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**David Hume Institute Seminar
“Unleashing the Potential of the Scottish Creative Sector”
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It is great to have the opportunity to talk to such a distinguished audience about Scotland's creative sector. This seminar is indeed timely. We have a new administration in the Scottish Government with big aspirations; we have a creative sector which is dynamic and ambitious. Put the two together and we could have a tipping point.

Jonathan and I will look at two different aspects of the seminar topic. I will sketch out, in general terms, the role the creative sector plays in the economy. Jonathan will approach the subject from a more philosophical perspective.

In my section I want to look at the economic impact of the arts, the success of the creative industries sector, the importance of creativity to the wider economy and suggest why and how Scotland can capitalise on it. In doing this, I will only concentrate on the economic importance of arts, creative industries and creativity. Obviously, as somebody who has worked in the arts all their life, I believe that they have a very much wider significance in terms of their intrinsic value; in enriching and giving meaning to our lives, in opening our eyes and providing new ways of seeing.

But tonight it is the economy.

The first real attempt to assign economic value to the creative sector was in the late 1980's with the publication of John Myerscough's "Economic Impact of the Arts"¹ His motivation was pragmatic - arguments based on intrinsic and educational value of the arts were falling on deaf ears in the Government of the time and the subsidy on which the arts depended was in decline. We would, Myerscough believed, only retrieve the situation by demonstrating the contribution the arts could make to the economy. I doubt anybody believed that the arts *had* much of an economic impact before the study; they most certainly did after it.

He showed that the arts in the mid 1980's had a turnover of over £10 billion and gave direct employment to half a million people. He also demonstrated the indirect impact of the arts on employment, on wealth and on creating better cities which could attract business, residents and visitors.

¹ John Myerscough The Economic Importance of the Arts, Policy Studies Institute 1988

His case study on Glasgow was a major factor in strengthening that City's determination to pursue its, now famous, culturally led regeneration programme; a programme which has successfully moved Glasgow from a grim, post industrial city to the very dynamic creative city it now is.

Economic impact studies became highly influential not only for cities but also for sectors. In the mid 1990's, for example, Hydra Associates² studied the economic impact of the film Rob Roy. Demonstrating nearly £7m in direct and indirect spending was one of the spurs to establish a network of film location offices across Scotland. Today, these offices deal with over 800 enquiries per year and, in 2006, brought in a direct spend of over £24m on film and television production.

A 2004 report by Fraser of Allander Institute and the Centre for Cultural Policy Research³ looked at the economic impact of the main arts organisations core funded by the Scottish Arts Council. They showed that they generated over £72m in income and supported over 4,000 full time jobs. Each £1 of income to the arts supported a further 87 pence to other industries.

And, of course, the importance of the arts to tourism needs no introduction. The front page headline about the possible cancellation of Edinburgh's Hogmanay celebrations and the central focus on arts and culture in Glasgow's hugely successful Scotland with Style brand really say it all.

I am sure that Jonathan will be talking about the economic impact study of Edinburgh's festivals to reinforce the point that even with a relatively narrow definition of the arts, they are making a substantial contribution to the Scottish economy.

Now Myerscough's work sowed the seeds for the initiative which Chris Smith, Minister for Culture, Media and Sport (DCMS) in the Westminster Government embarked on in 1999. It was he who coined the phrase "the creative industries" when he attempted, for the first time, to map this wider sector across the UK and measure its economic contribution.⁴

"Creative Industries" were a very much broader category than "arts". Creative Industries were defined as

"industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property"

² Quoted in Andrew Kelly and Melanie Kelly Impact and Values: Assessing the Arts and Creative Industries in the South West Bristol Cultural Development Partnership 2000

³ University of Glasgow Website accessed October 16 2007 www.gla.ac.uk/news/archive

⁴ Department for Culture, Media and Sport Creative Industries Mapping Document 2001 HMSO

They included - advertising, architecture, the art and antique market, design, designer fashion, film and video, interactive leisure software, music, the performing arts, publishing, television and radio and so on

Chris Smith's mapping exercise demonstrated, for the first time, the sheer scale and importance of these creative industries to the UK economy.

The figures are now familiar. 2004 figures⁵ show that they employ 1 million people, 3.4% of UK employment. They account for 7.3% of Gross Value Added: comparable to the UK financial services sector. They grew by an average of 5% per annum between 1997 and 2004: greater than the 3% growth for the economy as a whole.

It is a pretty similar story in Scotland although the statistical landscape is, to say the least confusing and it would be wonderful to have a single definitive source such as that produced by the DCMS. According to the latest figures for Scottish Enterprise⁶, the sector employs over 93,000 people; 4% of total employment and higher figure than the UK percentage. It accounts for 5.2% of total GVA and increased at an annual average of over 4%, ahead of the economy as a whole. GVA per employee now outpaces manufacturing and is catching up on electronics.

EU creative industries turnover is double that of car manufacturing, well in excess of the ICT sector and growing nearly 13% faster than the general economy. And a UN report in 2004 estimated that creative industries accounted for 7% of global GDP and were growing at a rate of 10% per year.

So can there be any doubt now that the arts and creative industries are an important contributor to the economy? The answer has to be no. No doubt at all.

But let's look a bit wider than the creative industries: at some of the developing thinking around the importance of creativity and creative people to the economy as a whole.

Our economy is changing - and changing in a way which moves creative people centre stage.

Charles Leadbeater in his book "Living on Thin Air"⁷ describes that transition. "Today more and more of us are living on thin air - from our ideas and know how. This is because knowledge is becoming the most creative force in the modern economy. In old capitalism, the critical assets were raw materials, land, labour

⁵ Department of Culture, Media and Sport Creative Economy Programme: A Summary of Projects Commissioned in 2006-7 Accessed DCMS Creative economy website October 16 2007.

⁶ Ekos Digital Media and Creative Industries : Baseline Study 2004-5

⁷ Charles Leadbeater Living on Thin Air: the New Economy Penguin Books 2000

and machinery. In the new capitalism, the raw materials are know how, creativity, ingenuity and imagination”

This is a revolution comparable in scale and impact to the massive upheavals of the Industrial revolution. New technologies are transforming the nature of work and work now requires entirely different capacities than those required for the Industrial economy.

In this new economy it is creativity (the ability to generate new ideas) and innovation (the successful exploitation of those new ideas) realised through design, which provide competitive edge.

This was all too clear to business leader, Sir George Cox, commissioned by the then Chancellor of the Exchequer, Gordon Brown, to look at creativity in UK business. His report,⁸ is fast becoming a central tenet of Government thinking in Westminster

In Cox’s view “creative capability lies at the very core of our ability to compete. Enterprise that fails to be sufficiently creative is simply pouring more energy into prolonging yesterday’s ideas”

Price Waterhouse Cooper’s Innovation Survey⁹ shows that top innovators generate over 75% of revenue from products which did not exist 5 years ago. This ability to continually generate new ideas and carry these ideas through into new products, services, and ways of doing business ahead of the competition, is key to business success and economic prosperity.

This, in turn, depends on the availability and exploitation of creative skills and in Cox’s view this means business drawing much much more on the talents of the UK’s flourishing creative community, particularly its design community. He is confident in the UK’s creative skills, he is less confident in business. “The premium that will be placed on creativity in the 21st century, he says, should give the UK a flying start in the race for competitive edge. The question is whether business will rise to the challenge of exploiting the creative capabilities at its disposal”

Business would be wise to do so. The Design Council measured 63 firms quoted on the stock exchange who acknowledged that design was at the heart of their business and found that these outperformed the FTSE by 200%

Creativity is also linked to business success in Richard Florida’s influential book “The Rise of the Creative Class”¹⁰ .

⁸ Sir George Cox Creativity in Business: Building on the UK's Strengths HMSO 2006

⁹ Quoted in “Creativity in Business”

¹⁰ Richard Florida “The Rise of the Creative Class - and how it is transforming work, leisure, community and everyday life” Basic Books 2002

He demonstrates how the economy is now driven by what he calls the creative class: people who use imagination in their work. They comprise some 30% of the workforce in the USA and 25% in Europe and the success of the economy now depends on its ability to nurture, attract and retain this creative class. And here is where his thesis goes beyond that of Cox. Creative people increasingly make choices about where and how they live. They don't get on their bikes to go and find work. They chose where they want to live and business follows them.

Business follows the creative class and the creative class is drawn to creative cities: cities with a critical mass of other creative people; cities which are open, socially and ethnically diverse, where difference is welcomed and cultural activity is easily accessed.

The new economy thrives, he says, in creative cities which combine the three Ts - technology, talent and tolerance.^{11 12}

So where are we?

- Economic impact studies continue to demonstrate the importance of the arts to the economy
- Creative industries are an increasingly important economic sector
- Creativity in general, and design in particular, are key to business success and national prosperity
- The creative class drives the economy
- The creative class is attracted to diverse, tolerant and creative cities

Creative people, creative industries, creative cities - the case for economic prosperity

What could this mean for Scotland?

¹¹ Richard Florida, Gary Gates, Brian Knudsen and Kevin Stolarick *The University and the Creative Economy* 2006 In a subsequent book - *the University and the Creative Economy* - he also demonstrates the crucial role which universities have in supporting those three Ts The University's role in developing and spinning out technologies has long been recognised but Florida also emphasised the pull they have in talent and tolerance. They are magnets to highly educated and entrepreneurial people who chose to locate near universities and they attract students and staff from a wide variety of ethnic, social, economic backgrounds, thereby creating tolerant environments in which debate is welcomed, self expression and experimentation encouraged

¹² As an aside, but interesting in the context of the new nationalist administration in the Parliament, Florida's 2004 study looking at Europe in the Creative Age¹² identified five of the smaller Northern European nations - Finland, Sweden, Denmark, Netherlands and Belgium as the countries most able to compete with the United States because of their investment in developing creative talent, their technological capability and their willingness to welcome ethnically and culturally diverse creative talent from outwith the country. The epicentre of competitiveness, he argues, is shifting from the traditional powers like the UK, France and Germany to this cluster of Northern European countries. Another reason, if we needed one, not to be complacent

Quite frankly, Scotland is poised to be a hugely successful creative nation if we play our cards right. All the building blocks are there.

We already have creative cities. We have a fantastic infrastructure of arts venues, galleries, museums and world class festivals like the Edinburgh Festivals. Edinburgh has become a UNESCO City of Literature. Glasgow was named European Capital of Music by Time Magazine last year because of the emergence of bands like Franz Ferdinand and the Fratellis and labels like Somo and Domino. And art curators now talk about the Glasgow miracle because of the presence of so many internationally known visual artists.

Only last week, the Future Laboratory published its Sharpie Creativity Index¹³. A panel of experts judged the UK's most creative cities. London was, of course, top but both Glasgow and Edinburgh made the top ten: Glasgow at 4 and Edinburgh at 6. Glasgow was also top of the list of Cities to Watch.

We already have creative industries. In fact, Glasgow alone has the greatest concentration of creative industries outside London and the South East: add to this Edinburgh and Dundee and Scotland is significantly ahead of other regions in the UK and in Europe.

We already have creative people. The creative education provided by higher education in Scotland is second to none. The four art and design schools, the seven architecture schools, the RSAMD, the creative industries faculties in our new universities. And we really are good. According to the Future Laboratory, Glasgow School of Art is considered to be the best art and design school outside of London; our Mackintosh School of Architecture is always in the Architect's Journal top three schools in the UK and last year we were one of Design Week's Hot Fifty, recognising people and organisations which had made a contribution to design beyond expectation. And my colleagues in the other colleges and universities would be able to point to similar achievements.

So, we are extremely successful in nurturing creative talent - the first of Florida's 3Ts. But Scotland can also boast achievement in his other 2 Ts - technology and tolerance

In technology Glasgow and Edinburgh together were recognised in the 2006 Futures Project report¹⁴ as one of 46 worldwide hubs for technological innovation

And we are tolerant. The pro immigration stance of the Scottish Government which actively welcomes migrants and asylum seekers is to be hugely welcomed.

¹³ The Future Laboratory Sharpie Creativity Index: mapping the creativity of the UK 2007. They mapped cities against a set of criteria which included creative output, consumption and funding, diversity, creative subcultures, technology and excellence in art and design education.

¹⁴ Scottish Executive Future Project 2006

The growth in overseas students coming to take advantage of high quality education and the encouragement given to them to stay after graduating, through the Fresh Talent Scheme, all contribute to Scotland's growing and influential diversity.

With all this in place, we really are at a tipping point. What does it need to tip?

We need, of course, to continue to build on the building blocks already in place - our creative cities, our creative people, our creative industries - and to do this we need

- Political ambition
- A different approach to public support
- And a fresh look at education

First of all ambition.

The Westminster Government's ambition is to "make the UK the world's creative hub". It has launched its cross cutting creative economy programme with a dedicated Minister for Creative Industries.

In Northern Ireland, the assembly has established a dedicated Creativity Minister.

In Wales, creative industries are listed alongside Aerospace, Agrifood, financial services as a national economic priority.

And beyond the UK, Brazil, Denmark, India, Japan, Korea, New Zealand, Singapore and China are fore fronting creativity and creative industries. Singapore's ambition, for example, is to be the creative hub of South East Asia. China has just launched 400 specialist design schools.

But where and what is our ambition? Where is our Minister for Creative Industries? While others are driving ahead, here in Scotland, we haven't even quite decided where responsibility for creative industries lies. Is it with the new quango Creative Scotland or will it continue to lie - fallow - with Scottish Enterprise. No one seems to know.

Creative Industries used to be a Scottish Enterprise national priority. No longer - they have been replaced with something called "electronic markets" and a focus on digital media seemingly to the exclusion of all other creative industry endeavour. Digital media are, of course, vitally important and film and television, alongside publishing, makes the biggest contribution to GVA. But why exclude Architecture which has the highest employment and, with advertising, the highest GVA per employee. Why exclude music when Glasgow is developing as an internationally recognised music scene. Why exclude visual arts which

everybody recognises is the really hot market of the moment: with the value of contemporary art sold at auction rising 55% in the last year¹⁵.

Why exclude design? If we are to listen to Cox, we need, above all, design capability in Scotland which can engage with business and drive innovation.

Scotland could become one of Europe's leading creative hubs - but it needs political leadership and political ambition to do so

All creative endeavour, whether it is a song, a video game, a new theatre production, or an advert, start with what Will Hutton of the Work Foundation¹⁶ calls "ideas of expressive value". They have cultural meaning and are, therefore, imbued with powerful personal, social and political significance. Ambition in this sphere, therefore, will serve the economy but will also go way beyond it.

The important Scottish Broadcasting Commission, which Alex Salmond has recently announced, will consider broadcasting as an economic sector, but it must also consider it as a major means by which Scotland sees, and is seen in, the world. In broadcasting, and in the wider cultural and creative industries arena, we must be ambitious not only for the economy but also for Scotland in the world

The second thing we need is a move away from a one size fits all approaches to support and development.

There is now a consensus emerging that creative industries really don't fit the traditional models.

Charlie Tims and Shelagh Wright of Demos¹⁷ in their latest book "So What Do You Do?" argue that the creative industries sector is more like a flea circus than a conventional industry with 60% of employment in organisations of fewer than 10 people: a sector, in other words, dominated by micro businesses.

This flea circus has some unique characteristics.

Firstly, because the creative industries are based on individual creativity, their value lies in the people and not in the organisations they work for.

¹⁵ Hiscox quoted in The Herald October 18 2007.

¹⁶ Will Hutton Staying Ahead: the economic performance of the UK's Creative Industries The Work Foundation 2007

¹⁷ Charlie Tims and Shelagh Wright So What do You Do? Demos 2007

¹⁶ According to John Howkin in his book The Creative Economy "The thrust of the ordinary economy is to buy as many of the same materials as possible, set up a permanent production line and turn out as many identical products as possible. In contrast, the thrust of the creative economy is to produce a new idea and celebrate its uniqueness"

Secondly, people in the creative industries are motivated by a desire to create original content rather than engage in replication. This sits better in dynamic small organisations than in large ones and indeed, creative people will often break away from growing organisations in order to regain creative freedom.

Thirdly, entrepreneurialism and individualism are strongly held values, with people often preferring to rely on complex personal networks than on large organisational systems

Fourthly, because the creative process is a non stop flow of unique production it needs a non stop flow of information, networks and ideas to stimulate it

“Creativity cannot be centrally planned - it emerges from the messy interactions between many different people, concepts and ideas”¹⁸ They, therefore, defy traditional economic development models.

Traditional approaches assume, for example, that growth has to mean bigger organisations. But creative industries grow “like algae not like a tree”¹⁹. So instead of encouraging organisations to grow in order to develop economies of scale, public intervention should seek to develop the economies of scale in a sector of many small organisations.

Traditional business support schemes tend to promote conventional planning processes to organisations which move too fast to apply them; they have difficulty keeping up with the unique content and niche markets which creative businesses often pursue and the skills training available is invariably not flexible enough to respond to the need to learn constantly on the job.

The answer, according to Tims and Wright, lies in replacing central support and policy directives with self help and tool kits. Things like

- Web based resources for continuous learning²⁰
- Capital investment and loans which respond to incremental growth patterns in creative industries rather than heavily regulated public subsidies²¹
- Acting as guarantors on bank loans sharing risk and responsibility with entrepreneurs and private investors²²
- Supporting Mentors to guide professional development.²³

¹⁸ Tims and Wright So What do you Do? Demos 2007

¹⁹ Tims and Wright So What do you do? Demos 2007

²⁰ Like allcreativeportfolios.com

²¹ Like the Graeme Bank in India offers a model

²² The City of Austin Creative Industries Risk Underwriting programme provides up to 50% of small commercial loan risk underwritten by the city.

²³ NESTA Creative Pioneers Programme provides this kind of mentoring support to participants

- Introducing new kinds of middle men, agents with specialised sector knowledge and local intelligence who can develop networks, access opportunities and facilitate partnerships.²⁴
- And investment in “third places” - half work, half social where people can congregate and connect.²⁵

The third thing we need is a different approach to education

We need an education system which fosters creativity at all levels. In Scotland, the next phase of the Curriculum for Excellence project offers an excellent opportunity to think afresh about how creativity can be mainstreamed in our education system from age 3 to age 18.

Our current education curriculum, according to Sir Ken Robinson²⁶ in his inspiring book *Out of our Minds* was fine as a response to the industrial revolution. The revolution we are now facing needs something entirely different - a move away from a view of intelligence dominated by deductive reasoning and ideas of scientific evidence to something more balanced, with a richer understanding of the full range of human intelligences and the central role of creativity.

Beyond School, our education must also place creativity at its core. Tom Peter, business author, in a dinner with Scotland’s higher education principals, a couple of years back, called for universities to become more like art schools, fostering creative thought and action.

And for Cox, creativity and innovation usually requires a team of people who bring diverse expertise. This process is often impeded by their inability to speak the same language. For Cox the future economy of the UK depends on us educating business people to be more creative, creatives to be more business aware and technologists to be both.

At GSA we have a good model in our product design engineering programme, a joint programme with the mechanical engineering department at Glasgow University. It is educating design literate engineers and engineering literate designers. It also requires students to work on live projects, real world problems with business and public sector agencies. The results are impressive: some of Scotland’s most dynamic young design agencies have emerged from this course: like Lightweight Medical, young entrepreneurs of the year in 2006 and in 2007 winners of the coveted international IF design award for their neo natal incubator. And Red Button, who last year won the Scottish Institute for Enterprise national business plan competition and, we have just heard, were runners up in the Wall

²⁴ A model is Hidden Arts in East London which links designer makers to potential markets

²⁵ The Creative Entrepreneurs Club at the Lighthouse is a good example

²⁶ Ken Robinson *Out of our Minds* Capstone 2004

Street Journal Technology Innovation Awards for their water purification system. And they are still 4th year students.

We need more of these kind of inter disciplinary programmes at undergraduate and postgraduate levels to educate the creative teams of the future.

For those already working, we must find fresh, flexible, on demand approaches which provide ongoing learning in our creative industries; tailored to their unique characteristics

And we must find ways of educating the current generation of business and public sector leaders to raise their understanding of the importance of creativity and design; to ensure, in Cox's words "that they are not simply pouring more energy into prolonging yesterday's ideas"

The new Scottish Government has launched its "National Conversation" about the future of Scotland. Please can we have a real cross cutting national conversation about creativity, culture and the creative industries? Can we stop spending valuable time and energy moving institutional chess pieces around the board and look for radical new solutions which suit the age we are in rather than the age we are leaving.

And in that spirit let me leave you with some apposite words from the 1996 World Commission on Culture and Development. Our Creative Diversity

"This truly exceptional time in our history calls for exceptional solutions. The world as we know it, all the relationships we took as givens, are undergoing profound rethinking and reconstruction. Imagination, innovation, vision and creativity are required. It means an open mind, an open heart, and a readiness to seek fresh definitions, reconcile old opposites and help draw new mental maps"²⁷

Yes please.

Seona Reid
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²⁷ World Commission on Culture and Development Our Creative Diversity UNESCO 1996 Quoted in Tims and Wright So What Do You Do? Demos 2007.