrock of its rapid growth and world-leading success. Creative enterprises report that the ability to recruit skilled workers domestically and attract and retain talent from around the world will continue to be vital to their growth and that of the sector at large. This came through strongly in the survey responses, focus groups, and interviews.

However, there is a major concern that Brexit on the one hand and the devaluing of creative education by government on the other will limit this ability. The fact that the English Baccalaureate (EBacc) – the combination of subjects that the government thinks is important for young people to study at GCSE – does not include a single creative subject, is held up as a clear example by many creative enterprises of government not taking the needs of the UK's fastest growing sector seriously.

Many already face severe skills shortages and believe that these will be exacerbated unless this is addressed, but more than this: many fear that the UK will fail to prepare the next generation for the future of work, where creative skills will be crucial across all industries.

Survey respondent

Freelance Aerial Performance Rigger

The importance of creative education in schools is seen as a litmus test for how seriously government will support creative businesses and the sector more widely. One survey respondent noted:

“Recent changes to the school curriculum, downgrading creative subjects such as art and drama and effectively forcing underfunded schools to choose more ‘academic’ subjects, are having a profound effect on the well being of the creative industries in the UK... We need to see a massive increase in government spending and educational support for the creative industries, in line with recent advances in governmental support of the tech industries and startups.”

4. WHAT SUPPORT DO CREATIVE ENTERPRISES NEED?

Where do creative enterprises go for support?

Our survey revealed the following:

Accountants

42% of creative enterprises seek the support of an accountant, primarily to manage their finances. Focus group participants highlighted that many creative professionals outsource this function because they want to give greater focus to the quality of their creative product and/or service.

Business advisers, consultants and lawyers

Creative enterprises also accessed other forms of paid support including consultants/business advisors (27%), lawyers/solicitors (21%) and financial advisors (11%). Those on higher turnovers were twice as likely to use a consultant/business advisor for support than those on lower turnovers or freelancers.

Finance providers

Around one in 10 creative enterprises sought support to grow from their bank and/or other finance provider including angel investors, venture capitalists, social finance, crowdfunding or peer-to-peer platform. Creative businesses on higher turnovers and those with high turnover growth were approximately more than twice as likely to access a bank loan compared to freelancers, and three times more likely than those on low turnovers.

National and local government / intermediaries

More than one in three (37%) creative enterprises accessed some form of public support, including support provided by UK government, such as tax incentives, export finance (UK Export Finance), inward investment (Department for International Trade and

the GREAT Campaign), and IP (Intellectual Property Office); their devolved government; and support provided by local/combined authorities and Local Enterprise Partnerships (LEPs) or Growth Hubs.

Membership / trade body

One quarter of creative enterprises (26%) accessed support provided by a trade or membership body. These bodies are often tailored to a particular sub-sector and offer a wide range of practical support for their members, including support for exporting, accessing finance, and protecting IP.¹⁷

University / education provider

Around one in seven creative enterprises (14%) accessed support from a university or education provider. Support is typically provided through the university's careers and employability department, which offers services for current students and alumni ranging from CV and interview preparation, careers fairs and networking, work placement/internships, and early career consultation.



In our survey, the majority of creative enterprises (80%) indicated that the support they had accessed was either “crucial to business growth” or “played a partial role in business growth”.

17 We conducted in-depth interviews with Advertising Association, Crafts Council, Design Business Association, Frieze, Historic England, National Museum Directors Council, Publishers Association, Society of Authors, Ukie, UK Screen Alliance/Animation UK, and UK Theatre and Society of London Theatre.

Support Provider

UK Government

Tax incentives

Creative industry tax reliefs were first introduced by government in 2012 to incentivise investment and support the growth of the sector domestically and internationally. Currently, there are tax incentives for orchestra, film, theatre, animation, high-end television, video games, children's television and museums and galleries.

The success of tax reliefs for the screen sector is highlighted in Screen Business, a new report commissioned by the BFI outlining how screen sector tax reliefs have powered economic growth.¹⁸ It sets out how film, high-end, children's and animation television and video games tax reliefs have delivered nearly £8 billion to the UK economy, generated over 137,000 jobs in 2016, and promoted spillover growth in tourism, merchandising, esports and other industries.

Support Provider

Scottish Government

Scotland's Creative Industries Partnership

Scotland's Creative Industries Partnership (SCIP) was established in 2009 by the Scottish Government.

SCIP aims to support the economic growth of the creative industries, supporting creative enterprises on employment, business development and sustainability. It meets quarterly to: share intelligence, research and knowledge on the creative industries; coordinate responses to needs and opportunities; clarify and improve individual agency support; align the work of delivery partners; and improve engagement with industry. It also monitors the availability, appropriateness and quality of support to the sector, industry developments, and progress within the sector.

The membership of SCIP comprises national public agencies that are tasked – wholly or in part – with supporting the creative industries in Scotland. Through identifying opportunities and coordinating strategic interventions, each agency is able to provide appropriate and effective support either alone or in partnership. Each of these agencies also works with industry partners and local authorities through sectoral representative groups, industry lead bodies and direct relationships with individual businesses.

Currently in Scotland there is also a range of independent organisations providing elements of business and market support by area or sub-sector. These include Creative Scotland Regularly Funded Organisations (RFO): Creative Edinburgh and Creative Dundee, the Scottish Contemporary Arts Network, Scottish Music Industry Association, Federation of Scottish Theatre, Craft Scotland, Publishing Scotland and The Work Room (Dance).

18 "Screen Business How screen sector tax reliefs power economic growth across the UK" October 2018. BFI. <https://www.bfi.org.uk/education-research/film-industry-statistics-research/reports/uk-film-economy>

Support Provider

LEPs and growth hubs

Support for creative enterprises in England is a postcode lottery because much is devolved through the 38 LEPs. Most LEPs offer generic business support which is tailored towards industries with larger businesses and fewer freelancers, and/or which produce tangible assets. Fewer than one in 10 creative enterprises reported that they had accessed support from either LEPs or Growth Hubs, despite this being the primary means that government delivers business support.

However, some LEPs have identified the creative industries as a key growth sector in their area, and as such, have introduced tailored programmes to enhance this growth. This is often achieved by working in partnership with universities and businesses in their area, and leveraging investment outside of what is received from UK government.

We spoke to three LEPs across England that offer specific support to the creative industries – Greater Birmingham and Solihull LEP (GBSLEP), Cornwall and Isles of Scilly LEP (CIoS) and Liverpool City Region LEP.

Greater Birmingham and Solihull LEP (GBSLEP) is working to develop its creative cluster by creating the right environment for creative enterprise growth. They have undertaken a number of measures to achieve this, including the recruitment of a creative industries team into their Growth Hub's business support programme to tailor their services to the needs of creative enterprises. Such partnerships also assist in changing perceptions of creative enterprises in the GBSLEP region, many of whom are of the view that there is no business support available to them.

GBSLEP funds its core Growth Hub with circa £1m of match-funding from the Department of Business Energy and Industrial Strategy (BEIS) and European Regional Development Funds (ERDF). However, limits to funding and resource to deliver additional bespoke services currently prevent the LEP from supporting creative enterprises further. GBSLEP has the ambition to invest in skills and

talent development for young people in their area, where skills shortages present a major barrier to growth in their creative cluster.

After identifying the creative industries as a key growth sector, **Cornwall and Isles of Scilly LEP (CIoS)** launched their Cultivator programme, which offers specialist support for creative enterprises through coaching, mentoring and targeted investment in the form of grants. The programme's activities include workshops and materials that give focus to marketing, leadership development and general business skills, which are suitable for creative enterprises in a rural setting, where needs are often different to those in metropolitan areas.

The programme is funded by the ERDF (£2.6m) and European Social Fund (ESF) (£1.25m) with match funding from Arts Council England and Cornwall Council. ERDF funding has enabled Cultivator to achieve the reach necessary to target creative enterprises that are dispersed throughout the rural area. CIoS is currently exploring how to generate more demand, awareness and opportunity for creative enterprises that innovate yet do not have as much access to innovation and R&D support as more metropolitan areas.

Similarly, **Liverpool City Region LEP** has identified the creative industries as one of their key growth sectors. They offer a tailored programme called LCR Activate, which helps digital and creative SMEs to innovate. Liverpool City Region LEP partners with Liverpool John Moores University (LJMU) and the Foundation for Art and Creative Technology (FACT) on this initiative to deliver a minimum of 12 hours free business support for companies that would like to engage with new technologies.

If greater investment was made available, Liverpool City Region LEP would like to expand their support to facilitate more work across sectors – for example, connecting tourism and the visitor economy with creative enterprises to ensure each industry is maximising commercial opportunities.

Support Provider

Trade / membership bodies

The **Publishers Association** - the trade body for books, journal, audio and electronic publishers in the UK - has an ongoing partnership with the Department for International Trade on Tradeshow Access Programme (TAP) grants, which support publishing companies to exhibit at a range of international book fairs for new exporting opportunities. Exporting is particularly important for this sector as £2.9 billion, or 57% of total publishing turnover, is generated from exporting revenues.¹⁹

The **British Fashion Council (BFC)** is a not-for-profit organisation that aims to further the interests of the British fashion industry and its designer businesses. Its NEWGEN initiative supports emerging talented designers (businesses that have operated for less than three years across menswear, womenswear and accessories) to grow their brand globally. It offers financial support, showcasing opportunities, and individual mentoring and business skills development.

Radiocentre - the industry body for commercial radio - works with its members to minimise unnecessary regulation and help drive revenue. This involves publishing extensive research into the role of radio and its effectiveness as an advertising medium to secure further investment, and the provision of free online tools for advertisers and agencies to help them make the most of commercial radio opportunities. This activity has contributed to record advertising revenues for commercial radio in 2016 and 2017, with income forecast to rise again in 2018.



¹⁹ "The contribution of the publishing industry to the UK economy." Frontier Economics for the Publishers Association, December 2017. Available at <https://www.publishers.org.uk/policy/value-of-uk-publishing/>

Support Provider

Universities / education providers

University of the Arts London (UAL) on IP education

UAL's award-winning Careers and Employability department (35 staff across five teams) works closely with its students and graduates to recognise, nurture and enhance their employability, individuality and entrepreneurship. Given the vital role IP plays in shaping an individual's career prospects within the creative industries, the value of IP has become a key focus for a traditionally underinvested area in creative education.

UAL has had a full-time IP lecturer in post since April 2018. By working in collaboration with course leaders, the lecturer facilitates bespoke workshops that encourage an understanding of IP in the context of the creative process right through to creative practice. This approach aims to raise awareness of key considerations for students when collaborating with each other at the university and when they enter into the industry.

To further support students, UAL has recently launched <http://creativeip.org/> – an online educational resource for students starting out in creative practice. It teaches students how to protect and manage their IP whilst also respecting the rights of others. It is also an opportunity for alumni to share experiences with peers to reflect how IP works in practice.

Richard Sant, Head of Careers and Employability, says:

“Universities play an important role educating the next generation of young people on the value of their rights and the importance of how to best protect, manage and respect them in creative practice. At UAL, we are responding to the growing need of offering practical IP education and support for our students in multi-disciplinary practices.

We have only just launched IP education and are still working on an evaluation strategy. We will be looking at pre and post measures of understanding in the form of participant feedback, measuring the numbers of courses engaging with our IP offer, and case studies with graduates to help illustrate how IP education has made a real impact on their professional lives.”



Case Study

Mental health and wellbeing

Support in the theatre industry

UK Theatre and Society of London Theatre's Workforce Review revealed that while those who work in theatre are passionately engaged and feel very satisfied with their work, they also raised a series of consistent challenges about the culture of working in theatre and the performing arts in the UK. For example, the willingness of staff to work long hours – often outside contracted work hours – creates a potentially unhealthy, all-encompassing working culture that may lead to burnout and cause people to exit the industry when they have caring responsibilities.

Cassie Chadderton, Head of UK Theatre, says: *“Maintaining a committed workforce, while protecting their wellbeing and creating a working environment that is suitable for workers with other life commitments outside their profession, is a challenge that theatre has started to address. As part of our ongoing work to support the workforce, in 2017 we have launched SAFERtheatre, which includes Mental Health First Aid training and Priority & Stress Management. We have also introduced a new series of training on Dignity at Work and launched Theatre Helpline – a free 24-hour phone and email service supporting theatre professionals with any issue affecting their health and wellbeing. We are also one of the partners in UKRI's recently announced Mental Health Networks.”*

Other theatres have also introduced a diverse range of support initiatives to reduce stress and promote wellbeing including:

Mayflower Theatre in Southampton: identified mental health wellbeing as a key HR objective for 2017/18. Managers attended courses to increase their awareness of the issues when managing staff with mental health concerns. All staff attended a mental health and wellbeing breakfast with an external speaker and have access to an Employee Assistance Programme.

The Old Vic's Guardians Programme a group of trained staff who offer a confidential outlet for colleagues to share concerns about behaviour or the culture at work. Any organisation can join the Guardians Network.

Leicester Haymarket Theatre the recently reopened theatre has the mental health of its staff as one of its priorities. They have a Board member who is a qualified counsellor and recently hosted the Festival of Life and Death. All staff are encouraged to talk openly about how they wish to plan their career development to maximise personal wellbeing.

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What support do creative enterprises need more of?

Survey respondents were asked the open-ended question: **what type of support is there not enough of/is missing?**

Responses included five recurring themes:

- support related to finance and funding;
- support from experts, such as business advisers, consultants, and lawyers;
- support that is sector or industry-specific;
- support aimed at freelancers and micros; and,
- support designed to facilitate networking and collaborations.

Support related to finance and funding

Around a quarter of respondents stated that they require more “financial support” or “funding”, emphasising areas that reflect the challenges outlined in the previous chapter.

Respondents highlighted the need for guidance on navigating the finance/funding landscape, and advice on how to access what is available. This includes advice on how to apply for public funds, where processes were deemed by some as being incredibly complex.

Survey respondents

On on finance and funding:

“Help in understanding the language of business and funding opportunities (help with making applications for e.g., funding)”

—

“It’s very hard to infiltrate the network of angel investors and find the right one and most VCs are looking to invest in companies making a larger sum of money than the majority of early-stage businesses. There needs to be a connector between small businesses looking for sub-£500,000 investment (seed) and angels looking to invest in creative businesses.”

—

“There are various funds and financing options – but the number of available slots is akin to a publisher, where 99% of applicants get rejected.”

Other responses pointed to a **gap in certain types of financial products or funding options** – what is available is not suitable for their needs or specifically marketed to creative enterprises. This included the need for more startup seed capital and finance that is flexible enough to absorb the risk involved in setting up a new creative venture. It also included those looking to transition out of their startup phase, who reported that there are few funding options available to them to help them grow.

Many freelancers also reported that much of the finance/funding available was not suitable for those who are self-employed.

Survey respondents

“Investment in creative risk-taking where outcomes aren’t easily measurable on standard indexes of success.”

—

“It’s often loan capital or partial investment – there’s not enough ‘risk’ money for people to try stuff.”

Some cited a need for **greater finance and funding to support business operations and development**. Resources to improve business functions, personnel, and processes was referenced as important to ensure sustainable growth.

Survey respondents

“Funding is generally based on generating new activity – finding core support that enables organisations to grow their core model is a challenge.”

—

“...what we actually need are the funds to create work – and especially funding for core functions. Project based funding does not allow you to grow as a company and invest in infrastructure and systems.”

Support from experts

Many respondents highlighted the **need for support on how to set up and/or run a business, including how to manage cash flow, tax, pensions, and legal issues.** The majority of these respondents cited challenges in identifying and accessing suitable experts, from professional services such as accounting to more specialist support that can be tailored to specific industry or individual business needs. The importance of and demand for more business-to-business mentors to provide such expert support was also cited by many.

Survey respondent

“Specialist support is limited and often prohibitively expensive e.g. specialist legal advice on intellectual property, international development work etc. Support for Development would also be helpful.

I think it might be out there but perhaps it's not clear how to access it: how to maximise your brand on small budgets, how to find value for money and reliable financial advice (from accounting to bookkeeping), how to meet people outside your sector they might be interested in your business.”

Support that is sector specific

The demand for expert support and mentoring speaks to a wider need for **support that is specific to the creative industries and creative enterprises.**

Survey respondents

“Support comes in ‘box-ticking’ format, and is not necessarily helpful as often the help being given is well-intentioned but from people who do not entirely understand the creative industries.”

“Knowing where and how to find trusted corporate advisors that know my industry space and the creative agency business model”

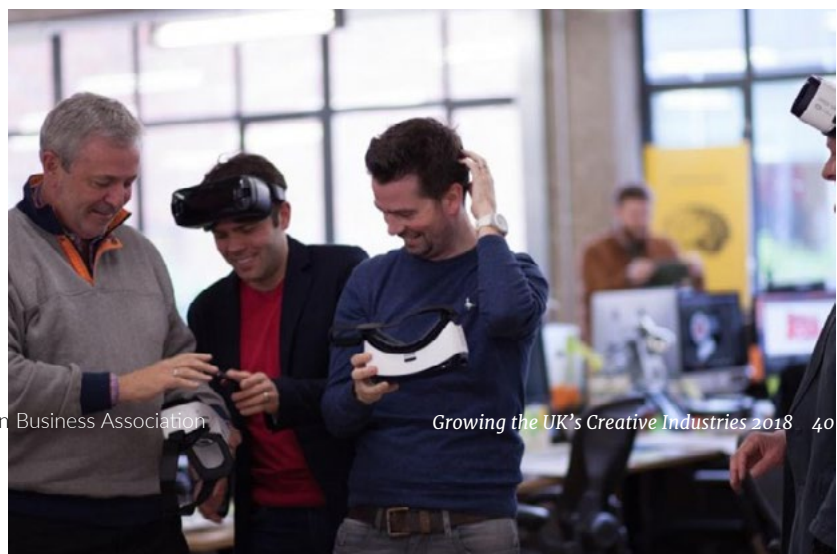
Better recognition and understanding of creative enterprises by those who currently provide business support was additionally highlighted by respondents.

Survey respondents

“Difficult to access business support from within the arts - not understood as businesses by e.g. Chamber of Commerce/LEP, therefore relevant expertise not there.”

“Support from those who are experienced in business planning for the arts having worked in the arts, particularly the subsidised sector.”

“Knowing where and how to find trusted corporate advisors that know my industry space and the creative agency business model.”



Support aimed at freelancers and micro businesses

A significant proportion of respondents pointed to a real lack of support aimed at freelancers and micro businesses, or made easily accessible for these groups.

Survey respondent

“Generally, there isn’t enough made of support for freelancers, particularly in terms of financial management, advice on savings and pensions. The current Government is also hostile towards the self-employed, with its tax changes resulting in an increase in taxes paid, which makes it harder to save for non-working periods (e.g. time off sick and holidays).”

Survey respondent

“We are solo workers in the TV and film industry. We take advice from each other, which is always so terrible – bad advice can circulate around a filming set. When in a 16 hour shooting day can you stop to see someone external and go to a lunchtime seminar? You just can’t. Also it’s a very unique industry and external companies won’t set up training unless there’s a financial reward and the TV and film industry is too bespoke for many to bother with. There’s so many of us on set, in production offices walking around clueless on tax, accountants, training, business growth. It’s such an opportunity for someone to access this market as we are typically ok with money/wages but poor in free time.”

In our interviews, many business support providers reported that they are not in a position to provide support because they cannot justify the return on their investment, in terms of immediate growth potential or the fees they could charge. This has reinforced a perception amongst creative enterprises that both public and private providers are not interested in supporting them.

Survey respondent

“There’s not enough support for small businesses who don’t want to turnover above £400,000, for example. If you have a more modest ambition for growth it feels like the government business support systems aren’t as interested in supporting or championing you.”

Support designed to facilitate networking and collaborations

A number of responses also cited a need for support that connects creative enterprises and professionals with business opportunities, or facilitate partnership working. The demand for support of this kind reflects the collaborative nature of the creative industries and the drive to constantly innovate and create, highlighted earlier in this report.



5. RECOMMENDATIONS

The fact that the creative industries have been the fastest growing part of the UK economy should not be taken for granted. With Brexit on the horizon and a squeeze on public resource, action must be taken by both government and industry to safeguard this success and unlock the sector's growth.

Our recommendations are as follows:

Ensure creative enterprises continue to flourish in a post-Brexit UK

- UK Government should ensure the best possible deal for the creative industries out of Brexit. Specific recommendations are set out in the Federation's 'Brexit' report, 'Global Talent Report' and 'Global Trade Report'.
- Government should ensure that creatives are fairly remunerated. It is vital that the UK maintains the strength of its Intellectual Property (IP) framework after leaving the European Union, and clamps down on IP infringement.
- As the UK establishes trade deals with other countries, measures must be put in place to overcome market access barriers and open up trade opportunities. This includes playing a central role in raising the standards of IP frameworks and enforcement overseas.

Safeguard and strengthen public investment and fiscal incentives to pump prime innovation

- Government should maintain public investment in the creative industries in line with inflation, and review where additional investment can be made to unlock further innovation and growth. As UK government approaches its next Comprehensive Spending Review, it is vital to recognise just how important this public investment has been to UK jobs, innovation and regional growth.
- Government should review how European Structural Funds have benefited the growth of the creative industries, and ensure that the UK Shared Prosperity Fund that will replace them does not create a shortfall in support. Government should work closely with industry, the devolved nations, local and combined authorities, and Local Enterprise Partnerships to maximise opportunities for such investment to become even more effective.
- Government should prioritise continued participation in the EU's Creative Europe, Horizon 2020 and Erasmus+ programmes and their successors.
- Government should maintain the successful creative industry tax reliefs, and review where additional fiscal incentives could be introduced to support other specific industries to unlock growth across the sector and attract inward investment.
- Public bodies should explore where their funding could be used to leverage additional private sector investments, and harness this opportunity to support creative enterprises to become investment ready.

Tailor the finance and business support landscape to the needs of creative enterprises

- In addition to promoting the high growth agenda, government should actively communicate its recognition and support of sustainable enterprise growth. This includes acting on the funding gap outlined in this report, which is faced by many creative enterprises that have the ambition to grow.
- Government and industry should establish an equivalent to ‘Tech Nation’ for the creative industries. Tech Nation supports tech entrepreneurs across the UK in all stages of their business through activities such as workshops, tailored guidance and advice, signposting, and business-to-business coaching.
- Devolved authorities and support intermediaries, including LEPs and Growth Hubs, should be resourced to deliver advice, support, and finance that is specifically tailored to the needs of creative enterprises.
- Government, devolved authorities, support intermediaries, and industry should make more of existing resources that enable creative enterprises to grow. For example, ‘Cracking Ideas’ – a website established by the Intellectual Property Office and industry – provides valuable teaching and learning resources on IP.
- Industry-led mentoring and networking should be incentivised across the UK to enable creative enterprises to offer mutual support and advice. This should be led from the bottom-up, catering to the most acute needs of creative enterprises in each area.

Empower local authorities, city regions, Local Enterprise Partnerships (LEPs) and industry to co-design ecosystems that attract creative enterprises and enable them to thrive

- Alongside the development of Local Industrial Strategies, local and combined authorities, LEPs, and industry should be invited to pitch for ‘devolved sector deals’ that cater to the needs of the creative industries in each area. These could include a call for devolved powers and fiscal incentives that would demonstrably unlock growth.
- Industry should mobilise and support a network of ‘Creative Industries Ambassadors’ in each area of the UK to help unlock opportunities for growth across the sector. Each Ambassador would play a local leadership role, seeking opportunities for the creative industries and others to convene, collaborate, and resolve challenges to growth.
- Local councils should work with local property developers, landlords and heritage bodies to develop proposals that use existing premises – especially those that are underused – to create affordable and flexible co-working spaces for creative enterprises.

Recognise creative education and skills development as a foundation for growth

- Government should restore creative subjects back into the heart of the curriculum, ensure that higher and further education institutions are properly resourced to deliver creative courses, and tailor the apprenticeship levy to industry needs.

6. METHODOLOGY

This report is based on the experiences and views of creative enterprises on growth – drawn from both the Federation’s membership and from the creative industries, more widely.

A mixed methods approach was adopted to undertake the research, consisting of a primarily quantitative online survey, and a series of qualitative focus groups and in-depth semi-structured interviews.

A literature review was also undertaken at the outset of the research on existing intelligence on growth in creative enterprises and to map the support landscape. In total, 51 sources – academic articles, government reports and evaluation reports – published between 2007–2018 were reviewed. This was accompanied by a mapping exercise of the UK’s finance, funding and business support landscape with a particular focus on the Local Enterprise Partnership (LEPs) offer in England. A total of 121 online sources were reviewed, 38 of which were LEP websites.

The sampling frame for the survey consisted of the Federation’s UK-wide membership database, networks of affiliated organisations, such as trade bodies, and wider communities across the creative industries.

The research was nationwide in its reach and creative enterprises were invited to participate in the survey via email, newsletters, articles and social media channels. The survey was in the field for 25 days from 12 June until 6 July 2018, and received 1,036 responses.

All percentages are rounded up to the nearest whole number, which is why, where applicable, the percentages presented in the figures do not always add up to 100 per cent. The survey sample has not been weighted.

The focus groups were conducted in various parts of the UK in July in order to represent as much geographic diversity as possible. In total, four focus groups were held in London, Manchester, Cardiff and Glasgow and participants consisted of members and non-members.

Additional Federation events conducted in other locations, which formed part of our wider entrepreneurship and growth programme, were also used to inform the report findings.

A series of in-depth semi-structured interviews were undertaken with support intermediaries – organisations that provide support to help creative enterprises grow – from July to August 2018. Support intermediaries were invited to participate from across the sub-sectors of the creative industries to ensure as much of the diversity of the sector is represented. In total, 11 support intermediaries and three LEPs were interviewed.