

# Scaling up creative businesses



**The creative industries contributed a record £91.8bn to the UK economy in 2016 and employ over £2m people. Measured by Gross Value Added (GVA), the contribution of the creative industries rose more than twice as fast as the national average.**

Creative industries services exports grew more than three times faster than those from the rest of the economy in 2016 (up 8.8 per cent), and accounted for 11 per cent of total services exports from the UK. At a local level, they demonstrate the vibrancy of a region and can provide a magnet for economic development. So the economic value of scaling up greater numbers of local creative businesses is important – but it is not easy.

## Talent

In line with the broader findings of this year's Scaleup Survey, access to talent is one of the main challenges that creative businesses face in order to maintain their growth. There are concerns about the supply of talent from the education system as well as deep fears surrounding access to talent in the wake of Brexit.

"I know we can't just magic ten computer science teachers into every secondary school but there needs to be greater emphasis on subjects such as computer languages, digital design processes and data analysis," says Jim Mawdsley, CEO of Generator, a creative digital sector specialist development agency in the North of England.

Apprenticeships are starting to play a role at the junior end of the employment scale, but there remain concerns about the small number of relevant apprenticeship frameworks. And it takes "a lot of effort for a growing creative business to appropriately manage apprentices," notes Richard Jeffrey, Director of Greater Manchester Business Growth Hub.

## Finance

The 2018 Scaleup Survey shows that almost half of scaleups do not have the right amount of funding in place for their current ambitions. This is evidently the case for many scaling creative businesses.

Creative Industries Council research shows that there is a greater appetite for investment among creative businesses than from the wider population of SMEs – but that they do not always ask for enough. They depend more significantly on informal sources of funding from friends and family (27% use this source as opposed to nine per cent of businesses generally) and 52% ask for less than £25,000. "Businesses in our sector are undercapitalised," says Caroline Norbury, CEO of Creative England and council member of the Creative Industries Council.

## Leadership

Talent and finance are not the only challenges. The creative industries are full of "accidental leaders," says Richard Jeffrey. This is because businesses are formed by an individual who starts as a freelance contractor and who then takes on a project that grows. After pulling together a team, the founder has created a business with the potential to scale. "Leaders of creative business may want to grow and have the opportunities to grow, but they can find it difficult to put the systems in place to enable them to grow," says Jim Mawdsley.

## The need for more specialist, targeted support

Creative businesses are keen to seek out specialist help from those with practical experience in the sector yet there is little available sector-specific support, according to Caroline Norbury.

The benefits of such a sector-specific programme can be seen from the impact of Generator, the creative digital sector specialist development agency in the North of England. A key element of the programme is providing access to interim directors who can help the scaling business in areas of need such as finance, sales and marketing as they grow and evolve their operating models. The 20 businesses in the first two cohorts have reported an average 53 per cent increase in revenues in the 12 months after participating in the programme, and overall employee growth has increased by 230 per cent. This programme has been endorsed by the ScaleUp Institute this year.

Mentoring is also greatly valued in the creative industries and demand for mentors is increasing, according to Richard Jeffrey. And here, too, he says, "sector experience is the golden ticket for credibility." Mentoring, peer-to-peer structured learning and coaching are core aspects of Greater Connected, a service focussed on creative sector scaling businesses run out of Manchester Growth Hub and based on the learnings from the ScaleUp Institute's executive education course.

## Government Action to address creative industries specific issues

Given the above figures the importance of the creative industries are an undoubted strength of the economy and are at the heart of the nation's competitive advantage. To build on this success the Government announced earlier this year a raft of measures to support creative businesses to scale as part of the Creative Industries Sector Deal, including;

- **Creative Scale-Up** – A £4m investment readiness programme improve the leadership capacity for early stage scalable creative businesses wishing to grow their business through growth finance; and,
- **Creative Careers Programme** – To increase the supply and diversity of skills and talent in the creative industries, government will make up to £2m available to support an industry-led creative careers programme aiming to reach at least 2,000 schools and 600,000 pupils in two years and industry development of apprenticeship standards. Industry will provide further leadership on diversity and scope expanding the voluntary Skills Investment Fund supporting on-the-job training.

The ScaleUp Institute has worked closely with DCMS and the Creative Industries Council on Creative Scale-Up and will continue to do so in 2019.