

September 2005

Music Business Forum response to the Cox Review

The Music Business Forum¹ (MBF) welcomes the opportunity to respond to the review of how to enhance the role of creativity in driving the performance productivity of SME's in the UK. The core of our response takes into account the Creative & Cultural Skills Councils recent strategic plan and more broadly the importance of valuing creative skills and individuals.

However, in order to realise the full potential of our creative capabilities, wider support mechanisms need to be considered in order to address barriers to future growth. Therefore, the annex to this paper outlines a number of solutions, including fiscal measures, to promote greater productivity.

Creative & Cultural Skills, Sector Skills Council: Skills for Creativity: Strategic Plan (2005-10)

Enhancing the skills base in the creative sectors is a crucial factor in driving productivity both within these sectors and more widely. The flexible, creative, free-thinking, highly skilled work force, with expertise of new technology, produces valuable transferable skills across the economy.

The new Sector Skills Council (SSC), Creative and Cultural Skills must be a part of the dialogue to develop, and implement as appropriate, the recommendations of the Cox Review. The Council could help to facilitate a closer co-ordination between traditional and creative sectors, working with other sector skills councils to help broker a shared understanding of overall future skills requirements. The points of particular interest from its current strategic plan are as follows:

1. "To work with employers in the creative industries to break down the 'silo mentality' that creates barriers for people wishing to move from one part of the sector to another". It talks of encouraging employers to look at the common ground between themselves rather than focus on the differences; and to value specialisms including those people take up through volunteering and hobbies (and which contribute so much to the UK's culture and economy).

This idea of breaking down silos, and of valuing the skills employees acquire through leisure and volunteering activities is just as relevant to the Government's goal of injecting greater creativity in British business.

2. Within the CCSC Strategic Plan, the section on 'Creativity: The Golden Thread' includes a section on "understanding the nature of creativity as a quality that is in many ways counter-cultural, and requires fresh approaches and management techniques if it is to be encouraged more widely across all other sectors of the economy.

This is an important factor for the Cox Review to consider when developing its recommendations, and possibly to work with the Council in this area on an appropriate project or development of support materials.

¹ The MBF is an informal group of music business organisations that, since its inception in the spring of 2002, has gained a reputation as an effective representation of the interests of the music business in its widest sense to Government. A list of members is annexed to this paper.

3. Key initiatives to be delivered by the new Sector Skills Council include: Creative Apprenticeships, Creative Learning Accounts, Skills Passport Scheme, a Kitemarking Scheme, and a Creative Knowledge Lab.

It would be interesting to explore the possibility of courses and schemes being repackaged for offer, perhaps via the Small Business Service, Regional Development Agencies, other Skills Councils, and other support services, to those outside the creative industries on a modular or work-experience basis to help deliver the Cox Review's key objective of enhancing UK business productivity by drawing on our world-leading creative capabilities.

4. The SSC explains that it will have a campaigning dimension which will include championing the large parts of the creative and cultural sectors that see the value of the creative and cultural industries in themselves, a multiplier of social value. That they will advocate that these industries make our country a better place to live.

The Cox Review should not lose sight of this in its focus on productivity and economic growth.

Valuing Creativity

1. Recognising Value

The impact of any recommendations designed to encourage traditional sectors to draw upon the skills of the creative sectors will be maximised if they are developed within a wider focus on highlighting the comprehensive value of creative skills, individuals and industries.

In this way the Cox Review could itself be used as a foundation for generating greater respect for creators and creative industries - not only for the revenue their sectors generate - but for the added value creativity can foster in traditional commercial and other areas of activity (as implicit in the terms of reference). We need a modern knowledge based economy, high in skills, embracing innovation, science and technology. Britain's Creative Industries produce a higher proportion of our total wealth – eight per cent of GDP – than anywhere else in the world.

2. Networking to Increase Understanding and Cross-Pollination of Ideas and Practices

It may be pertinent to identify centres of networking for creative businesses, including regional and local clusters, for example the London Development Agency-backed Chocolate Factory in Hornsey. Such venues and projects could host events and develop an interrelationship with business people in other sectors. This would be particularly useful as many creative practitioners are not likely to be members of more traditional networking opportunities such as local chambers of commerce.

3. Intellectual Property Awareness, Education and Enterprise

In a knowledge-based economy drawing on ideas, innovation and creativity – intellectual property is key. Intellectual property is the cornerstone of the creative and media industries and the measure by which the people who contribute to creativity

can be remunerated. IP is a key currency, the means of turning ideas into business. In essence: Creativity + Copyright = Economic Growth.

The Government's aim for UK business to draw upon creative capabilities clearly necessitates increased IP awareness amongst creators, business users, and consumers. To build a robust knowledge economy, and the skilled workforce to fuel it, will require transforming IP from an obscure and opaque subject which currently forms little or no part of the school curriculum, into a concept people learn about at the points at which "it touches their lives" (as being advocated and assessed by the Government's IP Forum Education Working Group)².

We believe that IP education should be embedded into the school curriculum, and throughout lifelong learning, as a vital part of the skills set for the future, enabling young people to learn about the currency of the creative economy within broader subjects such as enterprise, the arts, media, design, technology, and citizenship. Current and future creators, entrepreneurs, and financiers all need an understanding of IP³.

In terms of business support provision in this area, the music industry is already establishing strong relationships with practical advice services. In London, the 'Own It' programme is a free Intellectual Property Advisory Service offering advice to creative professionals. The music industry has developed a specific component which offers advice to businesses on what intellectual property is and how to protect it. For more details, see www.own-it.org. Being able to reach the non formal learning sector and develop collaborations with grass roots and underground communities is crucial. Whilst there could be further encouragement for RDA's to develop similar support services across the UK, there might also be some consideration in terms of how such an initiative could also be used to inform the non-creative sectors and act as a useful mechanism to bring different commercial communities together.

4. Creative and Media Education

Appropriate education providers need to be identified and equipped to encourage creativity. Creativity needs to be encouraged at school from the earliest possible age and the curriculum adapted to the digital age. "The traditional word-based literacy of reading and writing is increasingly part of a 'network literacy', with the added features of sound and picture manipulation. In this world, music and arts should be equally if not more, important than some of the traditional subjects"⁴.

The Cox Review should therefore also consider how the Government and OFCOM's broad focus on media literacy (which includes copyright awareness) can be woven into the school curriculum and wider vocational learning.

It would also be useful to explore how creative subjects, including music, could be used to engage people in a wide range of core educational and skills objectives.

² CREATE principles, as proposed by the Government's IPR forum, Education and Awareness Sub Group

³ As indicated by a Metier study of the creative sector in 2000 which identified IP knowledge as the key skill need for the future

⁴ Adam Singer, Chief Executive of MCPS-PRS collecting societies, responding speech to DCMS Minister James Purnell's first keynote speech on the creative industries, IPPR, June 2005.

Links Across University Departments and with Industry

It might be of interest to look at the model of the Centre for Creative Business, a not-for-profit joint venture between the London Business School and University of the Arts London. It was founded to deliver high quality but affordable short courses in business strategy, leadership and finance. The bespoke courses are tailored for established creative entrepreneurs who have established a reputation for excellence but need to develop their skills and businesses further. Again it would be interesting to look at the possibility of such a concept being turned on its head, using this model instead to provide courses on creative skills for more traditional sectors including manufacturing.⁵

A useful point of consultation for the Review would be the DCMS Creative Industries Higher & Further Education Forum. It is designed to strengthen the connections between higher education and the creative industries as a follow up to the Lambert Review of Business-University Collaboration. It is worth highlighting the work of its Entrepreneurship and Skills Task Force. We believe that there needs to be closer links and co-ordination of such a forum with other Government departments, such as the DTI (especially the Patent Office), and HM Treasury, in order to encourage the principles of enterprise education across Government.

Annex 1: Possible Solutions / Small Business Support Mechanisms

Government can play an important role in creating the right business climate for creative businesses for small and medium sized enterprises and freelancers. At present, existing government services and schemes are not reaching music industry micro-businesses and do not meet the needs of creative entrepreneurs. Given the current and potential growth of the creative industries, and the likelihood that other creative sectors present similar issues to the music industry, government support needs to be made more accessible and appropriate. Otherwise government resources and objectives relating to small business support for the creative and innovative sectors are undermined, which is detrimental not only to these sectors but to broader economic performance and productivity.

In terms of more practical support for creative practitioners and SME businesses, there are a number of possible support services options that can be advanced to help grow Britain's productivity. These are both start up and business at the second phase – that group of businesses that have achieved some level of business status but not fully mature and lacking the investment / expertise to become so. Some possible solutions might include a combination of the following services through the support of Government policy:

1. Establishing a Creative Industries Small Business Forum: The creative industries face similar problems but can assist one another greatly. The music industry is a key component and plays a vital role supporting other sectors such as film, the arts, design, digital media, and other related disciplines. The interdependent success of these other creative sectors must be recognised further by Government. Last year Lord Sainsbury spoke to the Design Council and provided the example of the iPod:

“The technology for its development largely already existed. What made it such an iconic example of successful innovation was its design by the British designer, Jonathan Ive. Through understanding and meeting people’s needs and

⁵ Also see suggestion 3. under section on Creative and Cultural Skills Council.

expectations, Jonathan delivered a highly desirable product, which was also a system – iTunes - and a service - iTunes Music Store. The result is transforming the global music jukebox market and looks like being a great commercial success story⁶.

We would recommend establishing a Cross Departmental Small Business Forum for the Creative Sector led by Creative Industries Minister, James Purnell MP and the Minister responsible for Small Business, Rt. Hon Alun Michael MP. This could be a policy forum to bring together all the relevant parties to broker practical solutions and would also include, the SBS and HM Treasury and relevant industry stakeholders beyond the creative industries, such as the Sector Skills Council, NESTA, the Banking Sector, RDA's, and RCC's, amongst others.

2. Fiscal solutions and possible economic incentives: There should be a broad review to identify potential fiscal solutions and possible economic incentives to further support SME's in the creative sector. This should be coordinated by HM Treasury with support from DTI, DCMS and the Small Business Service.

The current review by HM Treasury of the R & D tax credit could usefully have looked at the potential for the development of the scheme to cover the creative industries.

Also, whether the pathfinder round of the Enterprise Capital Fund could be used to develop and pilot a specific creative industries fund to invest a combination of private and public capital in small businesses seeking up to £2million of equity finance (the amount referred to in the current Government Action Plan for Small Business).

3. Regional Development Agencies / Regional Cultural Consortia: have a role to play in facilitating a closer coordination and the signposting of training, seminars, events which broadly support entire creative sector. This includes the non-formal learning sector as well as the industry and could create a capacity for synergy, partnership programmes and support for enterprise within industry that currently does not exist in a coherent or fully coordinated way. Regional Cultural Consortia (RCC) need deeper and closer links with RDAs to make this transpire and appropriate funding and resources should be put in place.

The Small Business Service should build closer links with Regional Development Agencies and Regional Cultural Consortia in order to better understand the creative hubs and the types of business working within them.

4. Encourage the Exports / International Dimension: There is need for further research into the viability of Export / International Advice and Support Services. Such a service would coordinate all export-related activity including

- tours (including visa processing and complications),
- trade fairs (such as Midem in France, Popkomm in Germany, and South-by-South West in the US), and
- other services (such as office space/showcasing for international visitors to UK, help with exhibition/music events, and related promotional talent via the Internet)

It would also service and coordinate on specific areas of difficulty such as US visas which currently hamper music exports. Grants from UKTI (which we understand are being devolved to the RDAs) and the British Council could be coordinated from this service.

⁶ Lord Sainsbury speech to the Design Council, 2004
<http://www.dti.gov.uk/ministers/speeches/sainsbury281004.html>

5. Develop links with the Financial Community to improve Access to Finance:

We are encouraged that the DCMS is about to launch its Music Industry Access to Finance / Productivity study which we hope will provide a useful audit of current situation and help shape solutions. Without being presumptive of this research, one initial step would be for the Small Business Service to consider researching the viability, and mutual economic benefits, of developing a robust symbiotic relationship with the banking and wider financial sector through creative industry secondments in financial services posts. In order to forge a closer relationship with the creative sector, the banking sector could also be encouraged to engage further with creative industries. Such cross fertilisation would enable relationships to be brokered between the banking industry and the creative sector in order to build knowledge, understanding and economic opportunities on both sides. This would also help overcome the (negative) perception issues which are currently impeding the progress of the creative sector.

6. Consider Support for the Freelance Community: Creative Industries are greatly dependent on freelancers and policy for the self-employed - from pensions to maternity leave, for this diverse community need specific further consideration.

Annex 2: Music Business Forum Details

Contact Information:

For more details on these considerations, please contact:

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Music Business Forum Members:

- AIM (Association of Independent Music)
- APRS (Association of Professional Recording Services)
- AURA (Association of United Recording Artists)
- British Academy of Composers & Songwriters
- BARD (British Association of Record Dealers)
- British Music Rights
- BPI (British Phonographic Industry)
- Sound Connections
- Equity
- The MCPS-PRS Alliance
- Music Education Council

- (MIA) Music Industries Association
- Music Managers Forum (MMF)
- MPA - (Music Publishers Association)
- Musicians' Union
- Music Producers' Guild
- National Music Council
- P@MRA
- PPL (Phonographic Performance Ltd)
- VPL (Video Performance Ltd)
- Welsh Music Foundation