CREATIVE BUSINESS IN AUSTRALIA

Learnings from the
Creative Industries Innovation Centre
2009–2015

Edited by Lisa Andersen,
Paul Ashton and Lisa Colley

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Printing workshop at Signature Prints (Sydney), who specialise in the design, print and manufacturing of textiles, wallpaper, limited-edition art and luxury luggage. Photo: Signature Prints.

3D-printed jellyfish lamp shade by unellenu (Janelle Wilson). Powerhouse Museum, Sydney, 2013. Photo: unellenu (Janelle Wilson).

Foreword

Professor Peter Booth

It is with great pleasure that I invite you to read *Creative Business in Australia*, both for its insights into the creative industries and successful business practices in Australia and as one of the many significant tangible outcomes from the Creative Industries Innovation Centre (CIIC). This was a collaboration between the University of Technology, Sydney (UTS), the Commonwealth Government Department of Industry and key players in the creative industries from 2009 to 2015.

The creation of the CIIC was a significant innovation in its own right, being both the first dedicated focus for Australian government support to business activities in the creative industries and the first such front-line industry services unit located in and in partnership with a university. UTS was proud to be part of the development, scoping, shaping and implementation of this initiative.

The CIIC made a significant contribution to both the understanding and the development of the creative economy in Australia and internationally. It is appropriate to acknowledge and congratulate Lisa Colley, Director of the CIIC, and her staff for their significant efforts in generating this success, particularly the direct support provided to over 1500 creative businesses over six years of operation. They led a process of reimagining what 'creative industries' meant and, for the first time, mapped out in some detail the sector in Australia. This provided a significant foundation for the effective delivery of the CIIC programs and for policy development. They also lead the development of new forms of business support, shaped to the specific needs and challenges of the creative industries. The stories in the chapters in this book seek to capture some of this richness of activity and provide a legacy for continued development of what will be a critical industry sector for Australia over the coming decades.

It is also appropriate to acknowledge the partnership UTS had with the Commonwealth Department of Industry to make these achievements possible. Without the Department's commitment to trying something different, and to working with UTS in doing so, not to mention the financial investment in the creative industries through this program, the success of the CIIC would not have been realised.

I should also acknowledge all the UTS staff who contributed to the success of the CIIC. In particular, thanks to Sue Rowley for driving the proposal and then its establishment, to Roy Green, who championed the work of the CIIC at a policy level, to Hael Kobayashi and Ellen Yang for being the key coordination point with UTS and assisting with the management of the CIIC, and to Lisa Andersen for leading the development of this book and other projects to ensure the legacy of the CIIC was realised.

This book partly captures the success of the CIIC mentioned above and provides a rich source of knowledge to support the further development of the creative industries. Another important outcome is the CIIC archive, hosted by the UTS Library (see hdl.handle.net/10453/34537). This is another first, representing a rich, accessible digital archive of a wider range of data generated by the CIIC. Finally, another tangible outcome of the CIIC was that it drove UTS to formalise its engagement with innovation and the creative industries, now expressed in the many leading initiatives under the Innovation and Creative Intelligence Strategy, and in taking a leadership role for the digital precinct surrounding UTS, where a significant number of Australia's creative firms are located.

I have no doubt that the CIIC has left an incredible legacy and the expertise it forged will continue to support creative enterprise well into the future.

Professor Peter Booth
Provost and Senior Vice-President, University of Technology Sydney

Foreword

Patricia Powell-Hughes

My engagement with the Creative Industries Innovation Centre (CIIC) was very important for my business, to say the least. It all started with the phone call I made in response to a marketing email sent out in 2009 to the creative industries offering SMEs access to Business Advisers and government funding. I mean, really…who wasn't going to call with an opportunity like that!

What followed was a six year relationship with the CIIC, as a result of which my business underwent substantial change and growth through cross examination and interrogation, exploration and experimentation—and all of this with an industry relevant Business Adviser by my side. Unlike other Australian industry sectors, before 2009, the creative industries had little opportunity to experience government interest and expert guidance. However, the set-up of the CIIC changed this and delivered significant outcomes for creative businesses, both professionally and financially.

My company, EP Australia, accessed a number of services including a Business Review which led to the development of new products and services, and a strategy to monetise our intellectual property—which up until then we had given away for free. Then Tailored Advisory Service funding afforded me the luxury to engage previously unattainable experts and bring in new business thinking. Our first ever business plan was a product of CIIC-led Business Model Generation Sessions. This challenged and tested ideas about what we were delivering to our clients, versus what they actually wanted. Later we entered the Continuous Improvement Program which tackled business development strategies and set in train aggressive plans for growth. I also participated in the Leadership 21 business leadership program and, partly as a result of this, I took action to buy out my business partner.

Throughout, I honed my skills in finance and operations and my team engaged in external learning to extend their experience and strengthen our team culture. What I got, money couldn't buy. By the end, the little business I started in back in 1999 with $5000 and a fax machine had grown to become one of Australia's leading recruitment and executive search specialists for the business side of the television, media and entertainment industries.

With the 2015 closure of the CIIC there is now a gap in services to support, sustain, and grow Australia's creative businesses; and at a time of industrial disruption and increasing global competition. As a worthy legacy of the work of the CIIC, this book provides sage advice to both creative business leaders looking for the right strategies for growth and for decision-makers on what is needed to develop our creative workforce—our best and brightest innovators.

So, dear reader, pin back your ears and 'listen' carefully to the following pages.

Patricia Powell-Hughes
Managing Director and Founder, EP Australia

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CREATIVE BUSINESS IN AUSTRALIA

Section one outlines the common, pressing issues that SME creative enterprises face and offers solutions at both a company strategy level and via sector-level activity.

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THE CREATIVE WORKFORCE AND VALUE CREATION FOR GROWTH

Section two examines the importance of creative industries as an enabling sector and skills set for innovation and growth in other industries.

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GOVERNMENT AND CREATIVE INDUSTRIES DEVELOPMENT

Section three considers the role of government policy and support services for industry development.

Glossary & Abbreviations

GLOSSARY

Biztro This small business development service through the CIIC delivered one hour, tailored business advice sessions to small, start-up or concept creative industry businesses and arts organisations across metropolitan and regional Australia.

Business Review The Business Review was a comprehensive analysis of a creative industry firm, carried out by skilled and experienced Business Advisers through the CIIC. Business Advisers worked with clients to identify the relative strengths and weaknesses of the firm, strategic business issues, critical areas for business improvement, and potential pathways for growth. This service was delivered at no charge.

Business Adviser Business Advisers were employed either by the Commonwealth or a partner organisation to deliver Business Reviews and ensure businesses got the advice and support they needed to improve their competitiveness and productivity.

Creative Industries Innovation Centre (CIIC) From 2009 to 2015, the CIIC—funded by the Department of Industry and based at the University of Technology, Sydney, and in partner organisations around Australia—provided free business services to more than 1500 creative industry businesses around Australia to grow business and the Australian economy.

Design Integration Program The Design Integration Program is an advanced enterprise capability-building service that aims to transform an organisation into one that is design led. The integrative approach embeds design as a strategic capability across all areas of a firm's operations to allow the firm to be more innovative and to grow—producing high value products and services.

Enterprise Connect Enterprise Connect was a Commonwealth Government initiative that provided small and medium-sized enterprises (SMEs) with better access to new ideas, knowledge and technologies, to enable businesses to become more innovative, efficient and competitive and to lift productivity across Australian industry. The Creative Industries Innovation Centre was a key element of Enterprise Connect.

Tailored Advisory Service grant Tailored Advisory Services enabled a company, or group of companies, to engage one or more specialist consultants to implement recommendations identified in their Business Review. Tailored Advisory Service funds reimbursed firms for half of the cost of engaging a consultant, up to a maximum of $20,000 (excluding GST).

ABBREVIATIONS

ABS—Australian Bureau of Statistics

BR—Business Review

CCI—ARC Centre of Excellence for Creative Industries and Innovation

CIIC—Creative Industries Innovation Centre

DIP—Design Integration Program

EC—Enterprise Connect

EIP—Entrepreneurs' Infrastructure Programme

ICT—Information and communications technology

IT—Information technology

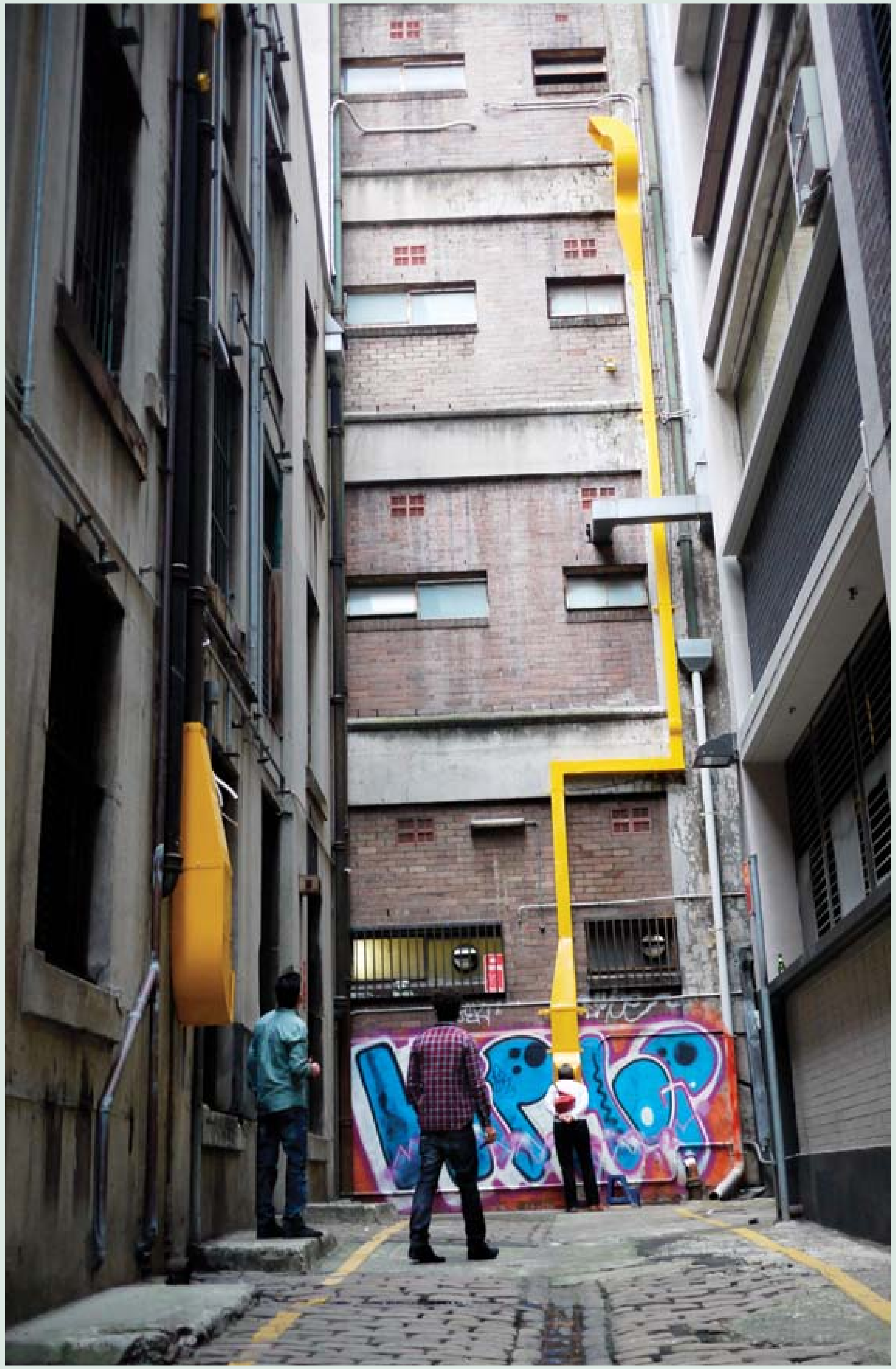
R&D—Research and development

SME—Small to medium-sized enterprise

STEM—Science, technology, engineering and mathematics

TAS—Tailored Advisory Service

UNESCO—United Nations Educational, Scientific and Cultural Organisation



Peri(pheral)scopes, 2011, for the City of Sydney.
By Heidi Axelsen, Hugo Moline and Adriano Pupilli
from MAPA, specialists in public and participatory art
and architecture. Photo: MAPA Art & Architecture.

Introduction

// Lisa Andersen, Paul Ashton & Lisa Colley

In this book about and for creative business in Australia the focus is squarely on 'business' and *not* 'creative'. So you won't find consideration of aesthetics, beauty, pleasure or taste in the following pages. Nor will you find an examination of the creative process and methods of production—or words like 'talent', 'virtuosity', 'forging' or 'dreaming up'.

What you will find (which makes this book distinct from the developing body of literature on creative industries) alongside a big picture of the weight of this sector, is an interest in making visible the common, pressing issues that small to medium-sized (SME) Australian creative enterprises operating in the commercial sector are facing. These include growth management, market development, dealing with digital disruption and offshoring, and the need to 'skill up' in management practice. Furthermore this book suggests a way forward both at the individual company strategy level *and* in terms of the role for government policy and sector-level leadership to back growth.

In other words, *Creative Business in Australia* was written for the owners and managers of design, software and digital, advertising and marketing, screen, sound, music, publishing, performance, events, architecture and visual arts businesses—as well as politicians, policy makers and peak business thinkers and leaders. It also considers the critical role the creative workforce plays in value creation across all industries—particularly manufacturing, mining and post-farm food production—through soft innovations driving competitiveness and the transformation of industry business models though design-led innovation.

The book captures the knowledge and insights on creative business generated from the six years of operations of the Creative Industries Innovation Centre (CIIC), Established in 2009, the CIIC was Australia's first national business support service for the creative industries and, while other international models existed, the services developed by the Centre (as described by Lisa Colley in her chapter) were unique and based on the needs of local creative businesses. As a collaboration between government, a university, industry-peak bodies and thousands of creative businesses around Australia, the CIIC aimed to be the door through which knowledge, experimentation, real-world application and learning could flow, in both directions.

The timing of the CIIC's establishment in 2009 was no accident. International research was consistently pointing to the economic potential of the creative industries. The CIIC's own analysis (as detailed by Tamara Ogilvie, Yuan Deng and Rob Lee) shows that the creative industries contribute three per cent of GDP in Australia and that the creative economy is worth more than $90 billion to the Australian economy annually (including generating exports of $3.2 billion). Greg Hearn describes a creative workforce of nearly 300,000 members that has grown strongly over the past decade, while the industrial workforce has declined, and is now a major contributor to national growth.

Not least among the many achievements of the CIIC is the increased profile and understanding it has brought to the creative industries as a whole. While the bulk of its work was focused on individual companies, the Centre also strove to look at the big picture. Here was an opportunity to think creatively and strategically about the business of doing business in the creative industries. Networking, cross-fertilisation, scaling up—these were (and still are) all of vital importance. Similarly, there was a role for the CIIC to better identify and communicate the particular strengths of this industry—skill sets which are increasingly in demand from industry sectors right across our economy.

Some of the chapters deal with initiatives piloted by the CIIC. The Design Integration Program (DIP) described by Adam Blake and Stuart Davis, was started up, piloted and refined through the Centre as a way of engaging Australia's declining manufacturing sector with new ideas around design-led innovation for growth. With the closure of the CIIC, the DIP is still a major component of the Department of Industry's 'growth services' initiative.

How can different SME creative companies retain their own identities while at the same time combine their skills to scale up? This is 'holy grail' for cluster development and broaching larger marketplaces. Sonya Henderson Edbrooke and Melissa Anderson describe a successful process they facilitated in Queensland where a number of small companies—who had hitherto seen themselves as competitors—came together to work collaboratively and eventually form a joint venture to secure projects larger than any one company could attain by themselves.

When the Centre's closure was announced in September 2014—due to a change of focus in government industry policy towards the 'five growth sectors' of advanced manufacturing; food and agribusiness; medical technology and pharmaceuticals; mining equipment, technology and services; and oil, gas and energy—this book was conceived by the University of Technology, Sydney, as a major legacy from their partnership on the CIIC. And it is very much a 'family affair' as we invited contributions from the CIIC's Business Advisers and from leading Australian experts on the creative economy—including Professors Sam Bucolo, Stuart Cunningham and Greg Hearn—whose thinking had significantly influenced the work of the Centre.

As part of the process to capture knowledge and insights, at the end of 2014, Lisa Andersen interviewed key people—including Adam Blake, Sam Bucolo, Lisa Colley, Stuart Davis, Sonya Henderson Edbrooke, Anthony Merrilees, David Schloeffel, Tony Shannon, David Sharpe and Mark Stewart—and those edited interviews informed or formed the basis for a number of the chapters. In addition, case studies were developed to provide a further 'Up-close' look at areas touched on in the chapters.

The content in this book was also designed to sit alongside the Creative Industries Innovation Centre Digital Archive hosted by UTS Library: a collection of CIIC publications and videos, industry presentations and discussions and business case studies. It also includes the images you see in this book, generously made available by the companies for re-use under the creative commons license. One hundred years from now—when 3D printing is quaint technology—the archive will remain an important snapshot of creativity in Australia during (what Tony Shannon describes as) 'the difficult teenage years' of the 21st century.

The book is divided into three sections that, in order, focus on the issues of creative business management, the impact of the creative workforce across all industry and, finally, the role for government policy and services in industry development.

Section one, 'Creative business in Australia', starts with Tamara Ogilvie, Yuan Deng and Rob Lee's overview of 'who's in' the creative industries and the size and scale of the sector in Australia. Given that the 'creative industries fail to fit neatly into a recognised industry segment within most national statistical frameworks' the task of monitoring the sector has been left to academy and industry groups which has lead to 'stops and starts' and inconsistency (for example, even between the measurements in chapters one and five of this book). This lack of industry data and intelligence for creative SMEs to benchmark against is not helping a sector facing increasing pressure from competitors in lower cost economies abroad on top of the already intense local competition.

The following chapters, by senior CIIC Business Advisers David Schloeffel, Mark Stewart and Tony Shannon, collectively aim to answer to the question 'what's wrong with creative SME business in Australia?', and are essential reading for owners/principals/managers—and all final-year students of creative practice dreaming of starting up their own enterprise one day. David Schloeffel, in outlining the core business foundations that all creative enterprises should start out with, and which are missing from many even long-established businesses, sees a role for government and industry peak bodies to work on building foundational business competencies across the sector (although his outlook on this occurring is gloomy, given there is no peak creative industries body and the sector is

This book makes visible the common, pressing issues that SME creative enterprises face and offers a way forward both at the individual company strategy level and in terms of the role for government policy and sector-level leadership.

Creative Industries Innovation Centre archive launch event, University of Technology, Sydney, April 2015. Photo: Tanya Dyhin.

fragmented). Mark Stewart's focus is on businesses developing customer-centred 'purposefulness' (exemplified by the transformation in Atkins Photography told in the 'Up-close' preceding his chapter) and he proposes seven disciplines that will allow companies to grow through the levels of profitability to move a small company to a medium-sized company and on.

In the final chapter in this section, Tony Shannon points to the irony that while creative industries have done more than any other industry to 'disturb, disrupt and re-create' the ways business is done, they themselves are 'particularly vulnerable to the disruptive winds of industrial change'. The solution is to look outside your sector for new business models and new ways of making money (as the print industry is doing in the accompanying 'Up-close' about digital disruption in that sector) and think about which business model will attract and satisfy your customers.

Section two looks at the creative workforce across all Australian business as an enabler of growth. Through his research with the ARC Centre of Excellence for Creative Industries and Innovation, Greg Hearn has mapped the growing number of creative occupations across all sectors and describes their role as the 'fulcrums' for innovation within traditional sectors, such as manufacturing, which in turn has the potential to slow job decline in those sectors.

The next two chapters form an essential primer on how the process of design-led innovation introduces design thinking as business strategy and enables a company to become user-centred and design integrated. Sam Bucolo's chapter introduces the process and intention behind design-led innovation and lays out the new industrial role here for designers (or at least those who are prepared to grasp it) as either the 'mentors' or 'catalysts' of design integration and how education needs to play a part in developing new capabilities for these roles. Through their experience of the national Design Integration Program (accompanied by the 'Up-close' case study of InfaSecure) Adam Blake and Stuart Davis outline the opportunity for Australian manufacturing of embedding design thinking and design practice at all levels of business and to bring ideas to market. Finally in this section—using the case of the mining industry and the uptake of simulation and visualisation technologies—Sonya Henderson Edbrooke makes a case for bringing together local creative businesses dealing with emerging digital technologies with industries where Australia has world-leading expertise in order to enhance Australian industry and, potentially, export that 'know how'.

Section three on the role for government in industry development begins with Stuart Cunningham's history of creative industries, communications and innovation policy making in Australia. He shows that while we invented the term 'creative industries' in 1994, in 2015 government policy on the sector is still 'unfinished agenda'. Instead we have witnessed two decades of tinkering with policy frameworks without consistent commitment by either government or industry at a time when competiveness 'depends on our ability to engage with Asian and especially Chinese digital capital'. In looking at local creative industries policy in comparison with policy making in Europe, Asia and the US, Anthony Merrilees sees a problem with governments' continuing focus on 'mining, and natural and agricultural commodities' and their mindset that creative business isn't 'real business'; a lack of imagination, innovation and evaluation with bureaucratic policy makers; a fragmented industry; and a long-term policy debate that has overly fixated on defining the creative industries rather than refining mechanisms to meet business needs. Given 'the creative services sector is seeing faster jobs growth than many employment categories', Greg Hearn suggests that any reframing of creative industries policy should also look to the embedded creative occupations in other industry sectors.

The final chapters focus on government service delivery (including 'Up-closes' on core CIIC services and Sonya Henderson Edbrooke and Melissa Anderson's case study of an inter-company group formation process). Through her survey of established creative businesses (a neglected sector in the available literature) Lisa Andersen found they saw themselves weakest in the business areas of market development, human resource management, and sales and marketing; while the government service they most want is 'accessible-to-SMEs industry expertise for advice and mentoring'. Finally, Lisa Colley's chapter is a critical reflection on the history of the CIIC as a model for business service delivery to the creative industries told in three year stages, including the Centre's 'origin story' and what should have happened in the final three years 'that never were'.

During the six years of the CIIC, one of its mantras was that the Centre needed to help creative companies—often consumed by the day-to-day running of a business—to 'look up' and see beyond their own practices in order to improve their business. We hope this book, as a legacy of the Centre, provides one more 'look up' moment for those companies, a 'look at us' opportunity for international creative industry 'movers and makers' to usefully compare our Australian experience to their own context, and a 'look again' chance for local policy makers and industry leaders to better understand a sector critical for future employment, innovation and economic growth in Australia.

Student Breakout by BigCity Design, 2014. Australian Catholic University, North Sydney Library. Photo: Anthony Fretwell.

Adaptive design/reuse of Pumphouse Point heritage buildings as a wilderness retreat within the Tasmanian Wilderness World Heritage Area by Cumulus Studio (Hobart and Launceston), 2014. Photo: Stuart Gibson.

01

CREATIVE BUSINESS IN AUSTRALIA

Section one outlines the common, pressing issues that SME creative enterprises face and offers solutions at both a company strategy level and via sector-level activity.

Behind the scenes for The Janoskians 'Set this world on fire' music video clip with Kontented (Sydney), who specialise in content strategy, creation and development. Photo: www.kontented.com.

Valuing Australia's creative industries

// Tamara Ogilvie, Yuan Deng & Rob Lee

This chapter provides an overview of the size and scale of creative industries in Australia and outlines some key issues that small to medium-sized creative enterprises are facing—based on the Creative Industries Innovation Centre's analysis of the sector. The authors, who worked on that analysis, also describe and reflect on the methods and thinking behind their research.

BUSINESS

The creative industries have been recognised internationally as a catalyst for economic change. The United Nations Conference on Trade and Development, in its 2013 *Creative Economy* report, recognises the creative industries as one of the most rapidly growing sectors of the world economy and one that is highly transformative in terms of income generation, job creation and export earnings. But despite international acknowledgement of their perceived and actual economic impact, how to define and measure the creative industries varies from country to country and is (still) a matter for disagreement in both academic and policy-making circles.

An 'industry' is typically viewed as a group of businesses related by their primary activity. It is a concept that underpins modern economic analysis. As the Centre for International Economics (the CIE) outlines in *Creative Industries Economic Analysis* (2009 and 2010 update), contemporary government statistical frameworks used to capture economic activity rely heavily on the view that industries are 'groups of organisations that do the same thing or make the same thing'. The creative industries—presented, as they are, as an aggregate of a number of quite different constituent sub-sectors—has challenged the conceptualisation of what an industry is and therefore how it is to be consistently measured. Furthermore, as Table 1.3 illustrates (at the end of this chapter), there are disparities between classification systems put forward over the last two decades, both within Australia and abroad.

Sub-sectors included in any one of these lists often differ in their structure, production techniques and output. As Terry Flew highlights in *The Creative Industries: Culture and Policy* (2012), it is not clear what the underlying threads linking the sub-sectors are, as:

> the creative industries draws together industries that are highly capital intensive (e.g. film, radio and television) with ones that are highly labour intensive (art and antiques, crafts, designer fashion, music, the visual and performing arts). It also combines sectors that are very much driven by commercial imperatives and the business cycle, such as advertising and architecture, with those that are not.

The creative industries fail to fit neatly into a recognised industry segment within most national statistical frameworks and are not plainly captured in regular statistical releases—including those published by the Australian Bureau of Statistics (ABS). The ABS National Accounts series present a statistical picture of the economy but creative industries segments cannot be easily disaggregated from other non-creative industries data. The task of monitoring the creative industries has thus fallen to academic and industry related groups.

But, far from being of purely theoretical interest, the accurate and meaningful measurement and tracking of the creative industries is essential if the full potential of this sector is to be harnessed. This chapter presents a brief overview of the industry analysis the CIIC undertook between 2009 and 2014, and outlines the methods used. It presents a picture of the size and scope of the creative industries. This work was undertaken with an eye squarely focused on the sector as made up of 'businesses', so that the CIIC and other industry stakeholders could better understand and address the needs of those businesses. Consequently, one of the first tasks undertaken by the CIIC in 2009 was to establish its own framework to define and measure the sectors it had been mandated to service, and to commission the *Creative Industries Economic Analysis* by the CIE (2009 and 2010 update). The CIE report found the CIIC's targeted business groups fit comfortably within the creative industry segments previously outlined in research conducted by the ARC Centre of Excellence for Creative Industries and Innovation (CCI) in Australia, and which broadly followed the early and influential UK Department of Culture, Media and Sport (DCMS) list-based approach—illustrated in Table 1.3 page 27.

In 2013 the CIIC, working with SGS Economics and Planning, prepared an updated economic position report of the creative industries: *Valuing Australia's Creative Industries Final Report*. This report used the latest data available and applied current best practice to map Australia's creative economy; it forms the basis of the profile section which follows. This report differs in one significant aspect on the earlier CIE report—in its application of the new 'NESTA' methodology. In 2013 the UK National Endowment for Science, Technology and the Arts (NESTA) and the CCI released an alternative method for defining and measuring the creative industries. In *A Dynamic Mapping of UK's Creative Industries* (2013), the authors, Hasan Bakhasi, Alan Freeman and Peter Higgs, suggest the creative industries are best defined not by relying on a list of sectors but by using 'creative intensity', which is a measure of the proportion of total employment within an industry that is engaged in *creative occupations*.

The NESTA method relies on both an understanding of the nature of the creative workforce and on the 'creative intensity' of *all* industries within the economy. It allows for international comparisons and a discussion of the 'creative industries' that does not rely on the contrived notion that diverse subsectors make up a uniform industry. Instead it defines, measures and tracks the rise and fall of creative *skills* within the broader economy; the 'creative economy'.

Despite the different approaches in how to define the creative industries, the sectors identified in the 2013 report were broadly the same as those adopted in the CIE report in 2009. (The exception to this is architecture, which was extracted from its previous grouping with design and visual arts. The underlying data was able to support the disaggregation of architecture, and, as the sector is often seen as an industry in and of itself, user requirements justified the change.) Both the CIE report and the *Valuing Australia's Creative Industries* report used ABS industry data as well as IBISWorld market research data to measure the creative industries. A comparison of the performance of the creative industries produced using the NESTA methodology versus those in the original CIE report shows similar contributions to gross domestic product (GDP), industry growth and number of businesses—but far greater workforce numbers.

A profile of Australia's creative economy

Using the NESTA method, and based on 2011 industry data (the latest available), *Valuing Australia's Creative Industries* found that businesses within the Australian creative economy broadly fit into one of the following sectors:

- architecture
- advertising and marketing
- software development and interactive content
- music and performing arts
- design and visual arts
- writing, publishing and print media
- film, television and radio

Furthermore, in addition to the businesses within these sectors there are almost as many creative workers occupied in *non-creative* sectors as there are in the sectors listed above. This is discussed below in further detail. And, for a detailed analysis of the impact of the creative workforce, see also Greg Hearn's chapter in this book.

To measure the contribution of the Australian creative economy, SGS developed a purpose built model based on the ABS 2009–10 Input-Ouput (I-O) table. This is part of the ABS National Accounts that details the supply and demand of products in the Australian economy, and the structure of and the inter-relationships between Australian industries. The SGS model is thus able to estimate both the direct and the indirect (or flow on, stimuli) contributions of the creative economy to the broader Australian economy.

Using this model, SGS found that the creative economy contributes around $90.19 billion to the Australian economy annually in turnover (see Figure 1.1). It adds almost $45.89 billion in GDP annually and helps generate exports of $3.2 billion dollars annually. The average direct contribution of the creative industries to GDP between 2004/05 and 2011/12 was approximately three per cent (see Figure 1.2)—more than agriculture, forestry and fishing and electricity, gas, water and waste.

Figure 1.1
Contribution of the creative sector to national economy

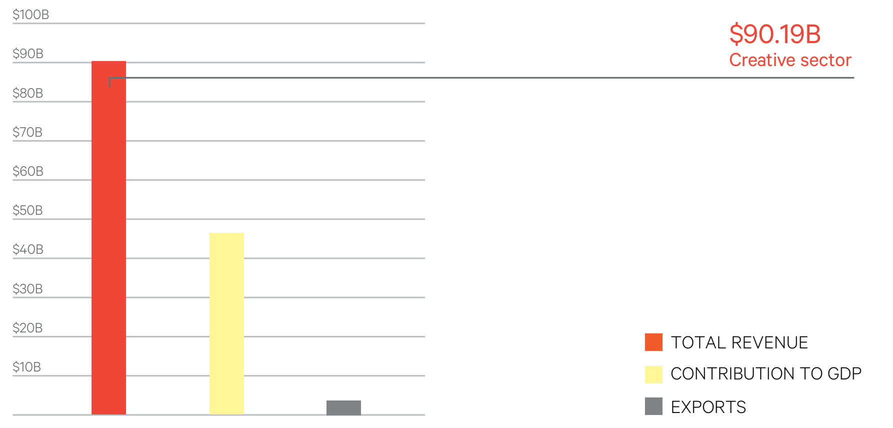


Figure 1.2
Industry share of GDP 2004/5 to 2011/12

Source: IBISWorld Industry Reports, ABS Catalogue 5204.0, SGS Economics and Planning, 2013.

Note: creative industries are double counted being a part of the traditional ANZSIC divisions e.g. Arts and recreation services may include some industries that are also included within the creative industries.

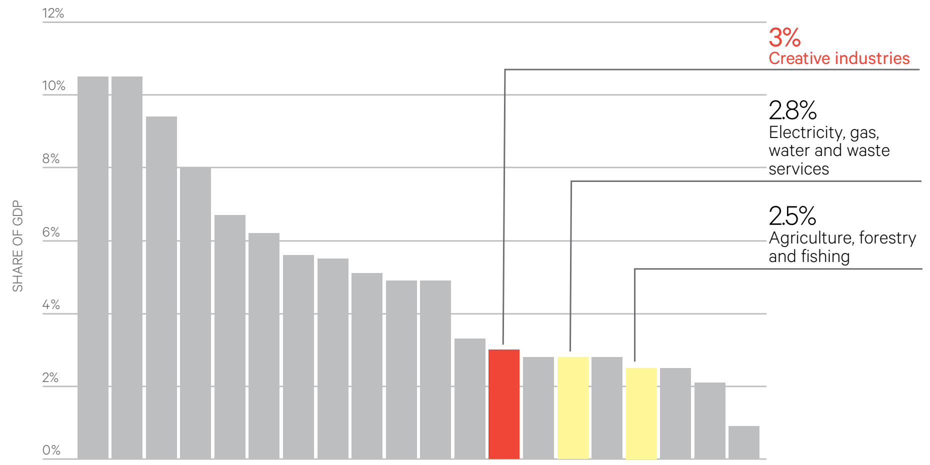


Figure 1.3
The creative trident 2011

Source: ABS Census, IBISWorld Industry Reports, SGS Economics and Planning, 2013.

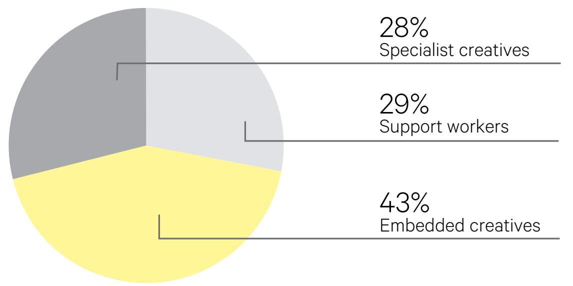
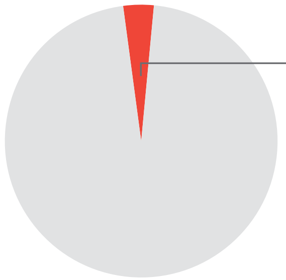
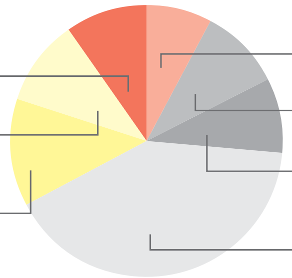


Figure 1.4
Total national jobs 2011

Source: ABS Census, IBISWorld Industry Reports, SGS Economics and Planning, 2013.





The size of the total creative workforce in 2011 was 611,307 people, which represented 6.2 per cent of total Australian employment. Almost half of those employed in creative occupations are working within non-creative industries—classified as 'embedded creatives' (see Figure 1.3). Almost all industries within the economy have embedded creatives, but the three categories with the largest proportion of their workforce comprising embedded creatives (all with more than 10 per cent) are: manufacturing, wholesale trade and professional scientific and technical services. Within these industry types the majority of embedded creatives are from advertising and marketing occupations.

Of the 611,307 total creative workforce, there were 347,744 people employed in creative industry categories (i.e. excluding embedded creatives). While total jobs in creative industry categories have maintained a steady share of total national jobs at 3.5 per cent from 2006 to 2011 (see Figure 1.4), there has been considerable movement *within* the creative industries. Significant employment growth was observed in 'software and interactive media', with a small amount of growth in 'design, and visual arts'. 'Writing, publishing and print media', although maintaining its position with the second largest share of total employment (including embedded creatives), experienced falling job numbers *within* the sector in the last five years.

Since 2008, there has been growth of around two per cent per annum in the number of businesses operating in the creative industries. At the end of June 2011, there were 123,000 businesses operating in the sector. Over this period the business entry and exit rates in the creative industries broadly followed the pattern for the rest of the economy but in terms of the change in business numbers, creative industries growth has tracked slightly higher than the rest of the economy.

Creative industries are generally small to medium sized businesses (see Tables 1.1 and 1.2). Although this is also true for businesses in the national economy, it is fair to say that creative businesses truly tend to be smaller, with 98 per cent employing fewer than 20 people. As well, 75 per cent of creative businesses turn over less than $200,000 a year; compared to around 65 per cent of all businesses in Australia.

Table 1.1
Business count by number of employees 2011

Source: ABS Catalogue No. 8165.0, SGS Economics and Planning, 2013.

Creative industry sector	Non employing	1–19	20–199	200+	Total
Music and performing arts	12,318	2,345	111	12	14,786
Film, television and radio	4,078	2,324	312	73	6,787
Advertising and marketing	6,707	4,129	446	32	11,314
Software development and interactive content	27,196	21,470	1,059	99	49,824
Writing, publishing and print media	1,849	1,415	161	25	3,450
Design and visual arts	15,543	6,575	265	14	22,397
Architecture	7,319	6,356	308	23	14,006
Total creative industries	**75,010**	**44,614**	**2,662**	**278**	**122,564**
Total all industries	**1,306,046**	**739,260**	**80,999**	**6,126**	**2,132,431**

Table 1.2
Business count by turnover 2011

Source: ABS Catalogue No. 8165.0, SGS Economics and Planning, 2013.

	$0–50k	$50–200k	$200k–2m	$2m+	Total
Music and performing arts	7,910	5,093	1,659	124	14,786
Film, television and radio	2,615	2,328	1,522	322	6,787
Advertising and marketing	4,059	3,278	3,157	820	11,314
Software development and interactive content	17,801	18,249	11,977	1,797	49,824
Writing, publishing and print media	1,204	903	1,114	229	3,450
Design and visual arts	9,108	8,033	4,803	453	22,397
Architecture	3,710	6,094	3,706	496	14,006
Total creative industries	**46,407**	**43,978**	**27,938**	**4,241**	**122,564**
Total all industries	**617,557**	**736,395**	**653,241**	**125,238**	**2,132,431**

Issues facing creative businesses

Valuing Australia's Creative Industries (2013) delivered high-level economic measures of the Australian creative economy, as well as comparisons of these measures across the various sectors within the creative industries. Complementing this aggregate analysis, the CIIC industry analysis program delivered the *Forensic Reports* series.

These reports were a series of guides to doing business in the various creative industry segments, and came out of internal research conducted during 2010–11 by Natalia Nikolova which found that available industry data and benchmarking tools did not adequately represent creative businesses. Clients of the CIIC—small and medium-sized creative enterprises—indicated that, despite their desire to benchmark business performance relative to their peers in the sector, they lacked the information to do so. To address this gap the CIIC sought to capture information emerging from its interactions with creative businesses. The data and subsequent analysis resulted in the *Forensic Reports* (2013 and 2014).

Nine reports were produced in all, each examining a specific sector: architecture; advertising and marketing; fashion design; industrial design; software design and app development; digital games development; music; publishing; and graphic design. The reports outline key challenges faced by businesses in that sector; opportunities for improvement and growth; and key financial indicators of CIIC's clients in that sector. While there are clear differences between each sector in terms of structure, production techniques and output; in highlighting sector-specific trends, the *Forensic Reports* made apparent the pressures facing the creative industries overall. These include:

- **Strategic management:** Overstretched and stuck on a 'working in the business not on the business' treadmill, management of creative businesses frequently have too little time for effective strategy development, business planning and management thereof.

- **Branding, sales and marketing:** Very often these businesses have failed to develop a truly unique value proposition, making it all too easy for their message to be lost amongst the increasingly high levels of competition. Communications businesses such as advertising and marketing agencies and graphic designers were especially poor at their own marketing.

- **Development and retention of key staff:** As fast paced as these sectors can be, the level of stress and burnout can be high. Staffing concerns ranged from high turnover to lacklustre career paths.

- **Fee-for-service treadmill:** Service businesses are often stuck in a 'pitch, win, do' cycle, failing to develop more sustainable revenue streams that go beyond an initial design or consultancy fee.

- **Weak financial management and systems:** Poor quoting, job and profit tracking systems are common, particularly in fee-for-service providers. Significant amounts of time spent on unpaid design concepts via design tenders, pitches or competitions, puts pressure on workload and profitability.

- **Strategic planning:** Businesses often failed to develop a fully formed strategic plan, and failed to turn their vision into a thorough business plan—one that adequately addresses all the potential stress points of running a business in an increasingly competitive environment.

- **Competition:** In addition to intense local competition, in the interconnected global economy Australian firms are competing with peers abroad—many of whom are located in lower costs economies and can compete aggressively on cost. As technologies change and enable new service deliveries, creative businesses have morphed into new business types and consequently increased the competition levels across a range of sectors. Particularly in architecture, SMEs are often competing with smaller, nimble sole traders or partnerships that enjoy lower overheads, as well as with multinational and/or multidisciplinary firms that benefit from economies of scale and can offer clients 'one stop' design or communications services.

- **Offshoring:** Many creative SMEs grappled with offshoring in one way or another. Offshoring non-value adding business activities to lower cost economies, by both local and international competitors, increased the level of price competition over the years from 2009–2014. On the other hand, for those creative businesses that did offshore to reduce their cost base or access alternative skillsets, managing the new workflow presented a host of its own challenges. The persistence of the high Australian dollar during this period played a part in the rise of offshoring.

- **Technological change:** The rapid pace of technological change necessitates careful management. Key business activities once performed manually can now be performed by technologies—affecting workflow and revenue streams. The cost of equipment upgrades also presents cost and training issues. Further still, by opening up new distribution channels and new revenue models, technology has led to significant structural change within the creative sectors. Businesses often respond by incorporating additional services or new delivery channels without addressing the impact on the business as a whole.

Creative industries analysis: reflections from the CIIC experience

In developing a method for measuring the creative industries—or economy—that focused on creative workers and the 'creative intensity' of all industries in the economy, the authors of *Dynamic Mapping of UK's Creative Industries* (2013) attempted to overcome the limitations, particularly of scope, apparent in previous industry-based lists or classification systems (such as the aforementioned DCMS and CCI definitions that were adopted within the CIE 2009 report).

Because 'creativity' extends beyond rigid industry groupings, a definition based on industrial classifications alone (such as the DCMS method) includes some industries where creativity is not the primary activity and excludes others where creativity is quite pronounced. For example, the approach used by most analysts to measure the employment impact of the design segment is to count the number of people employed within firms in the specialist design industries, architectural services and specialist design services. However, a significant number of designers may be embedded in other industries, such as business services or consultant engineering services, which may not be captured using this approach. Altering the scope of this list to exclude or include specific industry classifications does not solve the problem because this approach does not distinguish between creative and non-creative occupations within a specified industry. These limitations reduce the utility of the classification system or list-based method to compare the performance of creative industry segments over time as well as between segments, regions and countries.

While the NESTA methodology seeks to address these shortcomings, it too has problematic issues to be aware of when applying:

– Creatives may be 'hidden' in occupations and may not be accounted for. The NESTA method involves a level of judgement as to whether an occupation is deemed 'creative'. This is determined by the performance of occupations under five criteria—'novel process' (whether the role solves problems in novel rather than routine ways), 'mechanisation resistant' (whether there are mechanical substitutes for the role), 'non-repetitive' (whether the output of the occupation is non-uniform), 'creative contribution in the value chain' (whether the contribution of the occupation is creative irrespective of the value chain context) and 'interpretation not transformation' (whether the role uses creative input to go beyond merely shifting outputs from one place to another or one format to another). Although these headings are easy to apply in most cases, there are some occupations where classification is still difficult and, ultimately, subjective. Just as some people deemed under this method as not occupying a creative occupation may identify themselves as creative; the reverse could also be true.

– Those who have retired or no longer work within the creative industries might still associate themselves within the industry.

– Volunteers and workers who are not paid may not have been accounted for. The creative industries in Australia employ many volunteers, whose contribution is not included within these estimates, as an exact magnitude of these volunteers is unknown.

– Some people may work in more than one occupation.

– Raw employment data from the ABS and raw industry output data from IBISWorld are considered to be the best available raw data in Australia at present. IBISWorld Reports were not available for a number of creative sectors and thus analysis of Industry Gross Product (the industry's contribution to GDP) does not include a number of sub-sectors. These issues impact employment numbers and are likely to result in an underestimate of the economic significance of the creative industries.

At the same time as the *Valuing Australia's Creative Industries* report was published, the ABS published a one-off experimental report capturing the cultural and creative industries—*5271.0: Australian National Accounts: Cultural and Creative Activity Satellite Accounts 2008–09*. Satellite Accounts expand on the official industry statistics series, the National Accounts, to capture areas of the economy lost within aggregated industry data. In response to growing demand from numerous academic, policy and industry stakeholders for 'holistic estimates of the economic contribution made by cultural and creative activity in Australia', the Satellite Accounts take a broad industry supply chain approach to define both the creative and cultural industries. The adopted definition of the creative industries within these accounts was informed by a combination of consultations with stakeholders, referencing frameworks used abroad, and academic literature. Ultimately, as the accounts explain, the 'cultural and creative activity is measured in the Australian national accounts using a different coverage to the estimates published in other nations'. By comparison, the NESTA methodology, as used in *Valuing Australia's Creative Industries* report, applies fixed criteria to define the creative industries, thereby permitting both longitudinal and international comparisons. Notwithstanding these differences the ABS's *Cultural and Creative Activity Satellite Accounts*, if produced often enough, would plug the gap the CIIC sought to fill in commissioning both the CIE and the SGS creative industries reports.

Analysis of Australia's creative industry businesses contained with the *Forensic Reports* is also inherently limited in that the CIIC's client base is not a genuine sample of the sector overall. The number of CIIC clients within each creative industry segment ranged between four and over 80 businesses, all of whom were required to have turnover of greater than one million dollars in order to be eligible for the CIIC's Business Review service. Analysis of ABS business data shows that businesses in these sectors are typically small businesses, with over 90 per cent turning over less than the specified one million dollar threshold. Thus the CIIC client set cannot be taken as representative. However, CIIC sectorial analysis underwent scrutiny from industry professionals and associations as well as business owners prior to the *Forensic Reports* being published and, despite the restrictions of the underlying dataset, were well received in the absence of any other benchmarking intelligence.

Conclusion

In response to a lack of available intelligence tailored to Australia's creative industries, the CIIC developed an industry analysis program. Attempts to define and quantify the economic impact of the creative industries in Australia had of course been performed prior to the CIIC, but these efforts have been, and continue to be, irregular. Further, the measurement methodologies typically used have made international comparability difficult. In using the rigorous NESTA framework, the industry mapping in *Valuing Australia's Creative Industries* was based on creative occupations, no matter where these skills exist in the economy. It is notable that the UK government has adopted the same model to define the creative industries in its annual creative industries economic estimates, *DCMS: Creative Industries Economic Estimates, Statistical Release* (2014 and 2015).

The micro-level analysis of creative businesses, with a focus on sub-sector issues, in the CIIC's *Forensic Reports* was a first within Australia. These guides sought to provide comparative means for those in policy, academia and industry to assess the performance of each creative industry sub-sector, and for creative businesses to benchmark their own performance within their sub-sector. As yet there is no alternative source of this intelligence.

However, the experience of the CIIC also showed that each sub-sector did not identify as being part of a broader 'creative industries' and tended to only look at the analysis of their own sub-sector in published work. Without this industry identity or a peak, unified voice in Australia to champion the corralling of creative industries' data and to use the outcomes, do the creative industries, in fact, exist beyond academia? Is the creative industries concept still one that exists only on paper in this country? What is clear is that for the creative industries to be properly discussed within Australian policy and industry circles, and for the sector's contributions and needs to be best understood, we first need a robust framework for definition and ongoing measurement; including benchmarking data for the analysis of business issues. The research undertaken by the CIIC provides a foundation for future industry intelligence programs.

Table 1.3
Some classification systems for creative and cultural industries since 2001

UK DCMS 'Creative Industries' model (2001)
Advertising
Architecture
Art and antiques market
Crafts
Design
Fashion
Film and video
Music
Performing arts
Publishing
Software
Television and radio
Video and computer games

UK Department of Culture, Media and Sport
The Creative Industries Mapping Document 2001, DCMS, London

Concentric Circles 'Cultural Industries' model (2001)
Core creative arts
Literature
Music
Performing arts
Visual arts
Other core cultural industries
Film
Museums and libraries
Wider cultural industries
Heritage services
Publishing
Sound recording
Television and radio
Video and computer games
Related industries
Advertising
Architecture
Design
Fashion

David Throsby, *Economics and Culture*, Cambridge University Press, Cambridge, 2001

WIPO 'Copyright Industries' model (2003)

Core copyright industries

- Advertising
- Collecting societies
- Film and video
- Music
- Performing arts
- Publishing
- Software
- Television and radio
- Visual and graphic art

Interdependent copyright industries

- Blank recording material
- Consumer electronics
- Musical instruments
- Paper
- Photocopiers, photographic equipment

Partial copyright industries

- Architecture
- Clothing, footwear
- Design
- Fashion
- Household goods
- Toys

World Intellectual Property Organisation,
Guide on Surveying the Economic Contribution of the Copyright-based Industries, WIPO, Geneva 2003

UNCTAD 'Creative Industries' model (2008)

Heritage

- Traditional cultural expressions: arts and crafts, festivals and celebrations
- Cultural sites: archaeological sites, museums, libraries, exhibitions.

Arts

- Visual arts: painting, sculpture, photography and antiques
- Performing arts: live music, theatre, dance, opera, circus, puppetry

Media

- Publishing and printed media: books, press and other publications
- Audiovisuals: film, television, radio and other broadcasting.

Functional creations

- Design: interior, graphic, fashion, jewellery, toys
- New media: software, video games, and digitalized creative content
- Creative services: architectural, advertising, cultural and recreational, creative research and development (R&D), digital and other related creative services

United Nations Conference on Trade and Development, *Creative Economy Report 2008: The challenge of assessing the creative economy towards informed policymaking*, Geneva 2008

Creative Industries Innovation Centre model (2013)

- Advertising and marketing
- Architecture
- Design and visual arts
- Film, television and radio
- Music and performing arts
- Software development and interactive content
- Writing, publishing and print media

Creative Industries Innovation Centre, *Valuing Australia's Creative Industries: Final Report*, a report prepared by SGS Economics & Planning for the Creative Industries Innovation Centre, Sydney 2013

UK DCMS 'Creative Industries' proposed model (2013)

- Advertising and marketing
- Architecture
- Design and designer fashion
- Film, TV, video and photography
- IT, software and computer services
- Publishing
- Music, performing and visual arts

UK Department of Culture, Media and Sport, *Classifying and Measuring the Creative Industries: Consultation on Proposed Changes 2013*, DCMS London 2013

Australian Bureau of Statistics, Australian National Accounts (2014)
Museums
Environmental heritage
Libraries and archives
Literature and print media
Performing arts
Design
Broadcasting, electronic or digital media, and film
Music composition and publishing
Visual arts and crafts
Fashion
Other culture goods manufacturing and sales
Supporting activities

Australian Bureau of Statistics, *5271.0: Australian National Accounts: Cultural and Creative Activity Satellite Accounts 2008–09*, ABS, Canberra 2014

US Bureau of Economic Analysis 'Arts and Cultural Production' model (2015)
Bookstores and news dealers
Florists
Independent artists, writers, and performers
Jewellery and silverware manufacturing
Motion picture and video industries
Museums, historical sites and similar institutions
Performing arts companies
Photographic services
Publishing
Radio and television broadcasting
Sound recording
Specialized design

US Department of Commerce and the National Endowment for the Arts, *US Bureau of Economic Analysis Arts and Cultural Production Satellite Account Report 2015*, Washington 2015

Interactive Media & Learning area,
University of Technology, Sydney.
Photo: Anna Zhu.

Spindle in action at a beanie-making workshop, Alice Springs Beanie Festival, 2015. Photo: Alice Springs Beanie Festival.

Business basics 101

Building good business foundations for Australian creative enterprises

// David Schloeffel

The idea that 'creativity and business don't mix' is a commonly held position within Australian small to medium-sized creative enterprises, but it is a furphy, and a dangerous one at that. What there is, however, is a capability gap in basic business understanding, alongside a lack of interest in working *on* the business as opposed to *in* the business. This chapter examines that gap, asks what are the 'core', 'requirement' and 'operational' business foundations for creative businesses—and how to build them—and considers the role for peak industry bodies, government and training organisations in business skills development for the sector.

When setting up the Creative Industries Innovation Centre (CIIC) in 2009, the director, Lisa Colley, looked internationally to see if there were any successful models upon which the CIIC could be based. Her investigations took her to the UK and the Netherlands, where government programs had successfully helped develop creative industries sectors. While insights from these overseas programs—such as the need for staff with specific creative industries expertise—helped frame the CIIC, of more importance was the realisation that these programs could not simply be replicated in Australia.

A fundamental difference existed between UK and Dutch creative enterprises and those in Australia, which lay in management capability—specifically, the understanding and implementation of business foundations. By and large, UK and Dutch creative enterprise management had a more sound understanding of the basics of business, so government programs such as Create UK and the Netherland's Innovation Platform could focus on innovation and market expansion.

In contrast, as identified by Roy Green in his 2009 report, *Management Matters in Australia*, our small and medium-sized enterprise (SME) sector suffers from limited management quality, which has a negative impact on business performance. Australia's creative SMEs are no exception. So, influenced by this finding, the CIIC was set up with the simple premise that Australian creative enterprises are strong at what they do—creativity in its numerous forms—but not at how they do it. Its brief, therefore, was to enhance management capabilities or, in other words, to help Australian creative enterprise with 'the business of being creative'.

This chapter looks at this business basics capability gap. It considers why it exists, what's been done to address it and what remains to be done. The discussion is based on my five years' work at CIIC providing tailored business advice and working with peak creative industry bodies on business training programs.

The 'Business basics' capability gap in creative enterprises

History certainly proved the premise for the CIIC to be well founded. In 2015, internal analysis shed light on the recommendations made to CIIC Business Review clients. It revealed that, from 2009–2015, there were 4290 recommendations made to a total of 693 creative businesses via the Business Review reports. These recommendations were further divided into categories, as shown in Table 2.1.

Table 2.1
Categories of recommendations from CIIC Business Review reports, 2009–2015

Recommendations	4290 recommendations %	693 businesses %
Business planning activities	28	89
Advertising, sales and marketing	17	75
Human resources	15	66
Financial management	12	51
Internal systems	12	46
Product and service development	9	36
Production/operational approach and methods	5	21
New markets	2	12

It should be noted that eligibility requirements for a CIIC Business Review were for businesses with a turnover of more than $1 million. These businesses represent only 7 per cent of the total Australian creative industries and could be considered to be the leaders in their respective creative sectors. Yet, as the table above shows, even in this group, the foundations upon which many are built are far from solid.

Subsequent interviews conducted by Lisa Andersen with the seven CIIC Business Advisers confirmed this gap in business basics. Sydney-based Business Adviser Tony Shannon pretty well summarised much of the group's observations when he stated that the key issues for creative enterprises were poor management skills and limited sales capacity. Sales is often viewed by creative professionals as the 'opposite of creativity', so the gap here is not just around capability, but also around the lack of interest in 'doing sales' and, in fact, working on the business full stop.

Why this lack of basic business foundations?

This is a complex question, and the answers given by creative business people often frustrate me. 'Creatives can't be good at business'; 'Business and creativity are opposites'; 'Business impedes creativity'; and so on.

But the whole 'creativity and business don't mix' line is a furphy. If anything, the creative mind should be far better at high-level business than those from other, more functionally based disciplines. The approach to evolving a creative solution—a design, a campaign, an artwork—is much the same as it should be (although rarely is) for business solutions. Indeed, this is the reason why design-led business thinking is gaining significant credence around the world. (For more on this, see the chapters by Sam Bucolo, and Adam Blake and Stuart Davis.) Yet, few creatives make this connection.

One answer creatives often give that I think does have relevance is, 'We never did any business in our university course'. As found in Roy Green's 2009 research, mentioned above, managers in creative enterprises are normally better educated than those in other SME sectors and certainly all the client managers that I have worked with have held basic degrees, with many having multiple degrees and postgraduate qualifications. Yet, it is my observation that very few Australian university creative courses touch on the business aspects of a creative career. Given the high propensity of self-employment and small business in the creative industries (93 per cent under $1m), I believe this is a missed opportunity. Greg Hearn and Ruth Bridgstock comment in 'Education for the Creative Economy: Innovation, Transdisciplinarity, and Networks' (2010), that The 'last decade has seen a rapid acceleration of support for education in business and entrepreneurship...[but] significant definitional, conceptual, and pedagogical issues remain.' The authors recommend transdisciplinarity, but note that the 'very structures that permit universities to be such strong purveyors of discipline-specific knowledge and skills tend to make transdisciplinary offerings difficult to obtain institutional mandate for, let alone plan, deliver, and assess'. Indeed, early in my tenure at the CIIC, I approached createED, a multi-university group whose original aspirations included strengthening the learning and teaching in the creative arts disciplines, to put the case for the inclusion of a final year business subject into creative courses. The response from one senior design academic, while polite, seemed to sum up the general attitude: 'It's not our role to teach business in a design course'. While the createED program continues, its focus no longer includes course content.

Tony Shannon identified another reason this is a particular issue in the creative industries SME sector. People start small creative businesses because of their passion for the creative product or service and not because they are passionate about business. This usually means that they don't have a basic understanding of the market, customers or 'the deal', and it often results in businesses having a 'solution looking for a problem'.

A final key reason for a lack of a good business foundation is simply because it is easy to start a creative business without one. In most sectors of the creative industries there are very low barriers to entry. This means creatives can quickly start up a business to follow their passion for the product/service without considering how they might actually go about the business side of things. In most other industries, set-up costs and corresponding time of return necessitate some form of external funding, which in turn demands appropriate attention to the foundations of the business. Yet, as Roy Green's 2009 research found, even with this requirement, management practice in the Australian SME sector is generally poor quality. But without it, many creative businesses are probably a notch further

down in terms of business capabilities, and often found hiding behind the excuse of being 'creative'. Research by Per Davidsson et al. (2008), *Anatomy of New Business Activity in Australia*, examined the proportion of 'nascent firms' that progressed to 'young firms' in different sectors of Australian industry. It found that retail had a relatively poor rate of start-ups 'graduating' to a more stable status. They observe,

> One plausible interpretation of the pattern for retailing is that many dream of starting a firm in this industry but fail to actually get it going or fail to sustain it for very long...[what] we have identified is a warning signal for those who wish to start their own firm in retailing or other low entry-barrier, high price-competitiveness industries.

Are creative businesses actually different?

The 2015 closure of the CIIC and withdrawal of sector-specific services raised an important question: is a business a business, no matter what it does? This question of whether creative businesses are different to other sectors was the focus of much discussion at the CIIC. Boiled down to its simplest elements, business is about having something to sell, finding someone who wants that something, selling it for more than it costs you, and then, ideally, using the difference to reinvest in the business for growth.

Is that any different for a widget manufacturer or an architect?

My short answer is, simply, yes.

While a widget-producing business and a building design-producing business both need good business foundations, there is significant difference in how those foundations *operate*. To illustrate this, I will quickly touch on just three of the operational areas identified in Table 2.1, page 43: business planning, human resources and internal systems.

Business Planning: As mentioned above, because of the low barriers to entry, many creative businesses are established without any real planning. They enter the market with a 'me-too' offering or become a solution looking for a problem. But, equally important to instigating sound business planning, is understanding the type of planning needed. Often what is on offer is an intangible—an entertainment, a campaign, a design—and planning for this is very different to planning for something that is more 'real'.

Human Resources: Passion abounds in the creative industries. This is true of the founders, but also of the staff. As part of my Business Review process, I always have a three hour session with a cross section of staff from the organisation under review. This session often provides me with the most insights into the business, as

People start small creative businesses because of their passion for the creative product and *not* because they are passionate about business.

Brisbane Studio at Thomson Adsett architecture practice. Photo: Marcus Bell.

the staff really care about the business. They are not just working for the money. This, combined with the fact that they are 'creative', necessitates an entirely different approach to human resources than that appropriate for a manufacturer.

Systems: The key system in most creative enterprises is, of course, the creative process—how to continuously drive the creative ideas forming the basis of the business. This is very different to the system needed for churning out the same widget on a production line. Related to this is the whole question of what is good. A manufactured widget usually has a specific function and it is either good at that function or not—it's a rational decision. In comparison, the evaluation of much creative product is purely subjective—whether it is regarded as a good dress design, logo, website, or theatre show is often based on subjective factors.

I could go on: clients, work hours, required education levels (and the low return on education investment in many creative sectors), the value attached to creativity (or not, as it is often given away), employment uncertainty (particularly in the arts); and so on. In all these areas there are major factors that functionally separate the creative industries from other industries, and which made necessary the CIIC's focus on their specific business needs.

Building good business foundations in a creative enterprise
If we concentrate on the CIIC objective of assisting with 'the business of being creative', what are the business foundations that I, through my work with almost 300 creative enterprises, think are necessary? I came to distinguish between three different foundation types: requirement; operational; and core.

Requirement foundations: This refers to those elements required by government or regulators. While not the things that define a business or provide a basis for success, they apply to any Australian business and include:

- A unique business name registered with ASIC
- An ABN (Australian Business Number)
- GST registration (if greater than $75k turnover)
- A tax file number (TFN)
- PAYG withholding and appropriate systems (if employing people)
- A business structure, e.g. sole proprietor, partnership or company
- Workcover registration (or state equivalents)
- Industry registration and/or licences (depending on the sector)

In addition, while not compliance requirements, the following are highly desirable:

- Insurances—public liability and professional indemnity
- Appropriate financial record keeping
- Web address registration
- Business identity registration—such as logo trademark

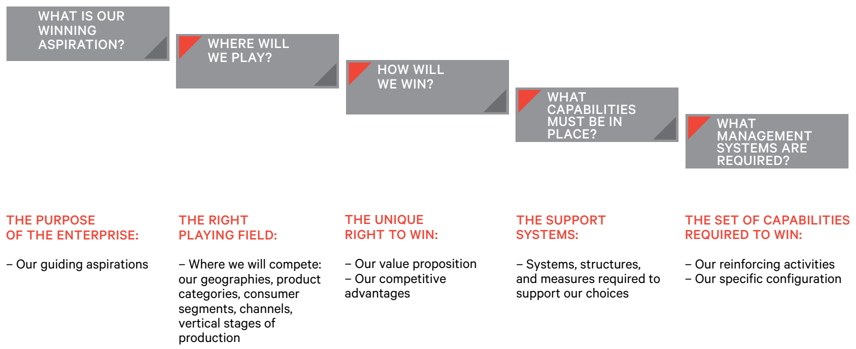


Figure 2.1 Integrated Cascade of Choices

Source: A. G. Lafley and Roger L. Martin, 2013, *Playing to Win: How Strategy Really Works*, Harvard Business Review Press.

Operational foundations: These are the foundations we, as Business Advisers, primarily focused on, and refers to the various operational inadequacies discussed in the second section of this chapter: business planning, human resources, sales and marketing, etc. Given the issues identified in this chapter so far, it is perhaps not surprising that 89 per cent of the businesses reviewed by the CIIC needed help in the area of business planning.

Core foundations: Many people (mainly Americans) have made very lucrative careers out of writing and speaking on what constitutes business success and how it can be attained. Most of this work revolves around some sort of business foundation model. Some are quite complicated (cynically, me thinks, to lock you into their highly profitable ecosystem!). Others are wonderfully simple and have influenced my work with creative businesses. In their 2013 book *Playing to Win: How Strategy Really Works*, Alan Lafley, Chairman and CEO of Proctor & Gamble, and Roger L. Martin, Dean, Rotman School of Management, place much emphasis on the need for simplicity in business planning. (For more on this, see Roger Martin's article 'The Big Lie of Strategic Planning', *Harvard Business Review*, January–February 2014.) But what's really significant is their observation that while you do indeed need to plan, it is necessary to understand what is motivating the planning—what's the 'core' of the business. Their 'Integrated Cascade of Choices' model illustrates this point, see Figure 2.1, above.

The concept of a 'winning aspiration' is interesting in that it brings together the business purpose and where the business wants that purpose to take it (its 'vision'). 'Winning' is a particularly important qualifier as businesses often frame purpose and vision in their own terms rather than ones that would 'win' with their customers.

Another simple model comes out of the work of Sam Bucolo and Peter King in Australia. Although originally intended as five principles for manufacturing businesses wanting a design-led approach, the principles work well as a general business foundation model that is once again built around a sense of purpose at its core. If these five principals were addressed, firms would have strong business foundations:

1. Have clarity of purpose
2. Become your market
3. Be the disrupter
4. Integrate your business model
5. Own the change experience

Both are interesting models and, when evaluating them, we can see that both have an underlying core to them. What this core is was succinctly and powerfully articulated by Simon Sinek in his 2009 TED Talk 'How great leaders inspire action', with his concept of the 'Golden Circle'. Sinek explains that every organisation knows 'what' they do, some know 'how' they do it—their value proposition or unique selling proposition. But very, very few know 'why' they do it. When posing this question to businesses, their usual response is, 'to make a profit'. But, according to Sinek, profit, market share and position is a *result* of a meaningful 'why'—it's an outcome of one's purpose, cause, belief. He goes on to explain, through some compelling examples, that 'people don't buy what you do, they buy *why* you do it'.

A local manufacturer that demonstrates the importance of purpose is Branach, based in Victoria. Branach make great ladders—superior in all ways to the competition. They saw themselves and thus interacted with the market as a ladder manufacturer—and they struggled. Through their work with design integration they realigned from *what* they did to *why*—that is, their purpose is now about 'working safely at heights'. This simple yet powerful mindset change is now seeing the company going from strength to strength.

The 'Seven questions' model for defining core business foundations
So, while acknowledging that there are many ideas out there on the necessary business foundations, here are what I think are the seven key questions that any business needs to answer, based on Sinek's meaningful 'why'.

1. ***Why*** does our business exist—what is its purpose?
2. ***Who*** is that purpose directed at?
3. ***What*** is it we do to deliver that purpose?
4. ***How*** is that 'what' different and uniquely relevant to 'who'?
5. ***Where*** do we want the purpose to take us—our winning aspiration (vision)?
6. ***When*** can this realistically be achieved by? And in what markets (geographic and sectorial)?
7. ***How much?*** What is our business model (i.e. how do we make money)? And, what's the deal?

These seven questions have resonated with my clients, both creative and non-creative. They have resonated with audiences at industry presentations and seminars I have given. And they have resonated with my Masters of Business students. They resonate because they are simple—they take what is often over-complicated by many and boil it down to the basics for a successful business.

In my model (figure 2.2 at the end of the chapter), you will see an arrow from 'why' going across 'how' and 'what' to 'who'. In that arrow are two simple questions: So what? Who cares? (The concept of 'who cares' is also raised by Sinek.) I developed these questions as a simple way to test the effectiveness and relevance of digital content but have subsequently applied them to all parts of the business world. Once you understand your purpose, these questions are an easy way to ensure that what you do and how you do it is relevant to your customers, which, in turn can help generate a value proposition, which is something many businesses struggle with.

A role for government and peak organisation support
As Roy Green noted in 2009, just as the CIIC was setting up its services:

> Governments have a role to play in providing investments in education and training. In particular to focus on specific programs designed to enhance management capabilities.

In 2015, that is still a key industry need.

The CIIC core services, Business Reviews and Biztros, were successfully delivered on a tailored, one-to-one basis but, as noted above, much of the work focused on improving the basic, operational foundations of creative businesses. During the six years of centre operations, there was much discussion about whether, given the universal lack of business basics, a one-to-many approach would be a more effective starting point to instil the necessary foundations, and only then move to one-to-one services with those businesses that showed particular promise? Resource-wise there is a strong case to be made for a model of one-to-many transitioning to one-to-one for the higher performers, but without solid evidence, the discussion around one-to-many versus one-to-one approach was not resolved either way. There is a serious gap in knowledge here and additional research into the creative industries is needed to ensure informed decision-making.

But the discussion led to the development of a number of successful one-to-many 'Business Basics 101' training initiatives in partnership with industry organisations, detailed in Table 2.2.

Table 2.2
CIIC business training sessions, 2009 to 2015

Name	Description	Sectors	Sector Partners
Business Model Generation	In a two day workshop, 50 high-potential creative enterprises were shown how to apply the Business Model Canvas methodology.	Design (graphic, interior and industrial), Advertising and marketing, Public relations	Some assistance provided by Australian Graphic Design Association (AGDA), Design Institute of Australia, Public Relations Institute of Australia and the Communications Council
Generate Music	Business planning with more than 140 participants from which ten were chosen to receive $30,000 for further business development.	Music	APRA AMCOS
The Digital Marketplace	Covered business model development, customer understanding, and market development.	Tasmanian creative industry businesses	
Foundations	Helping architects looking to set up their own practice understand the foundations of good business.	Architecture	Australian Institute of Architects
Generate Design	Similar to Generate Music but for the graphic design industry.	Graphic design	Creative Partnerships Australia, AGDA
Modelling the architectural practice for the future	Business model development for traditional architecture practices.	Architecture	Australian Institute of Architects

While each initiative was well received and many participants used their session to introduce some new business thinking into their firms, as 'one off' training events their impact was limited and a peak strategic approach is missing.

For example, I developed the two architectural initiatives 'Foundations' and 'Modelling the architectural practice for the future'. The latter was offered in response to a real threat that is facing the profession—basically, architects are in danger of being disrupted out of existence. I felt it would be a difficult message to deliver but, surprisingly, found that most audience members were well across it. But, while aware of the threat, little is being done at a business or sectorial level in response. This is basic business foundations but there is currently a critical gap in sectorial support. (For more, see the CIIC *Architecture Forensic Report:* hdl.handle.net/10453/34868)

Another great debate topic at the CIIC related to timing—at what point in the business cycle is it best to intervene and provide support? Given the gap in basic business foundations in Australian creative businesses, it could be argued (and often is) that the earlier the better. This was a key motivator behind the establishment of the Biztro program that allowed experienced sector-specific Business Advisers to engage one-to-one with people in the critical business stages of idea, start-up or emerging to get them working on the three types of business foundations (requirement, operational and core).

Where to from here?

During the writing of this chapter in early 2015, two important reports were released. The first from the ABS, looking at employment, found a continuing trend where jobs numbers are decreasing in traditional industries, such as mining and manufacturing, while professional services and arts and recreation are increasing their employment share. This important data attracted the attention of national media, for example see Gareth Hutchens in *The Age*, 'Mining companies shedding jobs by the thousands', 20 March 2015. The second was the Australian Government's *Intergenerational Report* that found traditional Australian industries will continue to decline in importance while 'new' industries will be our future.

If Australia's future economy is reliant on these 'new' industries, of which creative industries are an important part, we need government, peak bodies and business working together to address the gap in business foundations articulated in this chapter.

An argument that is sometimes raised against government services like the CIIC (for instance, in *Towards responsible government: The report of the National Commission of Audit*, 2014) is that government should not be going into areas that can be provided by private enterprise. While that may be correct for the large business sector, with 93 per cent of creative businesses sitting at under $1m turnover and unable to afford private business consultancy services, government investment is required to build management capacity in creative industries.

And we're already behind. As noted by Anthony Merrilees in his chapter in section three of this book:

> The importance of the social and economic contribution that the creative industries make to the United Kingdom and European Union countries has long been accepted. In contrast to Australia, the policy frameworks have moved beyond a debate over the value and contribution that the cultural and creative industries provide to their economies, and whether there is a case for government assistance and support.

When the CIIC closure was announced in September 2014, staff undertook an audit of replacement services available for the creative industries. While there was a lot of 'Business Basics 101' advice available around the 'requirement' foundations—mainly in the form of online information—there was a clear gap in information and services around operational and core foundations. All in all, not a lot on offer to fill the void of the CIIC.

Peak industry associations have a role too but that is another issue working against sector development in Australia. There are a large number of peaks in the creative industries—more than 45 across the sub-sectors, according to my latest count—and each is, understandably, focused on promoting their own interests. No one is promoting the broader picture of 'creative industries'. Based on the old adage 'united we stand, divided we fall', this fragmentation of the industry is a major issue and, realistically, until it is addressed little will happen. Given this, there is a strong argument to be made for the formation of a national creative industries body. Indeed, such a body has been created in Tasmania with some good early success. The Tasmanian Creative Industries Council—of which the CIIC was the catalyst behind its formation in late 2012—was instrumental in taking the creative industries from obscurity to being part of the three major parties' policies in the March 2014 state election. The resulting Tasmanian Government has made a modest commitment to the creative industries—there's a way to go but it is certainly a start.

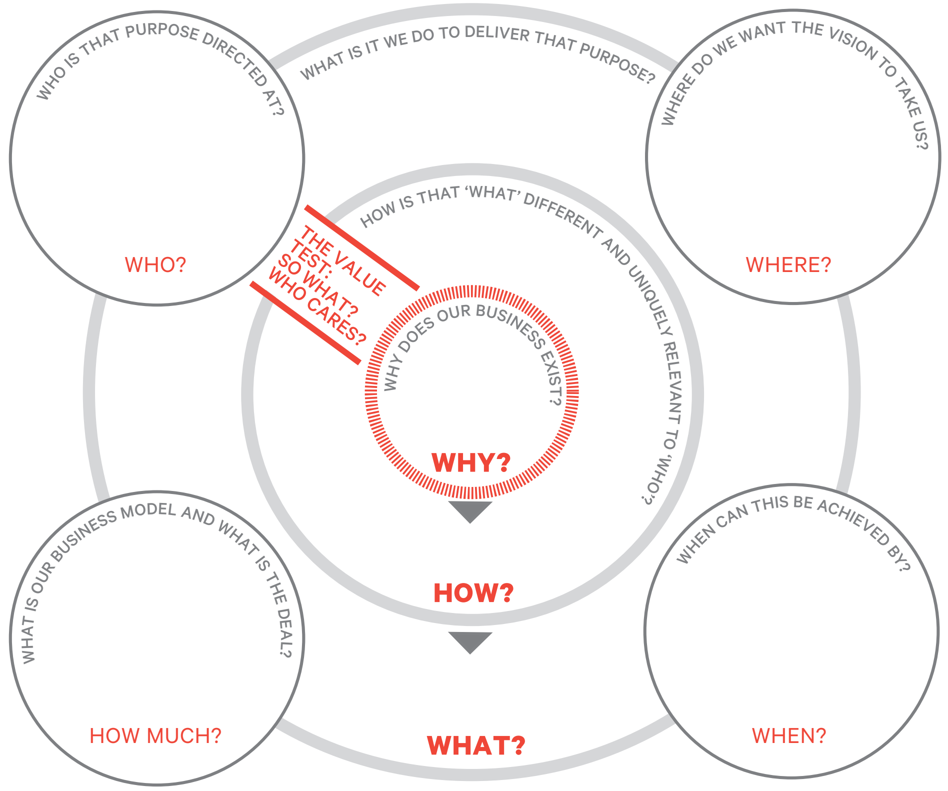
Conclusion

As any architect will tell you, a building is only as good as its foundations. And while foundations may not be an architect's passion, they make possible what is. And so it is with creative enterprise business foundations.

Yet, as has been experienced by the CIIC for six years, these foundations are often shaky and sometimes not even there. The original premise of the CIIC, that Australian creative enterprises are strong at what they do but not at how they do it, is still valid and will continue to hamper sector development at a time when creative industries have been identified as important for future economic development and employment in Australia.

As in other comparable economies, there is a role for government to help develop the creative industries. In those economies, such help is understood as an investment in the future. But here, where inadequate basics are impeding a deeper development of businesses, future support will need to maintain a focus on the business aspects of creative enterprises—starting with the all important business foundations.

Figure 2.2
Seven questions to define business foundations



Seven questions for defining core business foundations

1. ***Why*** does our business exist—what is its purpose?
2. ***Who*** is that purpose directed at?
3. ***What*** is it we do to deliver that purpose?
4. ***How*** is that 'what' different and uniquely relevant to 'who'?
5. ***Where*** do we want the purpose to take us—our winning aspiration (vision)?
6. ***When*** can this realistically be achieved by? And in what markets (geographic and sectorial)
7. ***How much?*** What is our business model (i.e. how do we make money)? And, what's the deal?

(L-R) Sally Hill and Yvonne Lee from Wildwon Projects (Sydney), who create real world and digital experiences. Photo: Tessa Tran and Wildwon Projects.

UP–Close

Atkins

Discovering a new purpose for photography services

// Barbara Messer

Atkins was teetering on the brink of obsolescence when the discovery of its purpose put the business back on track after two decades of profit erosion.

Paul Atkins is the third generation of his family to helm Atkins, a South Australian photography lab with 14 staff established in 1936.

For 20 years, he presided over its gradual decline, watching profits slide as consumers ditched film in favour of digital data.

It seems no matter what Atkins did, his customers continued to make fewer photographic prints. Wedding photographic services—once a big part of Atkins' business—declined 30 per cent annually from 2000 onwards.

By 2013, Atkins knew it was time to take an introspective look at where the business sat to carve out a more relevant future in a shrinking market. One year later, he and wife Kate Burns, creative director at Atkins, relaunched the business with a new purpose at its core, 'Pictures that matter', and a revenue model centred around people, not kiosks.

For the first time in two decades, Atkins is growing again. Paul and Kate are confident it will remain one of the sector's survivors.

Can you describe the market for photo labs a few years ago?

Paul Atkins: Photography labs were closing down all over the place, struggling to sell equipment they had spent millions of dollars on. A lot of our competitors were opting for volume and price, but do you really want to win that race? It's really confusing to witness these changes without understanding how to navigate around them.

How did Atkins adapt to the new digital paradigm?

PA: We rushed head-on into digital in the 1990s, but we were teaching our customers to do everything themselves. We never found a digital model that worked.

In 2006, we acquired one of our competitors, but again the acquisition didn't really fix anything. We also found the quickest way to throw $250,000 away in a joint-venture to make photo books, but our product was too expensive.

After that, we felt like we didn't have any more tricks up our sleeves. We were beginning to wonder, 'Do we know what the hell we're doing?'

Were you worried Atkins would not survive?

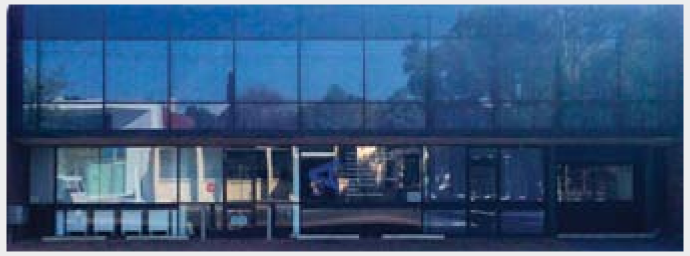
Kate Burns: We felt we probably had a couple of years left before we'd have to close the business. When we signed up for a Business Review with CIIC Business Adviser Stuart Davis, it was the first time we'd engaged business thinking in a true sense.

Stuart suggested we do a Design-led Innovation course with Professor Sam Bucolo, and the first session was all about Simon Sinek's 'Start with Why'. It was a revelation.

PA: We learnt that if you can find out why you're in business, and put that in front of your business and march behind that flag, you have an opportunity very few other people have.

How did you discover Atkins' purpose, and what is it?

PA: We interviewed 30 or more customers over a six-month period, which helped us realise that photographs are more important to people than just about anything else. We didn't use that information to jack up our prices. We used it to talk to people differently and remind them what their photographs mean to them.



Atkins Photo Lab façade, before 'disruption'.
Photo: Atkins Photo Lab.

Atkins Photo Lab façade, after 'disruption'.
Photo: Atkins Photo Lab.

KB: Those interviews were critical. Previously, we were living in a world of assumptions. We assumed our customers didn't care about printing. We assumed we were more important to our professional clients than we really were, which meant we were terrified of jeopardising those relationships.

A year ago, we sat down with Sam for our last mentoring session and he asked: 'What's your why?' Paul said: 'Pictures that matter'. We kept trying it on for size and it made sense every time. Every day, we now refer to our 'why'. Does this fit? Is this where we want to go?

Can you explain the steps you've taken since finding your 'why'?
KB: We hired a business consultant to help with implementation, refining our systems and making our processes leaner. We put 'pictures that matter' everywhere. We split the business into two divisions, which enabled us to do different things with our service offering. Previously, we were order takers. We became consultants.

PA: We then spent $15,000 on a new shop fit-out, which enabled us to walk away from kiosk service models and create a process that is collaborative. We reduced our product line by two-thirds, rebranded and relaunched our business.

What has been the biggest challenge throughout this process?
KB: I am a graphic designer. I don't have an MBA, so feeling like an imposter has been really hard.

PA: I've struggled with the process because although I'm interested in change, I'm not a very big changer. But one of the first things we did was put a photo of my grandmother up on the wall. Talking about our purpose is easy because everything I care about most is right there where everyone can see them.

Can you tell us how the business is performing now?
KB: We've had three consecutive months of growth for the first time in Paul's memory of working in the business. We still have costs that are problematic, but the influx of new customers has been staggering.

As the third-generation to run this business, Paul is the one who's supposed to screw it up—he's always been keenly aware of that.

PA: Last Christmas was the first break I haven't sat around wondering, 'What's the plan?' Now I know we're on a definite path, and I'm confident it is exactly the right thing to do. This has been a very low-risk investment. We really haven't spent much more than we've spent on advertising and marketing in the past.

What's next for Atkins?
PA: There are a lot of back-end innovations we're working on, such as embedding digital files with metadata. If we could achieve 10 per cent growth this year, I would die of happiness. I've never had it. Ten per cent growth would begin to fund some of the bigger things we'd like to do.

Creating with Purpose

The DNA of a more disciplined, sustainable creative enterprise

// Mark Stewart

The creative market place is crowded and the persistent focus on selling technical capability, alongside the lack of customer-centricity, leads to competition on the same terms and doesn't provide a pathway to genuine sustainability. This chapter examines the six key characteristics of creative businesses that underpin this problem and proposes seven disciplines for sustainability—with 'Purpose' as a central guiding concept.

Like many other small to medium-sized (SME) businesses, creative companies are not particularly purposeful. When you ask creative firms what their purpose is it's usually about a creative capability, or making money, or delivering great results for clients. They are dedicated to the quality of their work, they believe in the power of their creative. But, they don't typically have a core customer-centred, guiding purpose.

A purposeful firm has an informed, deeply held and internally understood sense of why what the firm does is important and valued by the end users of its products and services. That purpose acts as a guiding philosophy that assists the firm in designing all aspects of the brand experience it seeks to deliver for its users. Lack of purposefulness means many creative businesses struggle. They struggle to find growth, have limited customer loyalty, revenue risk, difficulties retaining staff and broader sustainability issues, to name just a few. Armed with a well-executed deeply held customer-centred purpose and a stronger set of management disciplines, the creative firm can create the organisational DNA for delivering and sustaining relevant difference and value in an otherwise crowded 'me too' market place.

In my 20 years of consulting I have shifted from a classic model of research–review–do–report into a model with a far greater emphasis on mentoring and coaching. I have moved from a sole focus on squeezing out more profit for business owners to a broader goal of helping owners see new value in their businesses. My personal purpose has shifted from problem solving for clients to the idea of helping business owners build more meaningful, rewarding businesses. This has been a big shift for me, but it aligns with my understanding of what's required. This chapter outlines what I see as the key issues facing creative businesses in Australia. It then presents suggestions for how to rethink these issues, based around my central concept of purposefulness. While my focus is on those businesses that operate a fee-for-service business model, many of my observations and recommendations are equally applicable across the broader range of business models used in creative companies.

Key issues for creative businesses
Most creative firms that I have worked with exhibit, to varying degrees, six key characteristics that underpin the problems that guide my engagement with them.

1. Project brief-driven and fee-for-service business models
Most small to medium-sized creative businesses in Australia operate on a fee-for-service business model that is orientated around responding to a project brief. Typically a client will approach the creative business with the brief already devised. The creative business will ask some questions about it, but the conversation with the client is relatively narrow. The discussion might extend to some other stakeholders, but quite often the brief is controlled by one person

inside that client business and that's who the creative business takes their viewpoint from. Often the contact person is in a specific functional role of, say, the marketing manager or the product manager, but the reality is the key recipient is probably the sales director and the sales team. Are they engaged in the brief? Often they are not. A formal proposal will be then developed, which sets out that they're going to do x job, for y dollars, over z timeframe. They then go off into their creative huddle and create the outcome for the client and there'll be touch points and feedback sessions along the way.

Fee-for-service creative businesses are defined by the punctuation of these sorts of projects, and everything's orientated around them, including the way the internal team is geared up. There will often be a string of them running at any one time and all of the focus and all of the energy of the organisation is on the work in progress and the delivery of those projects. The business steps out of one project and into the next without really considering the broader value or the broader stakeholder community, and without considering how it can leverage a project into a more strategic conversation about adding value.

There are a number of immediate drawbacks to this business approach. The first is limited forward revenue visibility. Typically, a business that operates on a fee-for-service business model, working from job to job, will be able to see only two to three months ahead. Beyond that it doesn't know if it's got any revenue or not. There's a great deal of revenue risk built around their business approach.

The second consequence is limited client loyalty. Because of how the creative business communicates and positions itself in the marketplace, the relationship with clients is built largely around technical issues, with the client buying a particular skill set or capability. Communicating the value of your business in this way generally doesn't easily translate into a strategic relationship with the client. Furthermore, a technical relationship is easily replaced. There are plenty of technically competent advertising agencies, architects and designers out there, and they can all argue a competency story very effectively. Competency is clearly important but it's not what sets us apart.

2. Over dependency on principals
Many creative businesses are small—anything between one to fifteen employees. Many are owner/principal enterprises, often overly dependent on the principal for sales and the development of the business. Employees tend to be worker bees—capable in what they do, but not really focused on the development of the business. A lot of these businesses haven't really built value in the company. They've only built value in the brand of the individual owner/principal, so all the stories, narrative and know-how and all the thought leadership point back to this person.

These creative businesses mostly rely on an active face-to-face selling process between the principal and the client—a point-to-point relationship. The client usually wants the principal highly visible in the job, which limits their ability to leverage low cost wages into a job. As well, if the principal has to be involved in everything, there are capacity constraints.

There are some obvious challenges here around succession and scalability but, an immediate issue is one of orientation. In their dealings with clients, these businesses sell capability, not outcomes. They talk about features and they talk about their design strengths. They talk about what they can deliver. Very rarely do they ask, 'How can I create a business that will deliver difference and value in the marketplace?' Because the business is established around their technical capability—graphic design, jewellery making, architecture, etc.—right from the beginning they have established a narrow orientation for themselves.

3. Limited differentiation
This brings me to the question of differentiation. Photographers' websites, for example, are very 'dime a dozen'—all of them effectively just present beautiful photographs. There might be a little bit of background on the photographer, and then a website full of beautiful photographs. But what story does that really tell me about why he/she should be my chosen photographer instead of any of the many others with beautiful photographs that I've just seen on my web crawl?

The reality is people tend to position their businesses around selling their capability rather than selling the benefits—the value—associated with that capability. Those businesses that sell their technical capability are not particularly differentiated in their market. There's an opportunity for greater differentiation through a stronger outcome focus, but most businesses don't take that opportunity up.

4. Difficulty in retaining and growing talent
Creative businesses, particularly the smaller ones, typically have difficulty in retaining and growing talent. For young creatives, there's a great deal of attractiveness in working in one of the bigger organisations with strong brand presence. It's good for the CV. Working in a jobbing small business isn't that attractive, particularly if there are few structures in place to help grow and invest in talent.

The problem is further compounded by the fact that many businesses tend to place a lot of the emphasis around the key design roles. So, in architecture, for example, architects typically want to be the blank page designer—the hero who can create the outcome for a client, while all the other work that's really fundamental to getting the job over the line are positioned as secondary roles. Unfortunately, there is only so much room for the blank page design roles within creative firms. Competition for these roles is intense and presents an artificial ceiling for ambitious employees.

Rather than just taking a brief and getting on with it, there is an opportunity—at the moment of accepting a commission—to genuinely understand the 'why' of the project, rather than just the 'what'…the real challenge here is to get the client to discuss outcomes rather than deliverables.

Kieran Wong and Emma Williamson of CODA (Fremantle), a design studio that works in architecture, urban design, interior design, landscape and place planning. Photo: Bo Wong.

Often the only weapon that firms believe they have to fight the attrition is salary. In reality competing on salary is not a sustainable position for most SME firms. However, for a lot of creative talent there are other factors apart from salaries that are valued, including exposure to a richness of projects, the ability to learn, the working environment and workplace flexibility. Shared ideology provides a stronger more effective point of difference in the competition for talent. In the same way firms need to connect to a clearer 'why' of business so employees also desire a stronger why to give meaning to their often pressured roles within the firm. In the war for talent a customer focused purpose can do much to provide stronger meaning and connection for the many important roles required to deliver on that purpose.

5. Culture of not operating to a business plan
As mentioned above, many owner/principals of creative businesses have come from working in someone else's practice and now want to leverage their skills to pay the mortgage and bills and have more control over how they work.

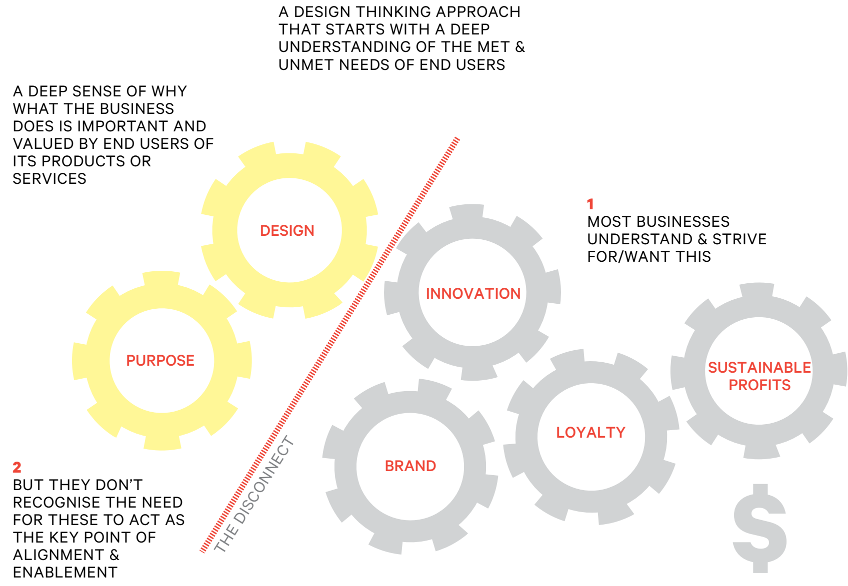
What often gets overlooked is the need for a business plan. Essentially, many creative SMEs don't have one. It's not part of their culture of flexibility and self-determination. They perceive it as a costly, weighty tome that mostly likely will be ignored or redundant by the time it is completed. However, without this ability to see further than the next few months, a business moves forward on an incremental rather than a strategic journey. In my view a business plan is a tool to help business leaders to take small bets on growth and development and to closely monitor and flex their approach based on their ability to achieve milestones and performance outcomes. Without a plan, people end up working all hours without any clarity about the destination. The result is exhausted principals and exhausted teams jaded by today rather than connected to a common goal. Ironically, the business originally set up for independence and lifestyle is now like a ball and chain around the principal's ankle.

6. Limited scalability and ability to deliver necessary transformative change
Fee-for-services creative firms by their very nature aren't designed to scale and most suffer growing pains at clear points in the growth cycle. The initial growing pain is the one of moving from simple partnerships or sole trading entities to become a genuine employer. Beyond that point of pain most growth pains seem to hit owner/principal driven businesses at around 10 to 15 employees and a turnover of around $0.8 to $1.5 million. They hit a plateau. Beyond that, they need to think about a more corporatised model for their business and many struggle with that idea. I often hear owners say they can achieve growth but that growth is not profitable until they have a substantially larger business. There are other revenue streams available to them, but their focus remains very much about time

and materials. The underlying problem is that the systems and infrastructure for running the business have been built around the principal. They've added people in, but they've never really gone back and asked, 'How should I structure this business for growth and for scalability?'

There are all sorts of cascade effects when a company hits a plateau. People tend to get itchy feet when the same jobs keep occurring time and time again and there isn't diversity in the offering. This rut may also be happening against a context of increasing price competition and overseas competition which is driving down price. So staying still is not a good place to be. But, because of this project brief cycle, a business can't see more than two to three months ahead. They don't have a plan, they don't know what levers they're pulling, and they don't know what's working or what's not in terms of driving the next three months. They're fundamentally working in a very reactive place. Typically these business owners will look at cash flow, cash at bank and those sorts of basic things to understand where they are. But they are all pretty much lag indicators of performance. They do little to guide the next iteration of performance.

Figure 3.1
How purpose guides an approach to long term, sustainable practice



Seven disciplines of a more sustainable creative firm

I see seven key disciplines or behaviours for the creative firm that go some way to driving its future sustainability.

Discipline 1: Get purposeful

Purposefulness (as shown in figure 3.1) is a really important foundation and question for any SME. It is about guiding a business with a view to achieving something on behalf of customers. You might consider it to be a kind of higher customer cause that defines why the firm is in business other than to just pay the mortgage and fund a certain lifestyle. Creative industry businesses are typically more purposeful than non-creative businesses, but the purpose is often not visible, not well communicated, and I generally spend an awful lot of time at the beginning of reviews discussing purpose.

A recent case that illustrates the point is of a small but rapidly growing event management company. Before our engagement they defined themselves as a corporate events manager with deep knowledge and know-how in the business-to-business market place. Like many other firms, their proposition was focused on executional reliability and design quality. Through the consulting engagement it became clear that this business had real purpose. They weren't just designing and executing events. They recognised that these events weren't in themselves the measure of success. The firm was really driven by a desire to 'curate productive relationships' for their clients. With this reframed purpose they were able to drive a new conversation with customers that was focused not so much on the well-executed beautiful, bigger event but instead on the achievement of real relationship outcomes. It guided the way the firm interrogates a brief, the way it designs and executes events and it led to a longer more productive service engagement with a deeper focus on measuring productive outcomes beyond the event which in turn give the firm a reason to talk to the client about the next engagement.

The purpose has also spawned a longer horizon of development projects aimed at the delivery of aligned services not part of the original offering, many of which don't rely on the fee hours business model. The new purpose gave the firm direction for its strategy, business model and its innovation effort, a new relevant and different brand story and a platform for delivering a deeper more meaningful relationship with its clients. It delivered relevant valued difference in a crowded event management market.

Discipline 2. Design your future

As I said above, a lot of SME creative businesses operate without a business plan. A business plan is fundamental, it is a really good tool for the owner and the management team to effectively control and manage when to invest in the business and to track the effectiveness of their investments. A vision-led business plan is proactive, rather than reactive. It allows a business to look three to five years out, and then scale back, in order to strategically examine the next quarter or the next year and make the right steps toward the desired outcome. It's not a static document—it's a tool concerned with pacing, structure and milestones. This way, people have a longer term view, which lets them think outside of the here and now, while remaining agile. It's not fixed in stone.

The other crucial aspect is that a plan is a really important platform for driving capability across the business, rather than all the accountability resting in the principal. It cements an organisational response, rather than an owner response to everything occurring in the market. This can be a difficult undertaking for many owner/principal-run businesses. More often than not the owner/principal is the chief designer or chief creator inside the business, but not necessarily the best manager. The introduction of a general manager or a CEO into the business can be a very smart, if challenging, move. It's a way of recognising that the owner/principal has a certain capability and value to add to the business, but there's a whole bunch of other stuff that perhaps could be better done by someone else. The principal has to be able to subject themselves to this process and keep their distance.

Discipline 3. Plan for scale

Interestingly, while many creative businesses don't have a business plan, they are quite visionary—they do have a view about where they want to be in five years. There's a rich territory of the future. What they lack is the ability to bridge the now with the future. This becomes most apparent when faced with the need to deliver more profitable growth. As I pointed out earlier, fee-for-service firms suffer from performance plateaus. In these stages profits are hard to sustain as the addition of more revenue generating fee hours drives the need for more cost structure to support revenue generating resources. Most, of course, don't see this moment until they hit it.

While confidence is needed, what's essential is a long term strategy about how to move through what we call 'the valley of death', where for a period of time it's going to be quite tough for the organisation to get to that next level of profitability. What is needed is a strategic conversation about that next level of growth: do they want it and how's it going to happen? Is it through diversification of their offer? Is it through new markets? Is it about export? Is it about acquisition or a shift in the business model? But the fundamental thing is to first look at the strategic options, and then plan how to best implement a chosen path.

Discipline 4. Make the shift from deliverables to outcomes

In the case of many project brief-driven creative businesses, two things are often missing: one, a deep understanding of the value they're trying to deliver through the project; and, two, an understanding of the full stakeholder community that they're serving. Rather than just taking a brief and getting on with it, there is an opportunity—at the moment of accepting a commission—to genuinely understand the 'why' of the project, rather than just the 'what'. Accompanying this is a chance to see how that 'why' is driven by a broader stakeholder community than the individual person commissioning the job. Often the real challenge here, for the creative business, is to get the client to discuss outcomes rather than deliverables. But unless they insist on this broader conversation, the project will get defined in whatever narrow platform the client has defined it in. If the commissioning stage is done well the creative firm can get to a point of trust with a client where they're writing the brief with them, rather than receiving it and being asked to execute it. It's a very different relationship dynamic.

Clever commissioning also gives the business a platform at the end of the project to go back and say well, we've executed the deliverables as they were defined within the project. Have we executed the value that those deliverables are supposed to generate for you as a business? It ensures that all of that intelligence from the project is captured, and creates the opportunity to identify the next project with the client. It takes them from a very narrow project brief into a much broader conversation.

Discipline 5. Focus on getting the mix right

In my experience, though this is not often discussed, most creative businesses have a general understanding that within their client mix there will be good clients and painful ones. Most businesses hold that all clients should be treated equally, and the focus should remain on all. However, one of the big issues I spend a lot of time on with clients is actually working out where the 'Pareto' is in their client mix.

The Pareto principle is the 80–20 rule devised by Joseph Juran in 1941 to highlight key issues for quality management. This is the idea that probably 80 per cent of the value in a business is derived from 20 per cent of the client base. In practice I find it might be closer to 60–40 but the rule still applies. So, a business needs to find that 20 per cent or maybe 40 per cent. It needs to understand the characteristics of those clients, generally segment them, understand them behaviourally and then work out how to get more of them. For many creative enterprises, there's always the fear that they shouldn't say no to any piece of business coming through the door. But, if they consider that probably somewhere in the order of half the business accepted doesn't actually deliver to the bottom line—for whatever reason—it's probably not the most efficient approach. It just keeps people busy.

Discipline 6. Drive value-based relationships

In complete contrast to the above, is the following example. I have an advertising client who has created quite a sophisticated process for commissioning jobs. As briefs come in, what they do is effectively segment their clients into what they call gold, silver and bronze standard clients. They're rating their clients based on the ability of those clients to articulate the value they want out of a project and their ability to identify and involve all of the stakeholder community that this project genuinely serves. This advertising business has shifted its whole mindset out of whether or not they're great fee paying clients to rating the client relationship. As a result, they have accounts that they've held for 20 years and clients that will never go anywhere else because they've got such an embedded relationship with the company. They have long term, stable relationships because it is strategically, not technically founded. They get asked for advice and to do the sorts of projects that are quite often outside their scope. More often than not it's not about them deriving revenue, it's about them deriving relationship value. They might find third parties or other people that will help them with those specific issues. The point is they've got a very deep relationship with the client.

This is the opposite of the story I hear all the time where a creative business has a great relationship with Client X, but after five years the marketing director leaves and they lose Client X. The result is a scramble, as they try to reignite the relationship with someone else within the organisation, in the hope that they will continue to get projects down the track.

Another big part of this process, which is true in this advertising client's case, is having the ability to move clients from bronze to gold—an ability to coach a client into a position where they can achieve gold status. This involves a new set of skills related to coaching and supporting the client into seeing the value in the project as much as showing them how you're going to deliver it.

At the core is the need to effectively opportunity plan within a client and say we're starting here with this project, how do we embed ourselves? How do we embed ourselves in a relationship with this business? It isn't going to be through a point relationship, but through a depth of touch within the organisation and an ability to have conversations that are beyond the brief. They need to be more strategic, and less about technical competence and technical know-how. When a business starts to achieve some of those things, they are starting to see a strategic relationship that is getting closer to a gold account, rather than a bronze or a silver.

I think in reality though, the smart creative businesses will have a mix of bronze, silver and gold existing in their client mix because they recognise it's healthiest to have all of them. You can't earn gold status from a client on project one. The critical thing is that you have a mechanism and a process in mind for migrating them to gold. If you're not seeing them move there, then you start to devalue them as an account. They're always going to be a bit of a problem for you. They're going to be a revenue risk. You'd be better investing your energies in companies that you can see migrating that way.

Discipline 7. Attract and retain talent
First and foremost the nature of a small business makes it very hard for people to progress and grow within an organisation and attain new levels of role because there's a ceiling to it all. More often than not, the SME finds it very difficult to pay upper quartile salaries in that space as well. Therefore creative businesses have to find other mechanisms to attract and keep people. They've got to create a rich platform for attracting people. They need to be clear about ideology and work hard on finding people that have shared ideals and goals. They need to design the working environment not just in a physical sense but in terms of flexibility, the types of projects they can work on, what they can learn around executing those projects, what they can learn outside of projects and so on.

One example that immediately comes to mind is of a well-regarded boutique architectural practice where almost every architect was focused on being the blank page designer. The reality for most was that they were never going to get through that ceiling. Instead this company leveraged relationships into schools overseas, which gave staff opportunities for placements and networks that really progressed them in a way that would not have happened anywhere else. They created this rich platform for retaining the talent base and giving them the ability to grow and progress outside of 'chasing the blank page designer roles' and without those individuals having to punch through ceilings—artificial ceilings.

I have conversations with clients asking them, is this an 'up and out' business, or is this a retention type business? It's perfectly okay to have a strategy that says, actually we want to bring them in young and fresh. We want to train them up, get as much out of them but we recognise in two years they're going to go. That drives a particular strategy and recruitment process and mechanisms for making sure you've got throughput of quality people. The opposite position is to say no, we need people to be retained because they are essential to the relationships we build with clients. There are different strategies for different businesses, but a purposeful approach is vital.

Conclusion
The creative market place is crowded and there is little that separates the many players. It's a tough environment where the persistent focus on selling technical capability doesn't provide a pathway for genuine sustainability for creative firms. Instead it leads to competition on broadly the same terms. This is the classic 'red ocean' where the fight for share is intense, the waters are bloodied and the players are in a race to the bottom. My proposed seven disciplines are intended as a guide for sustainability in this market place. They provide a road-map to navigate those bloody waters and to find threads of genuinely valuable difference in the service journey for your customers and in your battle to build and retain an all-important pool of talent. Each has an important contribution to make to that sustainability. However, the glue that binds them is Purpose. It provides a central coherent guiding concept. It brings new focus, pride and a framework for disciplined thought and rigour. It provides a context for stepping out of the capability war and starting to think over the longer term about how to develop offerings that best serve customers. It challenges you to think beyond the brief and to shift your commissioning conversations away from outputs and immediate deliverables to the longer term goals and outcomes your clients desire. It provides a platform for a new strategic relationship and elevates the conversation to one of genuine value.

As a leader of a creative firm, if you are still focused on what you do and you are still trying to differentiate yourself on the quality of your creative output it might just be time to start your purpose conversation.

One/Third (Launceston) timber furniture collection, 2012. Photo: Florian Groehn.

An industry response to digital disruption

// Barbara Messer

The dawn of the 'digital age' caught many sectors off guard, perhaps none so swiftly or catastrophically as the print industry. This case study will examine how the Printing Industries Association of Australia (Printing Industries) has responded to this challenge at a time when many creative industry sectors are also turning to their peak bodies for support in transforming their business models to compete more effectively.

The case study begins by exploring why a peak body response was needed within the print industry, before examining the steps Printing Industries took to secure $11 million in government funding and launch the Future Print Transformation Programme. It will describe what Future Print entails and ask whether it may provide a useful model for other industry associations within the creative industries.

Background
By 2000, the Australian print industry was witnessing a sharp decline in demand for printed products as the world embraced digital channels. Formerly loyal customers flocked to offshore competitors, whose faster, more efficient digital technologies enabled significantly lower prices.

Many businesses within the creative industries face similar challenges as a result of technological shifts and the forces of globalisation, and it could be argued their industry bodies should do more to help them transition to the digital age.

In the case of the print industry, the threats facing Australian printers were so widespread by 2010 that Printing Industries knew it must do more to help printers shift their focus from traditional print production to multi-channel communications. The industry was in decline, contracting 5.4 per cent between 2008 and 2013. Exports also dropped from $55.7 million in 2012 to just $40.6 million three years later.

Printers also knew they needed to transform, or risk failure. In Sydney, OnePoint (formerly called Prografica) is one example of a print-only business that has transitioned into a marketing agency offering brand strategy, advertising and direct marketing.

'The GFC was a bit of a wake up call for us. We tried to go out to win new business, but our competitors were trying to hold onto their clients with their arms and legs wrapped around them,' says Kerim El Gabaili, CEO of OnePoint.

OnePoint signed up for a Creative Industries Innovation Centre (CIIC) Business Review in 2009 with a Business Adviser who was part of the Printing and Publishing Network led by Lisa Colley, CIIC Director. This network was established under the Department of Industry's Enterprise Connect program and consisted of a group of Business Advisers with expertise in manufacturing process improvement and marketing and digital capability. The purpose of the network was to gather industry insights that could be fed to other businesses in the print and publishing sectors via Printing Industries and the Graphic Arts Association.

The Business Review was pivotal in helping OnePoint expand its offering to include a full suite of branding and communications services.

In Launceston, AT&M Integrated Marketing was also struggling to transform its business strategy. Having begun to diversify into marketing, communications and advertising services in 2006, owners David and Julie Peck were not satisfied with the return on investment and conversion-to-sales growth.

'We knew there was more work to be done, but we were not quite sure where to start,' said David. They embarked on a Business

Review in 2009, which revealed a need to develop a marketing strategy to enable the company's expansion.

The success of the Business Reviews offered by the Printing and Publishing Network encouraged Printing Industries to partner with the Australian Manufacturers Workers Union (AMWU), with whom it had a history of running training initiatives, in 2011.

'We knew we had a very capable and committed partner in the AMWU; trust is very important if you are developing an industry action plan as part of a partnership model. Throughout the process there has been give and take on both sides, but there is strength in unity,' says CEO of Printing Industries, Bill Healey.

The Future Print model
The Future Print Transformation Programme launched in August 2014. It is an industry strategy to develop the skills and capabilities of print and related communications businesses, helping them respond effectively to technological change.

The program includes business diagnostics, individual business reviews, facilitated workshops, one-on-one business mentoring, subsidised training and industry benchmarking so printers can compare their performance against their peers—a project that will live beyond the two-and-a-half year scope of the Transformation Programme.

Future Print hosted its first round of Business Transformation Leadership Briefings in late 2014, which attracted hundreds of attendees eager to learn more about the professional services available through the program.

To date, a total of 260 businesses have produced 'Business Snapshots' as a precursor to developing Workplace Development Plans as part of a complete Business Review. Created with the guidance of a national team of Future Print business advisers, each Workforce Development Plan will rethink the company's vision, strategy, business modeling and processes.

'Our program is built around an understanding that training for training's sake is irrelevant. Training needs to be offered within the context of a long-term Business development or review program,' says Healey.

Printing Industries will use Business Snapshots and Workforce Development Plans to identify those businesses that will most benefit from subsidised training. Key training areas include sales and marketing, strategic leadership, lean manufacturing and digital design.

Importantly, Future Print plugs a gap in the Department of Industry's Business Review program, which is now restricted to companies with turnover over $1.5 million. Future Print targets printers with turnover of less than $50 million, but there is no lower limit.

Transforming an industry
It took more than three years for Printing Industries and AMWU to get Future Print off the ground.

The first step they took when devising the programme was identifying five segments within the print industry. The segments include companies that are successfully adapting to digital disruption; those that need to reconsider their business strategy but have the capacity to adjust; those that can adapt their skills to move into new sectors; those looking to exit the industry entirely; and new market entrants.

Next, they looked outside the print industry to see if other sectors might provide a blueprint for an industry action plan.

Below: Future Print workshop in Victoria, a program aimed at remodelling the future of the printing industry.
Photo: Future Print.

Right: Transitioning from traditional offset printers to digital systems at Bright Print Group (Sydney).
Photo: Bright Print Group.

'We were inspired by the Australian Book Industry Strategy Group, which recognised the book industry was moving away from manufacturing towards the creative and communications sectors. We also spoke to the CIIC to see how we could align the print industries more closely with elements of the creative sectors,' says Bill Healey, adding that Future Print's introductory workshops are now based on the CIIC Business Model Canvas workshops.

An alignment with CIIC also proved useful when lobbying for government funding as it meant Printing Industries and AMWU were able to use the CIIC's industry intelligence data. When the print industry is aligned with IT, communications and creative sectors, it employs around 180,000 people and contributes more than $18 billion to the economy by way of gross value added.

Armed with this data, Printing Industries and AMWU took their proposal for Future Print to the Australian Workforce and Productivity Agency—now part of the Department of Industry—arguing the size and economic contribution of the print industry warranted a bespoke industry support program.

They received a degree of skepticism from other industry bodies that any funds would be granted. Indeed, although their original $5.4 million proposal was approved in 2013, the decision was reversed a few months later.

Undeterred, Printing Industries and AMWU pared back their proposal to $3.3 million, and in December 2013 finally received the go ahead from the new Abbott Government to launch the project under the Future Print banner.

Ultimately, they secured a total of $11 million in grants for the business transformation project and an associated apprenticeship and mentoring program.

Between August 2014 and July 2017, the Department of Industry will fund up to five Future Print business advisers in each State, as well as 500 subsidised training positions.

Business advisers provide one-on-one mentoring, conduct business reviews and provide assistance with Workforce Development Plans. They also host workshops tailored to the needs of each industry segment, and help printers to utilise business diagnostic tools developed specifically for the industry by the Australian Chamber of Commerce and Industry and business innovation consultancy Catalyst.

Conclusion

Printing Industries and AMWU are on track to meeting their target of 350 businesses completing Business Reviews by July 2017. As of May 2015, around 150 businesses were developing Workforce Development Plans.

The early success of the Future Print project provides an interesting case study for peak associations within the creative industries, which could also develop tailored action plans to help their members adapt to the digital age.

In the case of Printing Industries, a peculiar mix of desperation and opportunity spurred its industry association to take action. According to Bill Healey: ‘We couldn’t stand still. We realised we had to act to ensure the industry had a future. It is our job to show our members what that future is and help them transition from a traditional manufacturing model to becoming multi-channel service providers.’

Bill Healey offers this advice to other industry associations considering transformation programs: ‘It is important to remember that a lot of this work has been done previously by other industries. Before I joined Printing Industries I was heavily involved in developing a transformation program for the tourism and hospitality industry. We also had the example of the CIIC’s Business Reviews, so we weren’t reinventing the wheel, although we are learning as we go.’

He believes the most effective transformation programs address the needs of different industry segments holistically. Future Print endeavors to provide sustainability for those businesses that want to adapt their business models, as well as workshops and mentoring for those that may wish to exit the industry entirely.

It is hoped Future Print will result in a more consolidated, collaborative industry in which printers are more productive through shared resources and increased capabilities.

Perhaps one of the project’s most ambitious goals relates to the way printers perceive their future, from a gloomy prognosis to one of opportunity. Says Bill Healey: ‘In two years, we hope each of the printing industry sectors will see themselves as part of a much broader print communications industry—one with a secure future’.

The search for new business models in the creative industries

// Tony Shannon

In the past 25 years creative businesses have done more than those in any other industry to disrupt, disturb and re-create the ways business is being done, but they themselves are particularly vulnerable to industrial change. In the era of digital disruption and the ‘rise of the consumer’, this chapter asks if there are, in fact, ‘new’ or ‘novel’ business models for creative industries, or simply useful commercial models and new enablers for businesses to sell their wares. It also examines how Australian creative businesses are coping with these new ways of doing business and how striving for better business practice could be a better use of time than racing to stay up to date with the latest business model fashion.

Finding new business models in Australia's creative industries should be easy. After all, these are the businesses whose output is the most innovative, the most creative and the most individual. Their contribution eclectically spans the earnest and the diverting: *Mad Max* and *Animal Kingdom; Redfern Now, dirtgirlworld* and *MasterChef;* the fashion of Josh Goot, Samantha Wills, Dinosaur Designs, Mambo and the Ugg; *Fruit Ninja* and Wireless LAN; *Cloudstreet* and *The Adventures of Barry McKenzie;* contributions to *The Lego Movie* and Beijing's Water Cube; and the music of Nick Cave and The Wiggles.

Australia's idiosyncratic creative businesses are part of a universe of such businesses that have done more in the past 25 years than businesses in any other industry to disturb, disrupt and re-create the ways business has been done for thousands of years.

This creative universe has given us iTunes, YouTube, Netflix, Threadless, apps and in-app purchases; the maker movement; collaborative consumption; the sharing economy; freemium and the long tail; crowdfunding services like Pozible; markets like RedBubble, 99Designs, Etsy, and Freelancer; and a dust storm of business-disrupting services like Atlassian, BigCommerce and Canva.

Despite this, or perhaps because of this, the creative industries are particularly vulnerable to the disruptive winds of industrial change that relentlessly threaten to blow away old ways of doing business. This might be the rise of the talented amateur and the professional consumer or 'prosumer' or the decoupling of the creative and the commercial or digital duplication and distribution. Change and frequent change are the backdrop to the creative industries business environment.

It seems odd then that in my six years as a business adviser at the Creative Industries Innovation Centre (CIIC) I rarely, if ever, came across a creative business pursuing a new business model. It wasn't for lack of opportunity. I delivered in-depth Business Reviews to almost 100 creative companies which all turned over more than one million dollars annually. I also provided business advice to more than 200 small, start-up or concept businesses through our Biztro sessions; an informal one hour business discussion. Through seminars and presentations around Australia, I talked with numerous creative businesses, largely in music, graphic design, film and games. A quick call out to my fellow creative industries business advisers returned a similarly barren result.

So, are Australia's creative businesses adopting and exploiting new business models? And if they aren't, why aren't they and should they be? But first we need to understand what a business model is and what constitutes a new business model.

What is a business model?

This is a vexed question even in the golden age of business modelling. A superficial search for the term 'business model' at online bookshop, bookdepository.com, reveals, in just the first two pages of results, a kaleidoscope of titles that combine the term with 'innovation', 'risk-driven', 'factory, 'open', 'navigator', 'generation', 'rebuilding', 'dummies' and, my favourite, 'hipster'.

A special mention also to this doozy from Marco Meyer in 2014 which surely sucked all the oxygen out of the early 21st century business thinking zeitgeist: *The Business Model Canvas Playbook: Design and Advance Your Personal Business Model on 100 Blank Canvases to Evolve Your Lean Startup Into a Successful Company.*

Over at my preferred online dictionary, dictionary.com, business model is defined as 'a design of the operations of a business which focuses on how revenue will be generated'. This has merit as it focuses on the revenue side of the business. However, the production or creation side also needs to be considered.

The grand punks of 21st century business model thinking, according to many people, are Alexander Osterwalder and Yves Pigneur whose 2010 book *Business Model Generation* and philosophy are responsible for much of the enthusiasm in the creative industries for business model building. Their funky book offers this definition: 'a business model describes the rationale of how an organisation creates, delivers and captures value.' I like this definition as it talks to value; but it is not the most accessible of definitions. Acknowledging this complexity, the book goes on to present a canvas with nine building blocks that can be used 'to show how a company intends to make money'. And that's not a bad definition either.

According to Marco Iansiti and Karim R. Lakhani in their 2014 *Harvard Business Review* article, 'Digital Ubiquity: How Connections, Sensors, and Data Are Revolutionizing Business', a business model

> ...is defined by two things: how the organization creates value for its customers (the customer value proposition) and how it captures that value (how it makes money).

The authors go on to add that 'Digital transformation changes both.' I like their definition as it addresses both the cost and revenue sides of the business equation (price - cost = gross profit). Measured by this yardstick, the creative industries businesses I encountered knew how to create a product or service but often struggled with the revenue generation part of the deal.

Sometimes I saw creative businesses trying to avoid the grinding effort of building a business based on these fundamental practices. Instead they grab a catch-phrase snapped from the business zeitgeist and claim it as their latest business model.

TV Smash (2013), by Dan Ilic, Sydney-based presenter, comedian and filmmaker, known for his parody work.
Photo: Helen Melville.

They appear to believe this flimsy mirage absolves them of the obligation to actually build a real business with real products, real customers and a real business model.

Some of my favourite terms masquerading as business models are: 'technology' which is bits and bauds, wires and wireless but isn't a business model; likewise 'digital' isn't a business model, it is a delivery or customer acquisition channel; 'design thinking' is great for matching products or services to customers but it is not a business model; 'lean start-up' is a sound approach to getting a business off the ground but it is not a model for doing business; 'platforms' and 'networks' are great markets for exchange but are not business models in themselves; 'pivoting' can be a vital change in direction but not a business model; 'crowdfunding' helps fund business; and 'customer-centricity' is the base upon which all business and business activity should be built but it is not a business model. Social media, the Internet of Things, algorithms, big data and crowdsourcing are not business models. Business tools, business opportunities, business tactics, business facilitators and business philosophies they may be, but business models? No.

These Emperor's new business models are sometimes heralded by the more exuberant end of investment communities to artificially enhance their commercial potency. I suspect these boosters want people to think their business darlings are leveraging some hitherto unseen business alchemy that will add an investment patina above more prosaic businesses. A survey of companies that 'went public' in the *fin de siècle* dot-com boom would, in all likelihood, prove this claim.

What, then, is a *new* business model?

There are, irritatingly, several ways to answer to this question. They are, in no special order:

a) A business model that is entirely new, never seen or used before
b) A business model that has not been used before in a particular industry, or at least is not the norm in that industry
c) A business model that is new to your business
d) A business model that is clever but not novel (see also (a) above)
e) A popular term drawn from the business zeitgeist without substance

Of these, (a) is the true and correct definition in the sense of something being 'novel' but in some ways it is also the most unhelpful. Novel business models just don't come along that often which is why when they do, they hit with such disruptive potency, like the iTunes ecosystem. If we use (a) we can stop right here, but what would be the point of that?

Perhaps the best definition for a 'new' business model for the purpose of this chapter is (b): a business model that has not been used before in a particular industry, or at least is not the norm in that industry. This is a little disappointing because I'd like to uncover something never before seen but the value of this definition is that it is aspirational and achievable. I also hope it will point creative businesses in a fruitful direction.

When you distil business down to its commercial essence you can only transact in a very limited number of ways. My fellow CIIC Business Adviser, David Sharpe (now at MoneyPenny) and I distilled business down to six commercial models (see Table 4.1). These are not full-blown business models but they are a crucial component. A company would have to operate beyond these commercial models to claim a novel business model.

Table 4.1
The six types of commercial models

Commercial Model	Definition	Type of Asset
1 Maker	Create and sell	Product
2 Trader	Buy and sell	Product
3 Licensor	Create and exploit	Asset
4 Landlord	Acquire and exploit	Asset
5 Doer	Perform a service	Skill
6 Provider	Sell someone else's service	Skill

© David Sharpe and Tony Shannon

How then do we decide if a business model has not been used in an industry before? I think a good rule is to be sceptical about claims of 'newness'. Here is how businessman Fred E Baer promotes his media business, Ghost Writers Bureau, as quoted in Vladimir Pozner's book *The Disunited States:*

> Experienced writers at your service.
> Articles, reports, important statements,
> speeches, very special letters,
> literary assistance, drafting and research.
> *We write, YOU sign.*

Baer charges a rate per word,

> between one and a half to six cents a word. It depends on the kind of work they're asking for. If research is required, we ask for more. If it's a simple welcome speech or a few flourishes over a fresh grave, we ask the minimum.

Ghost Writers Bureau sounds typical of the new business model thinking that is popping up as the print media shake-out continues and journalists look for new ways to make a living. However, this ad appeared in 1936 and the frosted-glass door to the office at 17 East 49th Street, New York City, is probably long closed.

A 21st century version can be found at the SoHo offices of Contently, which David Carr noted, in his November 2013 article in *The New York Times*, 'Marrying companies and content', as 'a hot little company…which grew out of the TechStars incubator program in New York' and 'has raised $2.3 million in financing'. Contently might be stroking the business zeitgeist but, when it comes to new business models, Ghost Writers Bureau beat them by almost 80 years.

Rather than obsess about the provenance or novelty of a business model it is better to think about which business model and which new ways of doing business will attract and satisfy your current and future customers. The main function of a business model is, when the dust settles, to find a competitive advantage or value proposition to outpoint your competitors. So searching outside your immediate business environment, where your competitors might not be looking, is a good strategy.

The main function of a business model is to find a competitive advantage. So searching outside your immediate business environment, where your competitors might not be looking, is a good strategy.

Lizzie Pogson – Junction Dam, Bogong Village 2013. Pogson's practice involves the collection and abstraction of field recordings. From Bogong Centre for Sound Culture. Photo: Aksana Hugo Anastas.

Are Australia's creative industries businesses adopting new business models?
The short answer, from what I've seen, is 'no'. But proving the non-existence of something—in this case, new business models in the Australian creative industries—is nearly impossible and certainly beyond the constraints of this chapter. I don't want you to trust me blindly, but I am prepared to stake my six years looking against your appalled outrage when I say they aren't.

There are new enablers for businesses to sell their wares such as digital delivery and micro payments and there is an apparent rise in sharing over owning. Doing business is faster, business is more global, business is smaller, often operating entirely on your mobile phone, and business is easier to start. Businesses are forming alliances, collaborating and sharing. However, I think it is an overstatement to say the creative industries are ripe with businesses employing fundamentally new ways of doing business.

There is a caveat. It is possible, that, as a Business Adviser, I was not looking in the right places. The CIIC assisted companies with three years of trading history and a minimum turnover of one million dollars. This distorted the business advisers' view because, I believe, companies that fit this profile are not the ones where new or alternative business models are likely to be tested and rolled out. It may well be that new or alternative business models are being explored by younger companies in the creative industries with less to lose or a greater appetite for risk.

For example, one of my final clients was a music label buffeted by the winds of change sweeping through the music industry. Rather than looking to skewer new business models the owners were devising new services that exploited their strengths. I suspect this was partly because they were a mature business with income and employees to protect.

Then…as I left my final review session, one of the younger staff members showed me an app he and his mates were developing outside of the client company (I can't reveal anything about it but it was impressive). And, lo, it used a new commercial model to generate income based on harvesting big data from users; plus some in-app purchasing and some freemium action on the side.

Does it matter that Australia's creative industries are not a hotbed of business model innovation?
The short answer is 'yes … but'. That 'but' is that there are more pressing issues around fundamental business practice that business managers should address ahead of trying to rewire their business model. Fine-tuning business practice will be more beneficial to a business than obsessing about chasing down the latest business model fashion. The following observations are drawn from my six years of business advising.

Lift your business management expertise

Creative industries business people often come to business from creative practice rather than business practice. This makes them passionate creators but business can leave them cold. It is seen as being about numbers and money. Dreary. The fact that business is actually about people (customers) and stories (marketing) gets overlooked. This could be rectified through business education, mentoring or tutoring that is crafted specifically for creative industries business people. These same people should also be encouraged to apply their creative minds to the business of business. This might just give birth to some exciting new ways of doing business.

Improve your understanding of your numbers

I don't think a business's numbers are the windows on the soul of a business like some consultants and boffins think. But a business owner that has a rudimentary understanding of their profit and loss statement, cost of goods, cost of acquisition, balance sheet, equity and sundry metrics has a better chance of making a commercial success of a business than one who doesn't.

Overcome your lack of access to capital

With some notable exceptions, many creative business people don't understand the language of money and many money people don't understand the language of creativity. So they are cut off from the opportunities the other offers. I find this more surprising for the money people as they are missing out on some great asset classes (as they would call them) to invest in. What did an early investment in *Crocodile Dundee* turn into? A business that turns an idea into a product that can be duplicated digitally millions of times at little extra cost must be a bean counter's dream. This communication disconnect is not the only blockage in the flow of capital to creative industries but it might be the easiest to overcome.

IP and your appetite for risk

Creatives use mountains of their risk quotient in their creative endeavours, leaving little for commercial risk. This has anecdotal merit to explain their aversion to commercial risk but it is more likely that creative industries companies do not have the bank balance necessary to accept a risky IP-based business model where they fund the revenue-gap until the money arrives (if it ever does). Instead they opt for the safer haven of a cash now, fee-for-service model. Like Gerard Huerta, who—as described by Jesse Fink in *The Youngs* (2013)—created the logo for the band AC/DC in 1977 and received a one-off commission fee but no royalties.

As one of my CIIC business adviser colleagues, Anthony Merrilees, commented in a recent interview with Lisa Andersen:

> Part of the problem with industrial designers is actually in the fee-for-service business model and in their own business models. There are limitations there. They've established an industry norm of simply giving away their valuable intellectual property—their designs—on a fee-for-service basis.

Baer, of the Ghost Writers Bureau, articulated clearly the fear of such opportunities:

> So one day a very rich man asked me over to say he had an idea for a novel... [he] intended to set aside a percentage of his future sales to pay us with. You can't do business that way.

Put the market first and your product second

Too often creative people start a business with a product, often created in a peculiar personal style. Their preferred art or craft might be a t-shirt print, clothing design, pottery piece, game, app, blog, novel, song or film. There is a belief that 'if I like it there must be other people who do too', and, by inference, 'those people will buy it'. When thinking about starting a business in the creative industries, ask yourself: is there a market for what I'm doing; what particular problem am I solving for customers; what reason am I giving people to give me money? As Harvard Business School's Clayton Christensen said in his 2011 University of Phoenix lecture 'Market disruption and online learning', 'ask what job is my product being hired to do'.

Then ask yourself if you are prepared to adapt, rework, rewrite, refashion, restyle or overhaul your creative output to match the market and to make a sale?

Even the creative genius, Vincent Van Gogh, who sold almost none of his works in his lifetime, admitted occasionally to the need for a more commercial approach. In their 2012 book *Van Gogh: The Life*, Steven Naifeh and Gregory White Smith offer the following exchange between Van Gogh and his art dealer brother Theo. When Theo suggested Vincent 'make saleable art', Vincent responded, 'to work for the market is in my opinion not exactly the right way'. Obsessing on your creation makes it difficult to face the market front on or to consider more saleable alternatives. Better to discern a market and then create products for customers in that market.

Hobbies aren't businesses

Too many creatives want to turn their creative joy into a commercial enterprise, (often at the well-intentioned but misguided prompting of a loved one). Please, if you're thinking about starting a business in the creative industries that will plunder your creative heart, ask yourself this first: 'do I want to destroy my personal connection with my hobby/passion/craft/creative outlet with the day to day grime and grind of money, employees, customers and sales?'

In summary: identify a market; create something for that market; sell it for commercial gain; and run a well-oiled business machine. That will work no matter which business model you choose. Simple, really. Except while you're marvelling at your sweetly tuned operation, the business world swirling around you is changing and no business, especially in the creative industries, is an island. No business can afford to stand still because a business that is not busy being reborn is busy dying. This means there is a commercial imperative (well beyond the siren call of superficial business catch-phrases) to seek out a new way of doing business. You must find or create a business model that can maintain, build upon or deliver a true competitive advantage.

One of the biggest of the trends affecting the way creative industries do business is the rise of the consumer. There are opportunities for business within this trend and perils in ignoring it. This trend—seen in Threadless, every YouTube video, every crowdfunded film and each pair of design-your-own sneakers—is reshaping, democratising, the way business is transacted in the difficult teenage years of the 21st century.

Consumers have always been powerful, picking and choosing with whom they do business and, to some extent, on what basis they do business. However, we are now seeing consumers getting more deeply involved in business than ever before. They are becoming collaborators (look at Shoes of Prey) and competitors (see AirBnB and Uber). They are producers competing for wallets and eyes through platforms such as RedBubble, Instagram, Periscope, Medium and YouTube or via their own websites. They are entertaining themselves and others, often for free and often without the traditional middlemen whose (former) business was to connect creator and customer.

Consumers are demanding service flexibility tailored to their preferences; like watching what used to be called television when and how they want to rather than at a single scheduled time. This is affecting both the producers and distributors of content. It is also the impetus for the emergence of the ex-journalist turned blogger turned self-made publisher.

Even the rise of 'creative entrepreneurialism' and 'start-up culture' can be seen as part of this trend. In these movements we see the ultimate consumer revolt: no one is making it or doing like I want so I'll a start my own business and do it myself.

The rise of the consumer is being driven by consumers' willingness to air and share their creations publicly, to demand input into your products or services and all facilitated by the emergence of platforms and services that have democratised input, access and distribution. In the physical world the rise of 3D printing has allowed physical designers to create short run (down to one unit) and personalised mass products that are printed at home or via bureau services.

Savvy businesses are adapting their business models to exploit this new paradigm and new businesses are starting up to take advantage specifically of a world of new opportunities. See the proliferation of subscription-based streaming services being launched by traditional television stations or specialist new entrants. For creative industries businesses, thinking about markets and consumers, as both collaborators and customers, is more important than ever. And that might be the best reason there is to implement a new business model; or, better still, dream up a novel business model and prove me wrong.

Well, that and one other reason: the more things stay the same, the more things change.

The music industry is a classic and popular example. Their product, a song, has remained largely the same but the business model behind the song has been in constant change. Since Richard Branson's Virgin Records released Mike Oldfield's *Tubular Bells* as a vinyl record in 1973, to pick a seminal date, the business of music has been under evolutionary siege: vinyl sold in records shops; mail order record clubs; CDs sold through CD shops; MTV and the rise of the music video; CDs sold online; digital downloads; Napster and legit and illegit file sharing services; Myspace; bands offering their music on a pay-what-you-feel download basis; the iTunes ecosystem and pick 'n' pack your own album; songs pumped through TV commercials; songs licensed into programme soundtracks; get the song for free but buy the t-shirt; forget recorded music sales, merchandise and ticket sales rule the waves; bands dropping their new album straight into your mobile device; YouTube channels; and subscription services like Spotify.

My point here is that if the product you're selling has not changed and is not changing, then you must look elsewhere to build a competitive advantage. That advantage is most likely to come from business model innovation and the winners will be those companies whose model most closely services the newly empowered customers of the 21st century.

Business models have one function—to maintain a competitive advantage by creating additional value for customers. And, frankly, I don't care whether your business model is old or new, borrowed or stolen. Just don't stop searching.

02

Geoff Robinson – Sound map field study, Pretty Valley, Bogong High Plains 2013. From Bogong Centre for Sound Culture. Photo: Geoff Robinson.

THE CREATIVE WORKFORCE AND VALUE CREATION FOR GROWTH

Section two examines the importance of creative industries as an enabling sector and skills set for innovation and growth in other industries.

Behind the scenes on location with Headlines Productions (Coffs Harbour), who work nationally and internationally creating content for television and online. Photo: Russel Pell.

The creative fulcrum

Where, how and why the creative workforce is growing

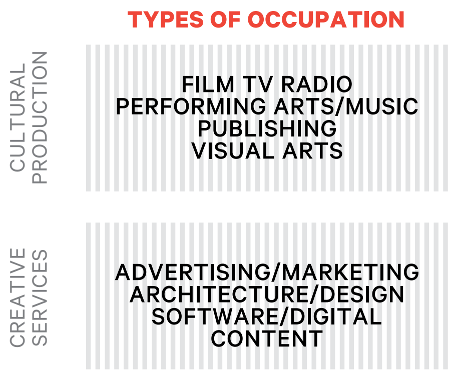
// Greg Hearn

Contrary to the view that the creative workforce is shrinking, a decade of detailed research by the ARC Centre of Excellence for Creative Industries and Innovation (CCI) shows that the number of workers in creative occupations is growing strongly, and that these workers are spread right across the whole economy. Furthermore, these occupations can be thought of as a 'creative fulcrum' for innovations that leverage competitiveness in all sectors, and create positive job spirals that stimulate opportunities for many other occupation categories.

A taxonomy of creative work

The industry segments that are generally agreed to define the creative industries are architecture, design and visual arts; music and the performing arts; film, radio and television; writing and publishing; advertising and marketing; and software and digital content. High-level categories of creative *occupations* also use these descriptors, but the Australian and New Zealand Standard Classification of Occupations (ANZSCO) provides many more fine-grained occupational descriptions. Table 5.1 at the end of this chapter shows these more detailed descriptions of creative occupations to provide a richer picture of which occupations we are talking about here. These detailed occupations also allow us disaggregate and track economic activity recorded in industry segments. Conversely, aggregating up, these creative occupations can be segmented into two groups: cultural production occupations and creative services occupations (see Figure 5.1). Cultural production occupations are concerned with producing cultural goods for consumers; whilst creative services occupations typically provide services to other companies.

Figure 5.1
CCI taxonomy of cultural production and creative service occupations



However, all the occupations in these categories are not solely found in the creative industries; they are also deployed across *all* industry sectors, often creating new services and products, as Stuart Cunningham and Peter Higgs observed in their article, 'Measuring Creative Employment: Implications for Innovation Policy' (2009). As CCI research has shown, there is an increasingly large number of creative workers *embedded* in industries beyond the core creative industries, for example, in manufacturing, health, banking and mining.

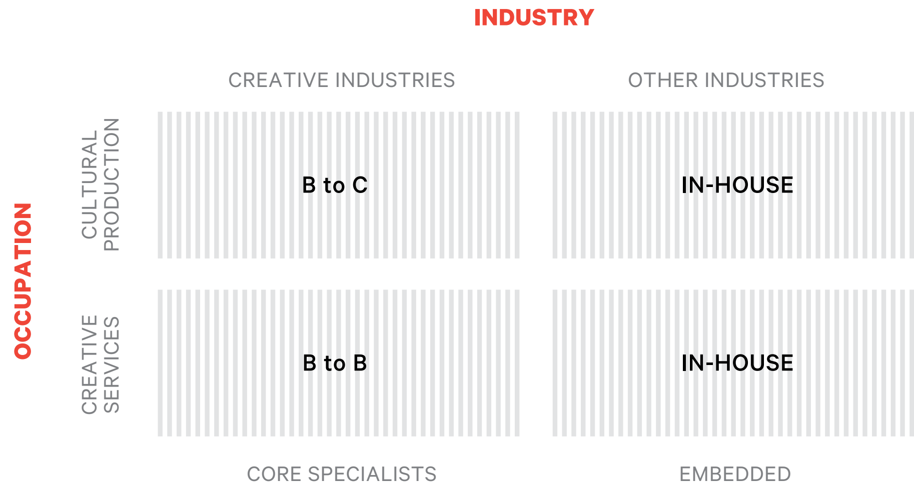
A 2009 New Zealand study by Grant Andrews, John Yeabsley and Peter Higgs found that the number of creatives employed varies a lot by industry sector. It ranged from less than 1 per cent in agriculture, accommodation and transport services, through to over 4 per cent in wholesale trade, financial and insurance services, public administration and utilities. Ben Goldsmith, in his work on embedded digital

creativities, found that in Australia the finance industry was the largest employer of creative digital workers. Hence the term 'creative fulcrum' in the title of this chapter. Creative workers make great films and come up with amazing designs. But when this creativity is leveraged in other industry sectors, the impact for growth in creative employment more than doubles. According to Enrico Moretti in his book *The New Geography of Jobs* (2012), as these other sectors become more innovative and globally competitive, the impact on support/services jobs for the creative class is a five to one multiplier.

From CCI research we know creative occupations reside in one of four sectors of a *creative workforce quadrant* (see Figure 5.2). Cultural production jobs in the creative industries are primarily concerned with creating cultural consumption for the end consumer (B to C). Creative services firms typically involve business-to-business (B to B) contracting in design, marketing or digital content. The deployment of creative occupations in other sectors of the economy is primarily to provide in-house creative functions, or perhaps, manage or source these functions from external providers.

Figure 5.2
The creative workforce quadrant

(Source: CCI)



By comparing 2006 and 2011 ANZSCO Australian data for this taxonomy (Figure 5.3), we are able to tell a story both about the size of the workforce in these segments as well as how rapidly it has been growing. As can be seen, creative occupations are growing at a notable rate for the country as a whole (see also Bernard Salt's article 'The great barista shift tells workforce story', *The Australian*, April 4 2013). By far, the largest segment of creative occupations comprises creative service workers embedded in other industry sectors. This segment of the creative workforce has been growing, on average, at 2.5 per cent per year throughout the 2006–2011 timeframe.

Employees in creative occupations within creative services companies are the second biggest in size (at 92,205) and are growing fastest at an annual average of 4.5 per cent. The cultural production workforce, contrary to some accounts, also grew to 56,779, at a rate of 2.7 per cent per year. In the final segment of the creative workforce quadrant are cultural production workers employed in other industry sectors. This segment is comparatively small, but still represents about 10 per cent of creative jobs and has been stable throughout this census period. About 30 per cent of employment in this category comes from occupations involved in publishing specialist knowledge for particular industries, such as health or agriculture. Artist educators are another category of occupation in this group.

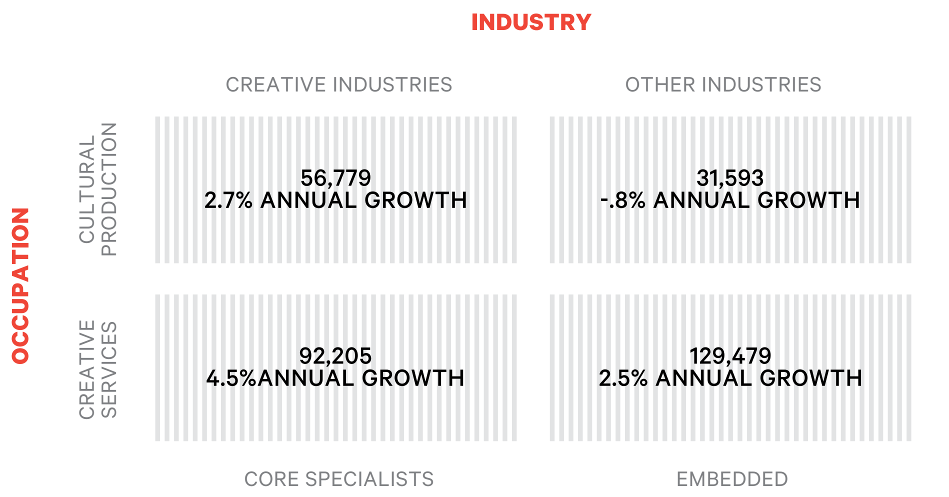


Figure 5.3
Size (2011) and per annum growth rates (2006–2011) of workers in creative occupations in the creative workforce quadrant

(Source: CCI/ABS)

A creative workforce of nearly 300,000 is a significant contribution to national employment when compared with the Australian Bureau of Statistics (ABS) top 10 categories of employment (Table 5.2). Granted, we are referring to a more general categorisation, but surprisingly, there are more creative workers than nurses, truck drivers, accountants and primary school teachers. At a similar level of aggregation, the 57,000 cultural production workers in the creative industries are a larger cohort than the 53,000 general practitioners. Moreover, the largest category of workers in Australia—which is not included in the creative workforce quadrant—comprises around 511,000 retail sales assistants, many of whom quite explicitly work at the coalface of cultural consumption. This includes retailers in fashion, luxury goods and, arguably, any product or service for which style, experience, brand or cultural expression is a component of the service. If these workers were included, the size of the creative workforce might in fact be much larger. With retailing rapidly digitising, the occupation of retail assistant will need to adapt or become extinct. More

involvement with digital content or the cultural experience of products could see new categories of work evolve that are part of the creative economy workforce.

Table 5.2
The 10 most numerous occupations in Australia

(Source: Australian Jobs 2013)

Sales Assistants	511,000
Nurses	241,000
Managers Retail	227,000
Clerks general	216,000
Receptionists	190,000
Truck drivers	184,000
Accountants	169,000
Commercial cleaners	167,000
Primary School teachers	155,000
Accounting clerks	155,000

Note: The data in Table 5.2 is from November 2012, but is of the same order of magnitude as 2011 census data.

In addition to the size of the employment categories in the quadrant, we can make some comment on their growth rates from 2006 to 2011. Creative jobs have displayed a growth rate of 2.5 to 4.5 per cent per year in the three main quadrants of the creative workforce. Although this is not the strongest category of employment growth in Australia, it is still notable, especially if support workers in creative firms are also considered. While creative employment grew, a number of important employment categories declined in Australia within the same timeframe, such as manufacturing. In addition, many of the fastest growing occupations outside of creative employment were in low-paid services work.

For example, in 2013, in his article in *The Australian*, demographer Bernard Salt describes Australia's employment change during this period as 'the great barista shift', pointing out that approximately 8000 metal engineering process workers disappeared, but 13,000 baristas materialised. In general, industrial jobs have declined, while clerical, caring and managing jobs have increased. Those industrial jobs lost were higher paid and male dominated compared with the newer services jobs, which tend to be part-time and female dominated. Significantly, the occupation that increased most in the period in question was that of a carer, with an increase of 31,000 workers. This is almost the exact number of creative services jobs created across the economy. However, it could be argued that creative services jobs are more integrated with innovation in the economy and, thus, more important economically than either baristas or carers. In fact, the

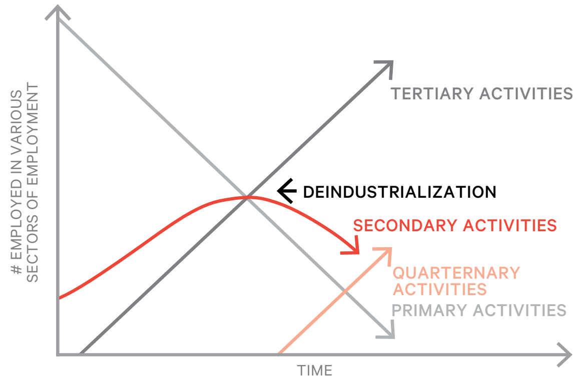


Figure 5.4
The Four-Sector Model of the Economy

evolving transitions of the Australian workforce are really a textbook case of the decrease of employment in agriculture and manufacturing, and the increase of services (tertiary activities) and the quaternary or knowledge sector, including media and culture (Figure 5.4)

Nevertheless, as noted in the 2012 federal government report *Smarter Manufacturing for a Smarter Australia*, deploying creatives in traditional sectors has the potential to slow the job decline in manufacturing, for example, through trends such as:

- blurred boundaries between manufacturing and service solutions
- transition from mass production to mass customisation
- personalisation of products and services
- transformative opportunities in digital manufacturing.

Equally, there are opportunities to value-add in the agricultural sector.

Describing the four quadrants
Over and above the numerical realities of the creative workforce quadrants, it is important to consider what is actually going on in each one (Figure 5.5).

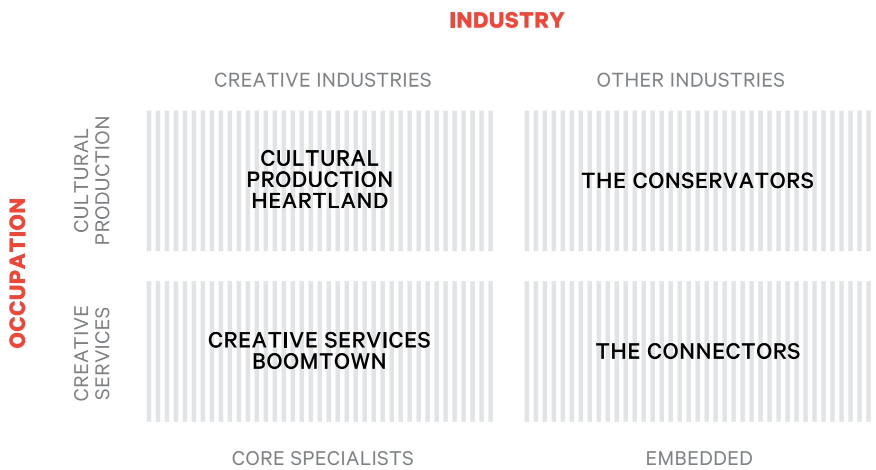


Figure 5.5
Creating a narrative of the creative workforce quadrant

Figure 5.5 encapsulates the following narrative sketches:

1. Cultural Production Heartland

- Undergoing digital transformation in skills and structure of employing companies: digitalising of traditional professions is the dominant contributor to this growth
- Source of training in core disciplines
- Traditional oversupply of employee entrants—therefore casual employee/volunteer/intern issues
- Questions of precarity often raised and some evidence for this
- A range of factors compensate for wage differentials

2. Creative Services Boomtown

- Mainly small or medium enterprises
- Growth of digital advertising is a strong example
- This sector may be subject to cyclical trends in outsourcing, which are in turn related to competitive pressures in both the labour market for creatives as well as pressure on costs in a sector
- Focus on creative processes more than embedded processes
- Less evidence of precarity (but claims are sometimes made)

3. The Connectors

- Embedded creatives connect the creative professions to the more powerful sectors of the economy
- Also connect main sectors of the economy to creative resources
- May manage or broker creative services
- Demand for creative content on company websites is spurring in-house content producers, even whole news services in some sectors (such as financial sector and finance news)
- In addition to creative domain knowledge, this requires abilities in connecting the creative process to commercial outcomes such as product enhancement and business models.

4. The Conservators

- At first glance, a puzzling category, but these have real creative job content and are not a case of creatives working as waiters
- Publishing occupations are the most common category (30 per cent of total) and they perform a conserving and documenting role for many sectors
- Artist educators replicate and create knowledge in the community and shore up the educational pipeline of creatives
- Some surprising conjunctions are found, such as sculptors in construction, and research is needed to better describe this work, for example, five per cent of this category is coded as 'Artists not elsewhere categorised'.

Creative workers have three important roles: to offer points of difference that add value; to recognise and have an appetite for new things; and to enhance the generic absorption of creativity throughout companies.

Carly Vidal-Wallace from Glitter and Dance (Brisbane), who supply dance fabric across Australia including to the Australian Ballet Company. Photo: Glitter and Dance.

So what?
Why are the three main quadrants of the creative workforce growing so strongly? Urban studies theorist Richard Florida's highly criticised, and admittedly flawed theory of creative-class driven economic development, nevertheless, drew attention to the possibility that occupation codes—his measure of talent—might usefully be used as an input for predicting regional, in particular city, productivity. Underlying this was a belief that *the creative class* do something fundamentally transformative in the workplace.

A 2014 study by Jose Lobo, Charlotta Mellander, Kerin Stolarick and Deborah Strumsky finds evidence for why this might be. They set out to investigate the impact of inventiveness (patents) and education on regional productivity. However, they also included measures of the density of creative occupations in their model to examine the effect of creativity. Their results showed no relationship between inventiveness and productivity except through the moderating variable of technology, specifically technology concentration and diversity. Furthermore, they argue that 'the most effective measure of regional inventive capacity, in terms of its effect on technology, productivity, and productivity growth is the share of the workforce engaged in creative activities'. They posit that it is the ability of an economy not to invent, but to deploy and adapt, that is essential to productivity. Creative workers therefore have three important roles:

- to offer points of difference that add value
- to recognise and have an appetite for new things
- to enhance the generic absorption of creativity throughout companies.

Enrica Moretti's work on employment growth in the US presents a compatible picture. He shows that employment growth is related to 'brain hub' cities and these have a higher concentration of the creative class. Moreover, every creative-class worker generates five services workers' jobs in that hub.

This empirical picture is consonant with the view of innovation proposed by Stuart Cunningham, Jason Potts and their colleagues in various publications. They argue for a move away from thinking only of the creative industries—narrowly defined—towards thinking of the creative economy as a set of innovation-enhancing processes involved in all industry sectors.

In their contribution to *The Handbook of Management and Creativity* (2014), Greg Hearn and Ruth Bridgstock set out to explain why firms in all industries employ embedded creatives. They suggested that the resource-based view of firm competitiveness should be considered as an explanation. Jay Barney's classical resource-based view suggests that competitiveness hinges on resources, such as physical resources, intangible intellectual property (IP) and inimitable knowledge. To be competitive, resources should be:

- valuable
- rare
- inimitable
- non-substitutable.

Ram Mudambi explained in 2008 that these creative resources and capacities are found both at the beginning of the value chain, in the form of R&D activities, including design; and through other forms of IP, such as creative copyrights, brands and sophisticated marketing systems at the consumer end of the value chain.

Given equal capital and tangible resources, firms seek to add scarcity and inimitability through the design of new intangible IP, as well as trademarking novel aesthetics in brand and packaging, which increase perceptions of value. For example, Gernot Grabher's 2002 study of advertising agencies found an ecology that was driven by the imperative to produce unique and novel original solutions to problems. Another approach undertaken by Hearn and Bridgstock to explain why embedded creatives were employed was to review studies of outsourcing versus insourcing of creative services. Again, they found evidence that these decisions were affected by the competitive pressures that firms faced, as well as the nature of the task in terms of its demand for high-quality, novel solutions versus more pedestrian solutions.

Human capital theory shows how both core creative capabilities and industry relevance can be measured directly by wages, and that wages can be used as a measure of how valuable or productive a worker is to an organisation. Human capital research often partitions forms of human capital into task-specific, occupation-specific and industry-specific human capital. In 2008 and 2009 Gueorgui Kambourov and Iourii Manovskii made a case for the importance of 'occupation-specific human capital'. They demonstrated that approximately five years of occupational tenure accounts for as much as a 20 per cent increase in wages, and moreover, that tenure with a particular employer does not add much to this. The expertise gained within a person's occupation is empirically linked to how productive s/he is. For some occupations, like truck drivers, industry context is irrelevant to this effect. Other studies, such as that by Paul Sullivan, show that in some professional occupations *both* industry and occupation have an effect on wages. This research is very relevant to the quadrant of creative work presented in this paper (see Figure 5.3) and has implications for understanding career trajectories among the quadrants, as well as growth in the different quadrants. This is a critical finding for the idea of an *embedded creative*. For *embedded* workers, it is not solely their professional knowledge as a graphic designer or writer that matters; what also counts is their ability to apply it to the particular sector they work within.

Such findings suggest that much more attention needs to be paid to all four quadrants of creative work through descriptive accounts of the work and working conditions. This is not just because there are superficial differences across the quadrants (which there are). Rather, it is because the innovation dynamic and, hence, the precise reasons and mechanisms for engaging creative work, and the types of human capital involved, such as task, occupation and industry, are likely to be different in each case.

As I and my co-authors argue in *Creative Work Beyond the Creative Industries: Innovation Education and Employment* (2014):

> ...the context, conditions, contributions and education of creative labour cannot be fully understood by only referring to the cultural production sector....[and]....the dynamics of innovation in contemporary economies cannot be understood as deriving only from science and technology, but rather must include an understanding of the role played by those creative occupations that are engaged industrially.

Conclusion

The CCI was established with two simple policy objectives. One was to assess anecdotal and boosterish claims about the growth rates of the creative industries in Australia, and hence, to measure the size of the creative industries' contribution to gross domestic product (GDP). The other objective was to ascertain the contribution of the creative industries to employment. Preliminary research detailed by Stuart Cunningham and Peter Higgs in 2009 showed that the existing industrial classifications did not incorporate the terminology of the creative industries, nor did they disaggregate new categories of digital work such as making video games. However, it was discovered that occupational codes provided a much more fine-grained account of work, which enabled us to disaggregate and track economic activity that corresponded to creative industries terminology. Thus, we were able to track creative occupations right across the economy. This led to the surprising discovery that there were more creatives employed outside the creative industries than in it. Like information technology, creativity is an enabler in all sectors.

Our early research was often used by advocates of the creative sector, and worldwide there have been many attempts to support and develop the creative industries as a way of boosting jobs and GDP. The quadrant in Figure 5.3 shows that this effort has not been misplaced: even jobs in the cultural production heartland, often thought to be shrinking, are in fact growing slowly, and the creative services sector is seeing faster jobs growth than many employment categories. But growth rates are not everything: size matters too. In this regard, we should look to embedded occupations in other industry sectors as the next reframe for creative industries policy. Embedded occupations are great jobs for creatives, but, in addition, the employing organisations are great partners for creatives to have. In contrast with the creative business micro-sector, employers in non-creative industries are often large and stable organisations with deep pockets. As long as creatives continue to add value for such companies, the companies will be willing partners in the further development of creative sector jobs.

Acknowledgement

This chapter has been adapted and developed with permission from Greg Hearn (2014), 'Creative Occupations as Knowledge Practices: Innovation and Precarity in the Creative Economy', *Journal of Cultural Science*, vol 7(1), Facing the Future 97.

Table 5.1
The selection of creative occupations by sectors under the ANZSCO classification scheme

(Adapted from: Andrews, Yeabsley, & Higgs 2009)

Creative segment	Creative occupation ANZSCO
Architecture, design and visual arts	Architect
	Architectural draftsperson
	Landscape architect
	Urban and regional planner
	Fashion designer
	Industrial designer
	Graphic designer
	Interior designer
	Photographer
	Painter (visual arts)
	Jeweller
Music and performing arts	Musician (instrumental)
	Singer
	Arts administrator or manager
	Actor
	Dancer or choreographer
	Entertainer or variety artist
	Actors, dancers and other entertainers (NEC)*
	Make up artist
	Light technician
	Sound technician
	Performing arts technicians (NEC)
Film, radio and television	Media producer (excluding video)
	Radio presenter
	Television presenter
	Television journalist
	Director (film, television, radio or stage)
	Art director (film, television or stage)
	Technical director
	Film and video editor
	Film, television, radio and stage directors (NEC)
	Camera operator (film, television or video)
	Production assistant (film, television, radio or stage)

Creative segment	Creative occupation ANZSCO
Writing and publishing	Author
	Book or script editor
	Proof reader
	Print Journalist
	Technical writer
	Journalists and other writers (NEC)
	Newspaper or periodical editor
	Librarian
	Library technician
	Library assistant
Advertising and marketing	Advertising and public relations manager
	Copywriter
	Marketing specialist
	Advertising specialist
Software and digital content	Web designer
	Web developer
	ICT business analyst
	Systems analyst
	Analyst programmer
	Developer programmer
	Software engineer
	Software and applications programmers (NEC)
	ICT quality assurance engineer
	ICT systems test engineer
	Web administrator

* 'Not elsewhere classified'

Rebirth (2015), by Tanya Dyhin (Sydney), synthetic flowers and PVC, 80 x 60 x 60cm at the Redlands Konica Minolta Art Prize. Dyhin's practice spans photomedia, sculpture and installation. Photo: Tanya Dyhin.

The Posy (2012). Vase design by Nicholas Karlovasitis and Sarah Gibson for DesignByThem (Sydney). Photo: DesignByThem.

UP–Close
InfaSecure

User-centering design and manufacturing

// Barbara Messer

The world's first baby capsule was invented in Australia in 1982, yet as is the case with many local inventions, market leadership was soon lost to multinational competitors.

Three decades on, a fourth-generation family business with a 60-year history is bringing the design, development and manufacturing of nursery products and child restraints back to Australia.

InfaSecure has been selling baby products since the 1950s, including child restraints from the 1990s. When Infa Products and Secure Child Restraints merged in 2007, it created the largest child restraint company in Australia.

Despite the merger's success, InfaSecure continued to face intense competition from global brands. It recognised an opportunity to develop child restraints specifically to meet Australian safety standards, and began to ramp up its research and development capabilities at its Emu Plains headquarters in Sydney.

Around the same time, InfaSecure became one of the first companies to sign up for the CIIC's Design Integration Program (DIP) pilot in 2011, a one-year trial that brought designers and manufacturers together in South Australia and New South Wales with the goal of helping manufacturers to be more competitive.

With the help of Mark Stewart, CIIC Business Adviser, InfaSecure interrogated its business structure and agreed there were areas where it could work smarter. It then began working with Mark Armstrong, Creative Director at industrial design consultancy Blue Sky Design Group, who helped create a business model centred on design and innovation.

Four years down the track, InfaSecure is launching several products every year and is even investing in extending local manufacturing capabilities, with new operations opening in 2016.

Whereas InfaSecure once viewed stringent Australian safety standards as a barrier to product development, it now recognises the export value of producing child restraints with the highest safety standards in the world. After bringing high-value design, R&D and manufacturing together in Australia, InfaSecure now has its sights set on international markets.

What were the first steps you took after embarking on the DIP pilot?
Matt Horsfall, InfaSecure Director: For the first nine months, we spent a lot of time with Mark Stewart talking about everything from our company positioning to our logo. We dug deep into who we are, what we really do and why we are the best at it. We also learned the importance of communication—we are an Australian family-owned business, but we never really communicated that. Now we let everyone know exactly who we are and what we are doing. Confirming our vision, values and purpose has put the ship sailing in the right direction.

Derek Wainohu, Product Engineering Manager: We weren't expecting those aspects of our business to be put under the microscope, and we couldn't always see the logic behind the business processes we were being introduced to. We thought, 'Why are they asking about our objectives? Why are they looking at our company structure? Shouldn't we be sinking our teeth straight into design?' It wasn't until we began working with Mark Armstrong as our design mentor that we thought, 'Ah ha!'. We realised you've got to sit down and look at what you've been doing before you can begin to put theory into practice.

You used to target distributors and retailers but recently shifted your focus to include end users. Why?
DW: We conducted our first study of the competitive landscape and recognised an opportunity to differentiate InfaSecure through user-centred design and brand marketing.

MH: We began holding focus groups to find out what our consumers need, which led to a very real change in our marketing and product design. Shifting our focus to the parents who buy child restraints and baby products has been one of the best moves we have made.

DW: Our Facebook interactions now far exceed those of our competitors, and our social media strategy has played a big role in changing perceptions of the InfaSecure brand. It also enables our consumers to have input into design and development of products that they need.

Once you knew more about what your customers wanted, how did you go about designing new products?
DW: Mark Armstrong took us by the hand and showed us how to implement design and development procedures; not only within our design and engineering team but across the business. We realised how necessary it is for all departments to work together. Instead of our design workshop giving finished products to the marketing team to sell, we now have all departments sitting together at design development meetings.

MH: Our design area is an open forum so everyone can see the work that's going on at a very early stage of development. That flows through the rest of the company—everyone is going that extra mile because they can see what we're creating. We are now launching several new products every year. Last year we designed, developed and launched many products, including the first Type G child restraint in Australia, the Evolve. We also previously released the first untethered Folding Booster in Australia, which is now Australia's most popular child restraint model.

Were there any risks involved in your transition to being a design-focussed business?
DW: It has been a huge investment for the company. We have hired engineers, industrial designers, graphic artists, and marketing executives. We now employ a number of in-store brand advocates at retail level, and we're doing all our website and digital marketing in-house. We are spending in excess of $500,000 annually on testing products alone, and there are costs associated with maintaining our current production while investing in new products.

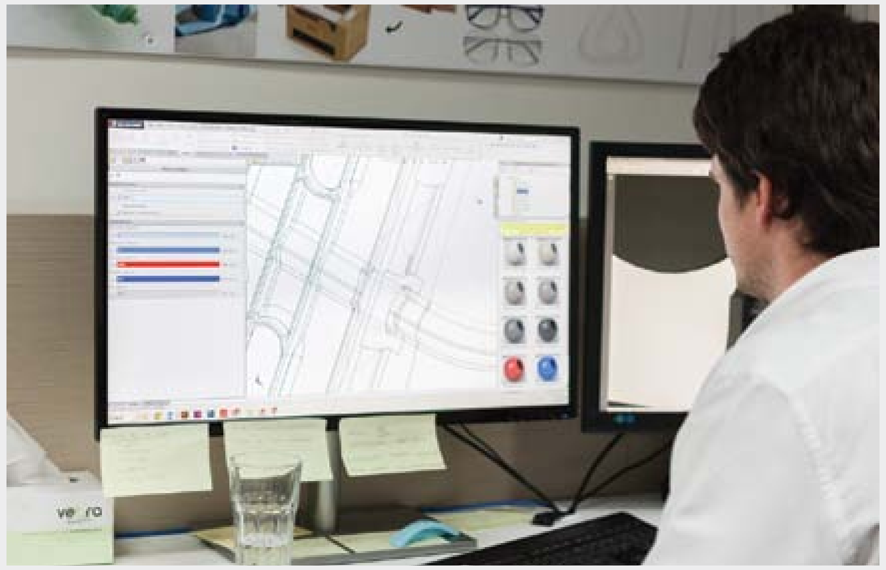
MH: While the R&D investment represents a large financial commitment, one benefit has been that we are doing things smarter now. Across the board, we're being more efficient, more effective and more productive, which helps offset the risks involved.

Why are you investing in local manufacturing capabilities?
MH: We have always been known for delivering a high quality, affordable product. We're now in direct competition with large, multinational manufacturers selling in Australia, which is one reason we are looking to bring an element of our manufacturing back home to Australia. We'll be able to better control the process to ensure we continue to offer affordable, quality products.

DW: We will continue to produce products overseas, in addition to extending our local manufacturing capabilities. We plan on having this operating in 2016.

InfaSecure (Sydney) child restraint, specifically designed to meet Australian safety standards. Photo: InfaSecure.

Digital design and innovation at InfaSecure (Sydney), who specialise in nursery products and child restraints. Photo: InfaSecure.



How do you benefit from your strategic partnership with the University of Western Sydney (UWS)?
MH: Mark Armstrong helped us form a mentoring relationship with Industrial Design Honours students at UWS. We have mentored eight students since 2013, and employed three, which has made a big impact on our design capabilities.

DW: UWS has produced a number of papers with the help of InfaSecure, which further demonstrates our commitment to research and development.

Have you grown your share of market?
DW: We have gone from having a small percentage of market share of the Australian market for child restraints, to having a reasonably equal share with the two biggest multinationals.

MH: We are on track to achieving ISO 9001 accreditation as a manufacturer, which will help our plans to extend our Australian manufacturing capabilities. We are growing as a business. Distributors and external consultants see InfaSecure as an innovative company, and our professionalism has increased overall. Now, it's clear how far we've moved forward.

What lessons were learnt in the process of undertaking the DIP pilot?
DW: I think the hardest thing has been to maintain what you're doing and not slip back into old systems or cut corners. We also learned you don't have to be first to market. It is more important to bring out a product that people need rather than a 'me too' product, even if it takes time to get those products right.

What's next?
MH: We have a very strong focus on the Australian market and new product development. Plans are also underway for increased export in 2016; we are already the number one brand in New Zealand and will commence export to other regions next year.

Kramer Electronics exhibition stand by Focus Productions Pty Ltd (Brisbane). Photo: Focus Productions.

Mentors, catalysts and provocateurs

The changing role for designers in the shift to design integrated business

// Sam Bucolo

Designers are key to enabling Australian companies to transform and compete through the process of design-led innovation. Beyond the development of new products and services, and the creation of graphics and communications, there is an untapped role for designers to work with industry at a strategic level as either 'catalysts' or 'mentors' to embed design-led innovation practices. This chapter examines this opportunity, outlines the capabilities of emerging design roles and considers the potential impact on the broader professional discipline of design.

VALUE

Design continuously evolves to reflect the changing needs of its clients, which, in turn, are influenced by the changing nature of the broader economy and social challenges of the day. When I completed my industrial design degree in the late 1980s, the focus was on ensuring I could support a thriving manufacturing economy through the design and development of products and systems. As a designer, I was the 'voice of the customer' who was able to translate this viewpoint into well-resolved product details for execution via the production process. This seems a world away from today's issues!

But even early on in my career I realised business clients did not fully appreciate what I had to offer. I constantly felt I was working on the 'wrong' product brief and therefore was not providing value for my clients or customers. This could have been disheartening, and, in fact, at first I did think it was my fault as a designer. But I came to realise that there was something much more complex at play—different communication styles, different cultures and, crucially, different understandings of the role of design in business.

The briefs I received restricted design to a narrowly defined role around a product or service or user experience. The potential of design to play a role in strategy was poorly understood—by business and designers—leaving design largely excluded from the key conversations occurring within business, be they about management, operations, strategy or productivity. This realisation sparked what has become for me a long-term engagement with the field of design thinking and design-led innovation, as a means to build capability and competitiveness in business.

While still relatively new as a concept in Australia, there is increasing international expertise in the theory and practice behind design-led innovation with solid evidence to support its potential for business. The work of the Danish Design Council, UK Design Council, Design Management Institute (USA) and the SEE Platform (EU) demonstrate how design can play a significant role in supporting business at a strategic level. Influential programs include New Zealand's Better by Design, the UK Design Council's Design Leadership program and the Design 2 Innovate program in Denmark. Programs are shaped by their local context—the New Zealand program is export-driven, for example, while the UK program is built around the need to reinvigorate their manufacturing base—but all use design as a *process* by which companies can improve their capacity to innovate, differentiate themselves and thereby compete as leaders globally. This understanding sees design as much more than a 'tail end' activity—it can be integral to a company's viability and long-term success. As the UK Design Council noted in their report, *The Impact of Design on Stock Market Performance* (2004), 'Design is a critical component of business performance...[T]he business case for design needs to be made with increasing confidence and precision'.

In Australia, design-led innovation is beginning to gain traction, and a number of pilot programs have been launched. These include Ulysses in Queensland, the Design Integration Program, which is part of the federally funded Entrepreneurs' Infrastructure Programme (discussed elsewhere in this book), and the South Australian government's Customer Led Innovation program. Most work with small and medium-sized enterprises (SMEs), predominantly manufacturing ones, but they are by no means limited to this sector.

To better understand how these programs can assist business, the manufacturing sector will be used throughout this chapter as the focus. As with many developed economies, Australia's manufacturing sector is struggling. In their 2012 discussion paper, *Australia's Manufacturing Future*, Roy Green and Göran Roos note that Australian manufacturers are facing multiple pressures, including a high Australian dollar, structural changes and highly competitive local and global markets. The heyday of manufacturing in Australia occurred during the 20th century, when protectionist policies helped foster a vibrant sector, in which manufacturing did everything: saw a problem, solved it, and manufactured the solution. But these conditions also allowed for a culture of complacency, poor management skills and a lack of attention to innovation and productivity growth (Green and Roos, 2012). Now, in the face of multiple changes and challenges, many firms are not surviving. As Craig Milne highlighted in 2010, 'Manufacturing in Australia: Does it have a future?', as a sector, manufacturing accounts now for only 10 per cent of national GDP, down from a high of 29 per cent in the late 1950s.

In response to these challenges, a lot of manufacturers have spent the past few decades focusing on efficiencies and squeezing more out of less. However, the long-term utility of this strategy is questionable. In 2014, the *Sydney Morning Herald* reported on research by Deutsche Bank in an article, 'Can companies keep cutting their way to profit?'. This research found that while cutting costs has been a 'buffer for companies struggling to generate revenue growth', efficiency programs alone won't be enough. 'With little sign of a top-line acceleration, the fear is the earnings recovery could fizzle out.'

This chapter presents design-led innovation as a structured process that can lead to that essential 'top-line acceleration'. It involves the adoption of design thinking as a management mindset that can transform creative ideas into tangible products, services, systems and business models. Design thinking is a very different approach to traditional business thinking in which the focus of the leader is to have the answers and there can only be one 'right' answer to a problem. With design thinking, instead of stripping away variables, multiple concepts are explored in parallel, involving repeated questioning and challenging in order to truly understand the root causes of a problem. Before looking for solutions, design thinking seeks to understand and correctly frame the problem.

Many Australian manufacturers are now at that point: before they can apply their technical capabilities to respond to a problem, they need to first ensure they properly understand the nature of the problem. It's for this reason that design has so much to offer business, for these are precisely the questions a designer asks at the start of every brief: What is the core problem for your business that we wish to address? What is the problem we are trying to solve for your customer that your business responds to?

By providing a detailed overview of what design thinking and design-led innovation entails, this chapter demonstrates the potential for business to use design as a strategic and whole-of-system approach to capability building and long-term growth. In particular, this chapter focuses on the potential impact of design-led innovation on designers. There is an untapped gap in the market for designers to step up and take on crucial roles—what I call 'design catalyst' and 'design mentor' roles. In my research and practice, I have observed that much of the value for companies participating in various design integration programs comes from their ongoing relationship with the designer. Here, the designer takes on a task fundamentally different to that of a product designer, requiring both ability and will. I discuss this in detail below, but first—what do I mean by 'design thinking' and 'design-led innovation'?

Design-led innovation as a process for transforming business

Traditionally, productivity in advanced economies has been driven by technological change and innovation embodied in capital equipment. Recent evidence suggests that business needs to equally consider non-technological innovation (Green and Roos, 2014), which could include design and branding, new business models and production methods, systems integration and the firm's absorptive capacity, as well as the development of high performance work organisation and management capabilities. To do this will require a new leadership mindset and model of innovation, both of which are grounded in design practices. Broadly speaking there are three different models of design which I will refer to in the chapter:

Design thinking: Much has been written on this topic, but the key point as it applies to this chapter is that it refers to whole-of-organisation thinking. For design thinking to be embedded, a particular cultural mindset is required. Few companies use a whole-of-organisation approach, and this phase of integrating design is about working with companies to help them understand the value of changing their way of thinking.

Design-led innovation: This is the process of change that embeds a customer-centric view of the world. It starts with saying, Who is the customer? What's the actual need or cause behind the problem? How do we design the company strategy to align to that common problem? Design-led innovation includes the application and testing of these ideas through a series of tools and interventions with the involvement of a design mentor facilitating change.

Design integration: This is the end game, where the whole business is aligned around an identified customer-centric purpose. Strategy, systems, products and services are integrated; the company has been well designed.

Part of adopting a customer-centric design approach is that a business is constantly envisioning a different future in order to disrupt itself. Similarly, the process described above involves strategic transformation that is deliberately disruptive. There is phase in the middle of the process where nothing is particularly clear and, in fact, the designer is most likely adding more dimensions to the problem. This is one of the tools of the design-led innovation program methodology, but it is a 'messy stage', requiring effective leadership by the designer if that disruption is to be ultimately beneficial.

There are a growing number of companies, both here and internationally, that lead by design and are seeing the results of this approach. In the US, according to the 'Design Value Scorecard' created by the Design Management Institute (2013), these include companies such as Apple, Coca-Cola, Ford, Nike and Whirlpool. In Australia, in a report I undertook with Peter King and the CSIRO for the Department of Industry in 2014, 'Design for manufacturing competitiveness', 15 companies were identified as exemplars. Among these were Rossi Boots, Gourmet Garden, Enware, Sebel and Branach. Their success was explored in a workshop with over 100 Australian-based SME businesses, in order to develop a framework for a design-led business in the Australian context. This framework, described in Figure 6.1 on the following page, includes:

– an innovation focus, which ensures a business is able to articulate how it creates and captures value;

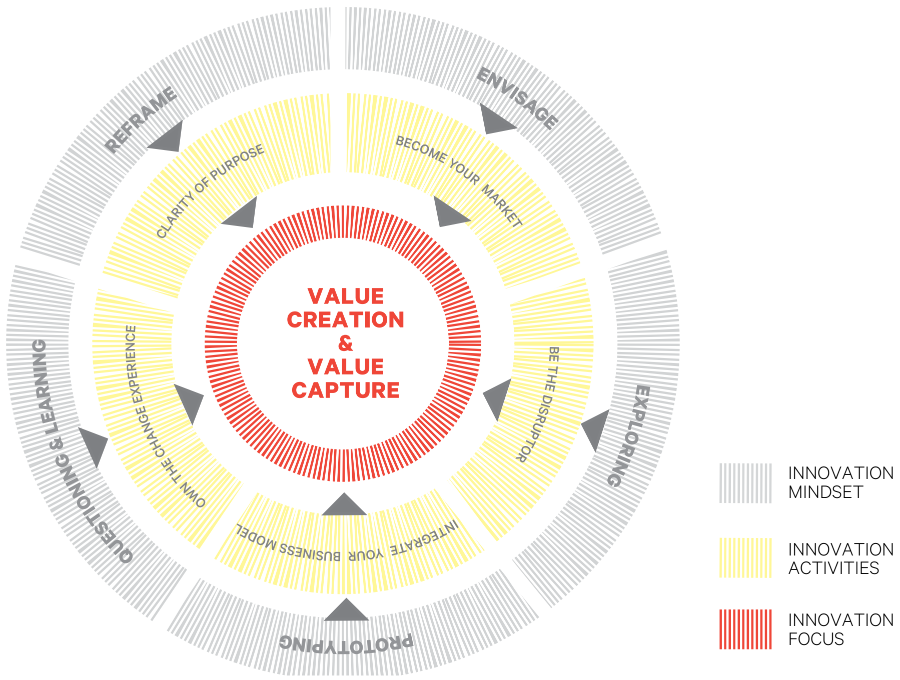
– innovation activities, which underpin all business processes within the organisation; and

– an innovation mindset, which is adopted by all members of the organisation to ensure activities are aligned with the focus.

This framework assists firms to assess or self-audit across the three dimensions of a design-led organisation. However, it does not provide a description of the *process* of transformation, or how to begin. The next section describes this journey based on the experiences I have had working with a number of companies.

Figure 6.1
Framework of a design-led business in Australia

Source: 'Design for manufacturing competitiveness', 2014

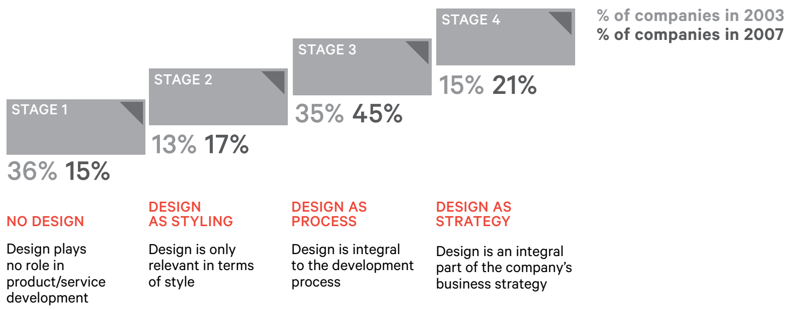


Becoming design-led

A key component of any design-led transformation is that it must be supported by senior leadership. In a SME business this is generally the CEO. The first step is to engage the CEO in examining the gaps in the company's current business model and innovation processes in order to realise the value design could bring. This includes exploring the multiple meanings of 'design' and clarification of what is meant by 'design led'. A useful starting point is the Danish Design Ladder, Figure 6.2 below.

Figure 6.2
The Design Ladder, Danish Design Centre (2007 version)

Note: shows the shift in levels of design engagement by Danish businesses between 2003 to 2007



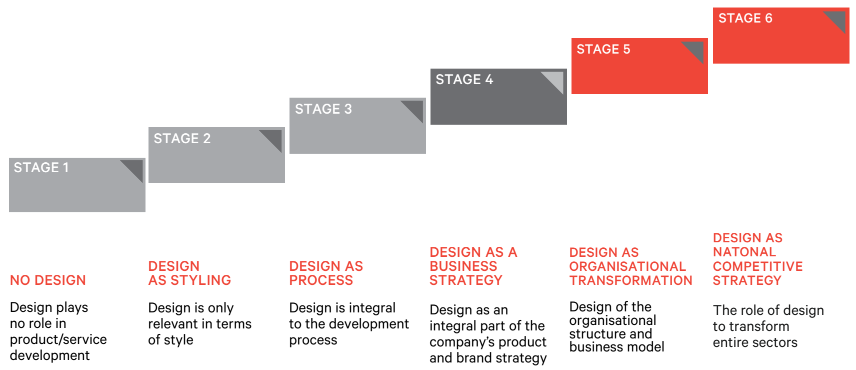
Originally developed in 2001 by the Danish Design Centre (DDC), the Design Ladder is a research tool that measures and illustrates the various ways in which design is used in Danish businesses: from 'non-design' up to 'design as a business strategy'. A business survey conducted in 2003 and repeated in 2007 revealed a significant shift in design engagement by businesses *up* the ladder. In Australia, I would argue that we need, but are yet to see, a similar shift up the steps by industry. For many businesses, their relationship with design remains on the bottom two steps with design either playing no role or used as 'styling' only. However, without more research this is difficult to fully assess.

The DDC's Design Ladder is a useful model for mapping design engagement within an organisation. CEOs are able to identify the multiple uses for design, which they may, or may not have explored, and it allows a conversation to be started on how design can add value at different levels.

The Danish Design Ladder stops at 'design as a business strategy'; and this generally refers to designing a product or brand strategy. For my work on design-led innovation, I have adapted it by adding two more steps—'design as organisational transformation' which refers to the redesign of the entire organisational structure and business model of the organisation; and 'design as national competitive strategy' which refers to the role of design to transform entire sectors to ensure a nation remains competitive and prosperous (see Figure 6.3). These two additional steps allow for a more complete description of the way in which design can work with business in completely new ways to ensure they remain competitive and prosperous.

Figure 6.3
The six step design ladder

(adapted from the DDC Design Ladder)

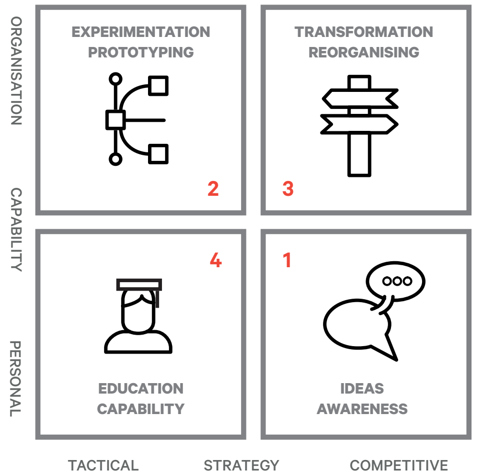


This chapter focuses primarily on Stage 5—'design as organisational transformation'—and it is difficult step to communicate initially to a CEO. When discussing the impact design can have on their business, CEOs are often dismissive, as they are unable to see how design is any different to traditional strategic planning or change-management programs. To help shift this perspective it is often necessary to engage the CEO in the experience of design rather than rely on words alone. This is best achieved through a design workshop, which assesses the business with a design lens.

These short workshops (three to six hours) can be quite intense and confrontational, as they explore the disconnect between the company's purpose and its customers, business model, products and services, and, most importantly, staff. Although these workshops are challenging for both the person (or team) delivering the session and the CEO, it is a critical first step in a company's journey to becoming design-led.

Subsequent stages are illustrated in the design-led journey matrix, Figure 6.4 below, which shows the need to grow both organisational capability and strategic thinking within a company. This framework has been developed based on insights gained by working with SMEs and supporting their adoption of design-led practices.

Figure 6.4
Design-led journey matrix



Stage 1 of the design-led journey, as described in Figure 6.4, requires a CEO to look at his or her business strategically through a design lens. This empowers them with the knowledge and understanding to drive change within their company.

Once this is achieved, stage 2 involves exposing other members of the organisation (ideally three to seven, depending on the size of the organisation) to the process of design. The focus of this stage is to build organisational capability. This is done by encouraging the group to work on a tactical challenge, which will both give them confidence in the tools and mindset of design-led innovation, and will reveal the organisational challenges design will need to overcome if it is to be successfully implemented. This critical stage of the journey John Kotter (*Leading Change*, 1996) would refer to as the formation of a 'powerful guiding coalition' within the business.

Stage 3 involves the CEO and the 'guiding coalition' applying the mindset and tools to the entire organisation as they begin to design the organisation. At this stage, as described later in the chapter, an internal 'design catalyst' role will be created to facilitate this process.

Once the design brief of the new organisation has been prototyped and the company feels confident with its direction and strategy (the output of stage 3), stage 4 proceeds with the entire organisation becoming empowered by these new design thinking skills and knowledge. At this point, external design practitioners can be engaged to extend their services to the organisation.

While this model of transformation is still being refined, I have seen it successfully applied across a range of businesses. This chapter now explores how the design community can support business on this journey, rather than wait until stage four to receive their well-constructed design briefs from a design integrated client.

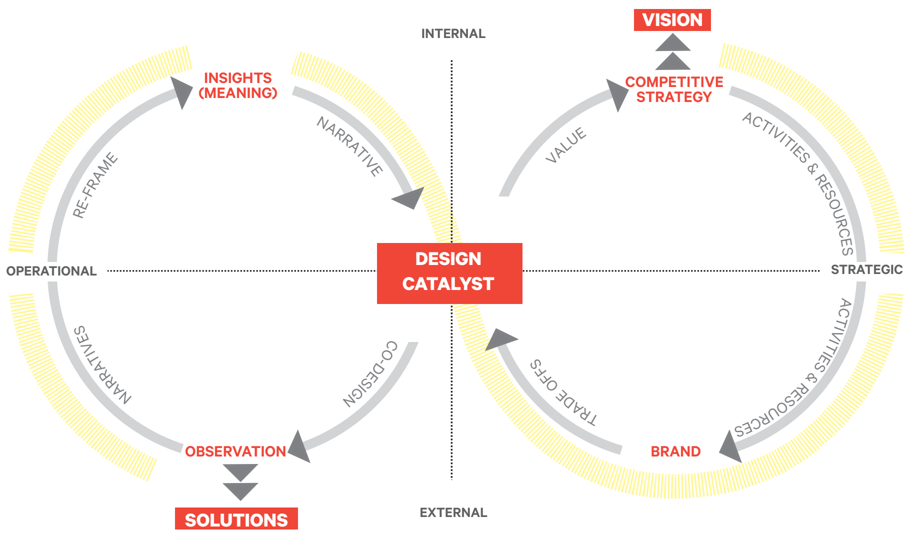
Design catalysts and mentors: The opportunity, challenges and capabilities
The following discussion develops ideas that I have written about elsewhere (see, for example, 'New organisational leadership capabilities: Transitional engineer the new designer?', 2012; and 'Innovation Practices: Creativity and design aspects of innovation', 2015, both co-authored with Cara Wrigley). This chapter furthers those ideas by teasing out what I see as two crucial roles—that of design 'catalyst' and design 'mentor'—and how those roles differ from the way in which most designers currently engage with clients.

A key point I want to stress here is that, in the first instance, designers will need to make a choice about where they want to engage with a business on the six step design ladder presented in Figure 6.3—at steps two or three, or on steps four or five? The reason for this conscious choice is because it would be quite easy to create a conflict of interest, where a designer may be providing advice around design governance (mentor role) or strategy formation (catalyst role) and strategy execution (new product development, which is where most design engagement currently sits).

When a company embarks on a design-led innovation process, they will be looking for an expert to provide trusted, objective questioning and input over the long term. Initially, this expertise may be supplied by an external design mentor, but it will soon translate into an in-house permanent position—the design catalyst.

The job description of the design catalyst is fundamentally different to that of a product or service designer. In fact, the very thing that may have got them into design in the first place—the joy of creating something tangible—won't be there. There is no adrenaline rush to be found in conversations about strategy and, in this role, the materiality is not plastics or textiles, but human resources, organisational structures and innovation processes. That does not mean to say that the skills and tools of the trade are no longer needed—quite the opposite. But now, however, the tools and theories are applied to a business, evaluating it from multiple perspectives, such as user needs, business requirements and technology demands. In the article, 'Innovation practices', with Cara Wrigley (2015), I explained it this way: 'The final design solution is not presented as an artefact in isolation but an integrated product and service concept'.

Figure 6.5
The design catalyst role



As shown in Figure 6.5, the design catalyst ensures that the operational (or tactical) and strategic ends of a business are connected to its internal and external dimensions. This role is about alignment through design. Just as a trained designer understands the value of execution and detail in a product, the design catalyst applies these same principles to the organisation itself. Therefore, they will constantly deal with contradictions and constraints within the organisation. Their role is not to lead the strategy creation process, as this is the responsibility of the CEO or Board, but to ensure that the strategy is formulated through a design lens and then executed with the same attention to detail. This is by no means an easy task—I've described the various parts of the role as also 'chief agitator' and 'disruptor'. It demands many and varied skills, including:

- **Observational skills.** Designers at their core are interested in the relationship between people and artefacts. But for design catalysts the artefact becomes secondary to actually understanding people.
- **Communication skills.** This includes the ability to slow down the design process and make the implicit explicit. Articulating what is often tacit knowledge may not appeal to many designers, but this role demands an ability to reflect on the process while working with other professionals and colleagues. Employing a process of open questioning, testing, listening and learning, can produce shared insights into and validation of the real issues in a business.
- **Collaborative skills.** All designers, if they are to be successful, must be adept at working with others and managing expectations. These core competencies are even more necessary when design increases its role within a business from project level up to management and strategy. Innovation is never created internally by one person or department—rather it is the product of an ecosystem of different stakeholders that is inherently participatory and collaborative.
- **Business understanding.** This includes the skills to capture the internal lessons achieved through the process. Essential to this are good facilitation skills and an understanding of the 'language' of business.
- **Willingness to challenge and disrupt**, rather than provide the solution: to be the 'chief agitator'.

Separate to the design catalyst is the design mentor (or 'provocateur'). This is the person I see as responsible for starting a firm on its design-led transformation journey. Their ongoing role is to objectively critique the company to ensure they are keeping true to the process. While this is likely to be someone external to the company, they will need to be highly trusted by the CEO and organisation. Being external to the business, they can—and should—help broaden the understanding or vision held within the company as it relates to the potential of design. Depending on the size of the company, design mentors may at first work with the company CEO or leadership team (described above in Figure 6.4 at stage 1 and stage 2 of the process), and later engage with the internal design catalyst (who may be a newly-hired at stage 3). From stage 3, the mentor's role is akin to providing supporting 'scaffolding' for the design catalyst.

In addition to the skills and tools required of the design catalyst, a design mentor is able to challenge a business by constantly broadening its horizons. He or she does this by:

- Providing a governance perspective on how the firm is implementing the principles of design.

- Educating and making meaningful the advantages of design-led innovation. An external mentor may be in a better position than an internal employee to navigate the cultural, political and operational practices in a company, and initiate a strategic conversation about the benefits of design.

- Increasing awareness of changes at the industry or sector level. Keeley, Walters, Pikkel and Quinn, in *Ten Types of Innovation* (2013), discuss how successful innovators analyse the patterns of innovation in their industry and then make conscious, considered choices to innovate in a different way.

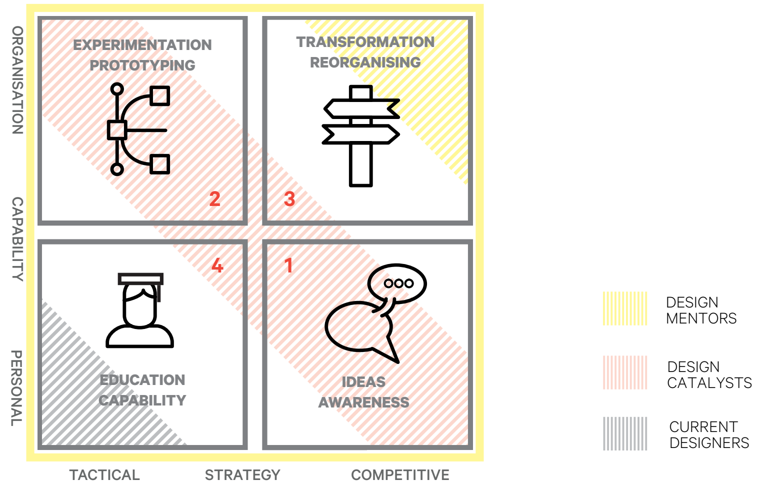
- Building an understanding of innovation more broadly, so that it is not seen as separate to or competing with other aspects of an innovation agenda (see 'Design-led innovation' by Bucolo and Wrigley, 2014).

- Exploring new (and radical) business model options.

- Bridging the gap between the 'abstract' world of research and the 'real' world of practice by acting as translators.

These emerging roles can be mapped onto the framework of adoption discussed in Figure 6.4. Now, in Figure 6.6 opposite, the design mentor remains visible throughout the entire journey but plays a critically important part in stages 1 and 2 and then has an ongoing high level strategy role. The design catalyst may be engaged from stage 1 but the role is critical from stage 3 as the firm grapples with designing its new business and then expanding this new approach to the entire organisation.

**Figure 6.6
The roles for designers in the design-led journey matrix**



For those design practitioners wishing to operate as design catalysts or design mentors, there are some fundamental things to be aware of:

- This is about long-term impact on design activity in business. The work will help a lot of other designers further down the line by transforming client companies' value propositions, leading to better design briefs and better technical research.

- Managing the transition from a fee-for-service model to offering company strategy will be risky, and not just financially. Australian industry has a limited understanding of product strategy and, even less so, company strategy.

- For external design mentors, the usual fee-for-service model will not suffice. Instead, a consultancy/partnership model is warranted, one which resembles co-investment or joint venture or remuneration aligned with business revenue growth. The pay-off will be an ongoing, strategic relationship over time where the design mentor, essentially, becomes a senior part of the company team.

Current designers will still play a critical role in a firm's journey, as the development of new products, services and artefacts will be essential for a firm to compete in a material world. However the engagement model, scope and relationship with a design led firm will need to change. In my experience firms who lead by design, will generate strong demand for traditional design services with the level of design briefs greatly enhanced. However, given the level of design maturity inside a design led company, there will be downward pressure on traditional design services as these services can be scoped from a market which is in oversupply. Therefore current designers will need to ensure their competitive position is matched to changing paradigms.

Conclusion—The ‘step up’ for the Australian design sector

The primary intention of this chapter was to help designers understand the process and intentions behind design-led innovation. Even for those who don’t see themselves working in the design catalyst or mentor roles, it’s worth developing an understanding as it’s important to realise that design integrated business clients will work differently.

For a start, in my work, I have seen a change in the quality and expectations of the client brief. Designers will see changes at the product commissioning stage. Briefs will arrive clearly defined and validated with data. For some designers—and I have certainly seen this already—this will be challenging and an intrusion on their traditional role and expertise.

Design integrated business clients will already have good strategy in place but they will want to be challenged by it at the product/service design level. These companies will have their own strategic design thinkers (the design catalyst and design mentor) amongst senior management who will test external designers a lot more. Expect, ‘Did you do that?’, ‘Can I see the prototype?’, and even, ‘Actually, I want to be part of your prototyping team’. Thus there is an opportunity to engage in a much deeper design exploration with the company, which may look like co-designing. On the downside, it may well be that, with design integrated companies doing much of the thinking internally, they will be able to approach product designers with very specific concepts. So design becomes commoditised *a la* ‘99’ Designs.

There’s an important role for the Australian design sector in providing design mentoring and design catalyst services, but, from my experience and for the reasons outlined above, probably only about 10 per cent of design firms are willing and/or have the capabilities to make this sort of transition. It is clear that acting as a design catalyst or mentor will require new knowledge, skills and recognition. As firms begin to adopt design as a driver for competiveness, we will see a critical gap in designers who are able to provide this level of expertise to firms. (And, while designers are ideally suited to these roles, others, from management, strategic planning and organisational change disciplines, also have the ability to act in these new roles, though they will need re-skilling in design thinking and design process.)

Education will need to play a larger role in supporting designers who wish to make this transition. The peak design bodies and professional bodies who represent design have a part to play to ensure this approach to design is ‘legitimised’ within all of the disciplines they represent.

Finally, while we can learn much from the experience of the leading international design-led innovation programs, here’s the catch: in framing their programs the focus was on transforming the businesses to become design integrated, but none of them recognised the necessity to invest in the design supply-side of the equation—up-skilling the mentors and catalysts. Given this, Australia’s position as a ‘laggard’ in the adoption of design-led innovation as a means to drive competitiveness, could be seen as an advantage. We can now benefit from this understanding at the outset and plan correctly framed programs in developing the ecosystem to support business transformation.

Michael Vorfeld – Light Bulb Music performance for Bogong ELECTRIC 2013, a site-specific exhibition and performance program focusing on the Kiewa Hydroelectric scheme. Photo: Aksana Hugo Anastas.

Winning by design

Integrating design into Australian manufacturing

// Adam Blake & Stuart Davis

'Design integration' takes design from being an isolated activity occurring at a product or brand development level to being a way of thinking and acting that is integrated across a company. It embeds the methods of 'design thinking' into every aspect of a business—from establishing strategy and solving problems to product development, execution and delivery to market. This chapter explores what design integration is in theory and—through the experience of the national Design Integration Program—in practice, and outlines the opportunity it represents for Australian manufacturing.

VALUE

For at least two decades the primary strategy for ensuring the sustainability of Australia's manufacturing sector in a highly-competitive global marketplace has been to discover and implement efficiency gains. However, efficiencies cannot exceed 100 per cent—so what is the next step a local company can take to truly create longevity in their business, their products and their markets? To compete, they need clarity of purpose, agility and creativity: qualities best realised through a sustained focus on design, in particular, 'design integration'.

Design integration takes design from being an isolated activity occurring at a product or brand development level to being a way of thinking and acting that is integrated across an entire company. It embeds the methods of 'design thinking', and world class 'design practices' into every aspect of a business—from establishing strategy and solving problems to product development, execution and delivery to market.

This chapter explores what design integration is in theory and practice, and outlines the opportunity it represents for Australian business. The discussion is based on our involvement with the Design Integration Program (DIP), established by the Creative Industries Innovation Centre (CIIC) in 2011, which worked with a variety of small and medium-sized manufacturers. The goal of the program is to help businesses transform their competitiveness through the application of design thinking and practice—to 'win by design'. It aims to do this in a number of ways: to help businesses (re)frame their purpose and vision by placing the end user of their products or services at the centre of their organisation; to increase internal innovation generation capabilities; and to identify their own clearly defined market niche. In this chapter we present the background context, including other influential national and international models, give a detailed overview of the actual program, and present some of the emerging impacts for participating companies. While still in its early stages, we are able to reflect on work that remains to be done if we are to see the program applied on a larger scale.

What does a design-integrated business look like?
In his 1988 book *The Design of Everyday Things*, Donald Norman used the term 'user-centred design' to describe a design process based around the needs and psychology of the end user; with 'usability' as a competitive edge. Later, his expanded 2005 concept of 'emotional design' included user appeal and 'pleasure' alongside usability in the application of design. While for many Australian businesses the end user is often a very distant figure, a design-integrated company can quickly answer the following questions: who are we serving, what do we know about them and have we validated our assumptions? The end users of its products or services are at the centre of all activity and the business will be deploying considerable energy, resources and will to engage with, understand, observe, build empathy with, and identify the emerging, or even latent, needs of its users. This engagement with users shapes all aspects of the business: its purpose,

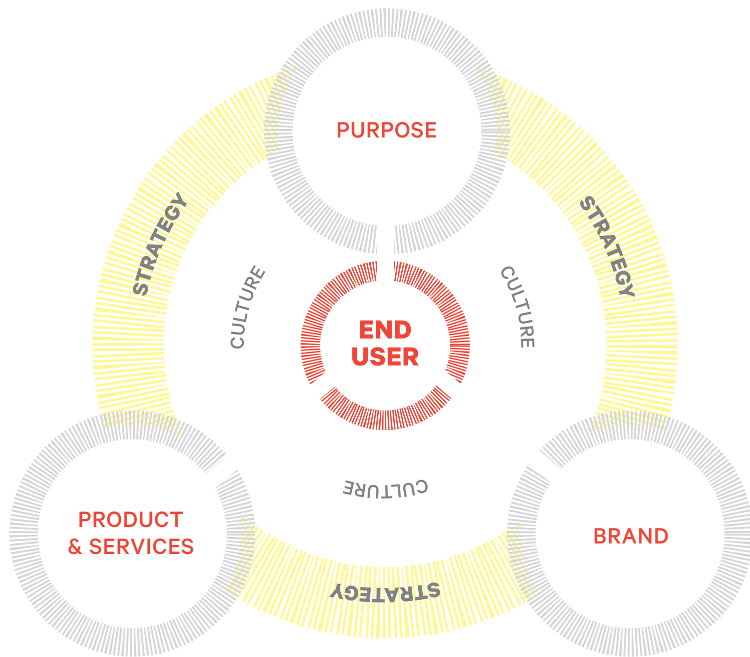
strategy, products and services, customer experience, and brand. End-user centricity is taken seriously from the factory floor right up to the boardroom and the company will match end-user insights with their own competencies to exploit unmet market niches they can then set out to 'own' by becoming world leaders in that space. This core concept of an end-user centred business is illustrated in Figure 7.1 below.

Here, the business places the end user in the centre of all that it does. It is able to align its culture and strategy to drive innovation and design practice in products and services that deliver valued experiences for its users. Ultimately it is those experiences which fuel brand value and deliver sustainable financial outcomes.

In addition to this user-centric design approach, design-integrated companies 'look up' and search outside their own four walls. As described by Roberto Verganti in his article 'Design, Meanings, and Radical Innovation: A Metamodel and a Research Agenda' (2008), design-intensive businesses pursue a 'design-driven

Figure 7.1
End-user focus of a design-integrated business

Source: Design Integration Program (2015), *Designing Your Business to Win: The Design Integration Program workbook*



innovation' strategy, which enables a manufacturer to 'anticipate' new products through accessing and internalising knowledge of 'broader changes in society, culture, and technology'. Product innovation is driven by 'a dialogue with and a modification of, the market'. From our experience in the Design Integration Program, we have seen how this practice of looking up and understanding global practice can be, by itself, transformative.

A final crucial element is that a design-integrated company aims for all key internal stakeholders to become 'design thinkers'. Peter Rowe, in his seminal 1987 book *Design Thinking*, conceptualised 'design' as a fundamental method of rational inquiry for solving problems. When applied to business, as described by Thomas Lockwood in *Design Thinking: Integrating Innovation, Customer Experience, and Brand Value* (2010), 'design thinking' is integrative and collaborative, involving 'consumers, designers, and business people'. It uses 'observation, collaboration, fast learning, visualization of ideas, rapid concept prototyping, and concurrent business analysis', which are applied to product, service, and even business design.

Further, in his *Harvard Business Review* article 'Design Thinking' (2008), Tim Brown emphasises a continuously changing relationship with technology when explaining the application of design thinking in business. He gives the following definition:

> Design thinking is…a discipline that uses the designer's sensibility and methods to match people's needs with what is technologically feasible and what a viable business strategy can convert into customer value and market opportunity.

We can thus think about design integration as encompassing two major aspects: design thinking and design practice or application. Central to both are a clear understanding of the end user and an ability to 'look up' and glean lessons from the wider marketplace. In terms of application and execution, a design-integrated company utilises a broader range of specialist design and business expertise both inside the company and external to it to ensure it delivers at the highest level. It establishes an organisational system in touch with end users/markets, and is thus capable of anticipating and responding to immediate, medium- and long-term opportunities.

The context for design integration: the decline of Australian manufacturing

Historically, Australian manufacturing has been known for its strong technical skills and production of quality goods. Since the early 1970s however, manufacturing in Australia has been in decline. According to the ABS' *Australian National Accounts*, in 2013–2014 the sector's share of gross domestic product was 6.5 per cent. In the same year, a government research paper, *Performance of manufacturing industry: A quick guide*, noted this figure is 'less than half what it was four decades earlier'. A number of factors have influenced this, including a high exchange rate and terms of trade, a small national market and changing global circumstances. Culturally, too, Australian manufacturers have found themselves a long way behind, clinging to an outdated isolationist mentality that held that consumers will buy a product purely because it was 'Made in Australia' when many products are increasingly being made just as well—if not better—in Asia, and for much less. And many Australian manufacturers also had narrow market horizons; producing products for local consumption only or for a single 'prime' in a supply chain.

Roy Green's 2009 management practices benchmarking report, *Management Matters in Australia*, identified another underlying problem for Australian manufacturing, particularly in SMEs: poor management skills and practices. Further analysis by Renuy Argarwal, Paul Brown and Roy Green in a 2014 article for the *International Journal of Production Research* showed that multinational firms in Australia have better management practices than domestic companies, and that 'family-owned and family-managed firms consistently trail behind other public and privately owned firms in their management capability'.

In 2012 the South Australian government's *Manufacturing Green Paper*, articulated this decline in global competitiveness and identified the need for local firms to 'create competitive advantage through the adoption of innovation strategies that ensure they compete on factors including business models, design, services and knowledge'. In the same year, a discussion paper prepared for the Prime Minister's Manufacturing Taskforce, *Australia's Manufacturing Future*, by Roy Green and Göran Roos, identified that the success factors for manufacturing are 'a strategic approach to innovation, emphasis on quality and design, high calibre management and workforce skills and a supportive public policy and investment environment'. It noted challenges in 'addressing [the] poor record of collaboration with research institutions, building management and innovation capability, global orientation, "knowledge networks" and competitive clusters'. Following on from this, in 2014, the Abbott government released its national *Industry Innovation and Competitiveness Agenda*, which identified 'advanced manufacturing' as a key growth sector.

It was in this context of the protracted 'crisis' of decline in manufacturing and the search for transformative management practices, that the Design Integration Program was developed and led through the CIIC in 2011.

Design thinking uses observation, collaboration, fast learning, visualization of ideas, rapid concept prototyping, and concurrent business analysis, applied to product, service, and even business design.

Flip Reel, 2014 by Squiddies for Tiller Design (Sydney), an Australian industrial design consultancy. Photo: Tiller Design.

The Design Integration Program

The origins of this program date back to 2009, when the CIIC was considering how it could use a strengths-based approach to support the creative industries. In particular, the centre sought the means by which it could leverage the attributes or skills residing in creative businesses—and which could have a multiplier effect in other industries—with its strategic desire to positively engage with Australian manufacturing.

The CIIC program is not the only one of its kind in Australia. State governments have also invested in design-led innovation programs including the Ulysses program in Queensland, Design Victoria's Design Demand and Design Integration programs, and South Australia's Design and Business Model Innovation program. Other critical influences on the program's early thinking came from international quarters, most especially the Design Leadership Program from the UK Design Centre, which focuses, as its name suggests, on the leadership capacity of companies, and New Zealand's Better by Design, a successful program that has been integrated into the country's mainstream economic development policy. Germany's 'Mittelstand' phenomenon of medium-sized, multi-generational family-owned businesses, which invest heavily in family management skills and long-term market leadership, has also been an important source of reference.

In Europe, the importance of design as a key discipline and activity to bring ideas to the market, has been recognised within the European Union's 2010 I^{3}S innovation strategy as Commitment 19-B for 'European design leadership', which included establishing the European Design Innovation Initiative in 2011 to 'bring together stakeholders with an interest in integrating and mainstreaming design thinking into innovation related policies, support and projects'.

In 2011, the CIIC launched the DIP pilot program, licensing the delivery model from Equip, a New Zealand consultancy whose principals were integral to the development and delivery of Better by Design. The pilot program was developed as a partnership between the Commonwealth Government (through the CIIC); the NSW and South Australian governments; and peak bodies, the Design Institute of Australia and AGDA. The delivery was provided by two state-based teams who each worked with three manufacturing companies. The DIP pilot program was developed and led by the CIIC's Director of Partnerships and Programs, and co-author of this chapter, Adam Blake. The NSW team consisted of Mark Stewart (Department of Industry, Business Adviser), John Davidson (Department of Industry, Business Adviser) and Mark Armstrong (consulting industrial designer). The South Australian team included Stuart Davis (Department of Industry, Business Adviser, and co-author of this chapter), Phil Ransome (Department of Industry, Business Adviser) and Andrew Whittaker (consulting industrial designer).

As a result of the success of the pilot program, the federal government approved the continuation and embedding of the program within its SME business support programs. It now sits within the Entrepreneurs' Infrastructure Programme, and has been slowly scaling up as a national offering. As such, it has over time been increasing its internal (government advisers/facilitators) and external (private sector experts) resource capacity.

While this chapter focuses on the DIP's engagement with manufacturing firms, design integration is an opportunity for companies in any sector with the potential and ambition to be a market leader. Other businesses who have participated in the program to date have come from the ICT, food processing, architecture, fashion and mining sectors. What many of the participants have had in common is that they are medium-sized, family-owned and family-managed firms. Characteristically, these companies have been around for some time and place great importance on creating a 'long lasting' business for the next and future generations. Values and purpose are important to them. In our experience, the moment of generational handover is often the time for transformation in these companies, particularly as regards management practices and capabilities. The new generation often have a stronger attachment to brand than to the notion of 'Made in Australia'; and they are also more likely to have a global outlook. They also don't want to be the generation that 'breaks' the company, but they are asking, how am I going to take this company to the next level?

The DIP process

Since its inception, 16 businesses have participated in the two year program and more than 90 companies have participated in introductory design-thinking workshops. The two-year program is not a trivial undertaking: it is an intensive process and it involves various stages.

Stage One: Selection and introductory workshop

When a company is referred to the DIP, the first step is an initial, exploratory meeting, usually just with the CEO. From the DIP's perspective, 'suitable' companies meet the following criteria: they have specialised skills and knowledge that can be built upon; a leadership team that is willing and open to new ideas and challenges; a genuine commitment to design integration, as well as the financial resources to pursue such a strategy; and a product or service with a clear 'line of sight' to the end user. This last point is essential, and its absence generally means the company and program will not be appropriate for each other.

The CEO is introduced to other companies who have been through the program or who are exemplars of design-led businesses, to further add to their understanding of what the outcomes may be for their business.

An introductory workshop follows, facilitated by the Design Integration Facilitators. Present from the company is its leadership team and key personnel involved in product design, brand and marketing, production and quality management. Here, the design integration concept is introduced, a detailed outline of the program provided, and case studies presented. This workshop also serves as a communication tool for the CEO to help explain to the wider organisation what they are embarking on and why.

Stage Two: Discovery

Once a company makes the decision to participate, a two to three day design integration audit—called a Discovery Workshop—is conducted by two Facilitators, selected on suitability to the firm, and sometimes supported by an external designer, with the full leadership team plus key staff from across the company. An open question format is used, designed to be inclusive and elicit the knowledge and perspectives on the business from this broad spectrum of employees.

The intention of our questioning is to apply a 'design integration lens' to the company, by examining it in four core areas: culture, strategy, brand and product.

Facilitated questions include:

- What is the predominant culture and behaviour of the business and how do you do business?
- What is your strategy, where are you trying to compete, and who do you think you're competing against?
- What is your company story, and how do people experience that?
- What is the product, and what is your ability to execute that at a high level?

An important, and distinct, element of the audit is its visual nature. Typically, the client's boardroom is taken over to create a 'design vault', displaying post-it notes of data collected, good practice case studies, photographs of process, and the company's products. This pop-up design studio creates a space and narrative where people from the company can see design methods in action and experience an approach to problem-solving that is very different to the usual.

On the final day, findings from the audit are presented to validate assumptions and incorporate feedback. The finalised report outlines the approach needed for embedding design integration in the company, and identifies the opportunities that might arise from this. The client is encouraged to create a permanent design studio-like space; be it on half a wall or an entire room. In our experience, the impact on people's attitudes and behaviour from communicating and using the physical environment in this way can't be underestimated. It also sends a clear signal to all employees that the business will be working in different ways.

Stage Three: Implementation and mentoring
In this stage, the Design Integration Facilitators are available for up to two years to mentor the company's leadership team as they integrate design thinking and practices into the strategy and operations of the business. Businesses are also assisted to identify suitable design mentor(s), with expertise in product design, brand and change management. This is critical to support the business-building internal design capability and processes. The combination of business and design mentoring concurrently ensures that the design thinking and practices are deeply integrated into business operations and management, and the transformation is more likely to be sustained. We have found this dual approach to be critical to success when working with SMEs.

The DIP Facilitators also provide guidance to the leadership team on using frameworks and tools such as Alexander Osterwalder and Yves Pigneur's 'Business Model Canvas' (2010), and Alan Lafley and Roger Martin's 'Integrated Cascade of Choices' (2013), to help in these efforts. The Facilitators also broker contact with program alumni and other exemplars in design integration.

Finally, and most importantly, the management team are encouraged to get out of the office and engage with end users and customers. As one of our alumni, CEO Michael Henry put it 'design integration is stretching our thinking at every level of the business and changing our relationship with all our stakeholders. We are leaving behind a view of ourselves as a traditional manufacturer and moving into a position where we are involved and control every touch point beyond the factory gate'.

Impact and development of the program
While the Australian DIP program is only now at a stage suitable for impact evaluation, we can discuss it in terms of our observations and client feedback. Rather than offer solutions, the DIP program helps make clear to a company what is possible, and then supports that business to take action to achieve long-term goals. From our observations, a reliable early indicator that a business has successfully engaged with the DIP is the confidence to act differently. Nearly every participating company has invested to address gaps in design-led expertise and capability. Manufacturers who have never before employed or worked with an industrial designer now see the value of that capability.

In addition, we have seen participants begin to recognise the value of investing in and partnering with research to help them deliver innovation at a world class level. InfaSecure, for example, one of the first companies to participate in the program, has now established a strategic partnership with a local university. This has resulted in 13 students receiving on-the-job mentoring (leading to employment for three and improved design capabilities for the company) and the publication of research papers with input from InfaSecure. (For more on InfaSecure's DIP journey, see their 'UP-close' case study earlier in the book). Other participating companies have also established innovation partnerships with universities. Two alumni have engaged service design experts to help them engage their end users to gain valuable insights while two other alumni have contracted world-class brand strategists and marketing experts to completely reposition their brand higher up the value chain.

The DIP team are continually investigating different approaches. For example, the South Australian government's Design Led Innovation program, delivered by Professor Sam Bucolo, works with companies in a one-to-many workshop format. One benefit of this method is that a network of participating companies is immediately created. However, it tends to mean that only one or two people per company participate, who then carry a greater responsibility to translate what they have learned back into their business. With the DIP's in-house model, a cross-section of a business' staff are able to participate and see for themselves how design thinking and integration aligns with their jobs. In addition, because the DIP process takes place *in camera*, companies are often more willing to expose their inner workings, warts and all. Facilitated by the DIP team, discussions can involve dissent and debate—a process we highlight to companies as an effective method for producing insights and outcomes.

Recognising the value of the one-to-many approach, in 2014, the DIP team developed two one day introductory workshops, 'How to make things that people like' and 'Good service is more than a smile'. These workshops introduce companies to customer-centricity and design integration, for both products and service based companies, as well identifying potential candidates for the DIP.

To further increase accessibility, we have broken down the DIP program into different modules, which can be undertaken separately. Our recent DIP workbook, *Designing Your Business to Win* (2015), underpins this modular approach. This suite of models and offerings now enables companies to engage with Design Integration in a variety of ways and intensities. This will assist our mission to scale up participation.

The role for designers in design integration programs
It would seem logical that there is a real opportunity here for the design industry, and we have certainly seen that manufacturers need ongoing support. However, the requirements of this sort of external expertise are complex and are interconnected with other aspects of business such as strategy, leadership, culture, finance and operations.

Sam Bucolo's chapter in this book deals with this issue in greater detail, but from the DIP's experience there are three capabilities that a design business needs in order to assist a non-creative company to integrate design. Firstly, do they have the ability and willingness to coach others, rather than design a solution to a brief? Many designers find this challenging. Secondly, do they have the knowledge to work at a strategic and cultural level within a company in another sector? For example, if working with manufacturing SMEs, there would need to be a real understanding of the sector, the requirements of production, the markets, and operating constraints on companies. Thirdly, do they have a business model and structure that allows them to operate in a way that is different to the usual 'fee-for-service' transactional relationship. Design integration clients are long-term, high-risk—but also potentially high-reward—and would be more suited to some sort of a shared risk–reward arrangement.

Conclusion: Next steps

It is still early days for the take up of design integration by Australian business, and, based on the experience of the DIP since 2011, there are some clear challenges to address before industry and government understand and resource the opportunity inherent in design integration in the same way as operational improvement and efficiency based programs such as 'Lean' have been seen since the 1990s. Below are our thoughts on what remains to be done.

Communications

Barriers for mainstreaming design integration include the need to promote a greater awareness and understanding of the concept and opportunity here for Australian business, and to better broadcast the local success stories which we are just starting to gather. At the individual business level we need to understand how to present the value proposition of design integration in the context of a solution to the business' most significant pains and gains.

Scaling up

While scaling up the program is obviously desirable, a too-rapid increase in industry demand for design integration processes would expose the shortfall in available local design integration expertise. The DIP's 2013 Design Integration Summit aimed to map existing expertise by bringing together design thinking and design integration practitioners from across Australia, but the reality is that, at the moment, there are very few people who have sufficient experience and expertise to do this sort of work.

Since starting, we have grown a deeper understanding of the best methods for building capacity in the facilitation and mentoring roles. The best approach still seems to involve shadow learning, where new mentors-facilitators watch and learn from more experienced mentors-facilitators. This is understandably resource intensive.

In response to this constraint, Mark Armstrong, a leading Australian industrial designer and DIP design mentor, has developed a program of university student internships with

DIP participant companies. Here, young designers are trained in the design integration process within the participating company and, as a result, start their working life understanding design thinking as a method for driving business competitiveness. But this internship model only works well when a leading design integration mentor, such as Mark Armstrong, has strong links with universities and can act as the student-intern supervisor.

Trust in the design method and internal capabilities

Almost all companies who have completed the DIP have wanted to maintain an ongoing relationship with their design mentor past the formal two year program. This tells us that we still have work to do to more rapidly or intensively coach businesses to a point where they trust design as a method—and their own internal capabilities—rather than the work of a particular designer.

Alumni engagement

DIP and other design program alumni have now reached a critical mass in Australia where we can bring companies together for peer-to-peer learning and networking. In 2014, we organised for the CEOs of some DIP participating companies to visit some inspirational New Zealand companies, and for Tasmanian clients to visit some exemplary South Australian companies. There is huge value in this sort of knowledge transfer and network formation. There is also a valuable 'lighthouse' effect these DIP alumni, role models for transformation and global competitiveness back to their peers and industries. This is something we will seek to properly resource and exploit in the future.

Peak industry engagement

Industry peak bodies can play a number of roles: they can be part of developing the necessary delivery and training structures; validate the value of design-integrated businesses; and contribute to the thinking about what mix of business and design skills are needed to build design integration capacity nationally.

If we are going to continue to scale up—and that's the plan—then we need to find ways to address the above gaps and challenges. The limitations in current models and resourcing are clear when you consider that the number of clients supported through state and commonwealth government funded design integration and innovation programs over the last five or so years is not enough to even make a dent on our national economy or industry competitiveness. However, while we should strive to scale up, the rigorous focus on companies that can most profit from DIP should be maintained. The potential and commitment of a company to own a global niche must remain central, as therein lies the transformative power of design integration.

Acknowledgement

We would like to thank Lisa Andersen and Margaret Malone for their contribution to this chapter.

On stage with *Pete the Sheep*, a 2014 musical based on Jackie French and Bruce Whatley's quintessentially Australian picture book, presented by Monkey Baa Theatre Company (Sydney). Photo: Heidrun Lohr.

Mixing Australia's mining 'know how' and interactive media industries
An opportunity?

// Sonya Henderson Edbrooke

Australia has an international reputation for 'know how' in mining and exporting our ores is big business. But, while computers and computer applications are endemic in the local mining industry, there is some evidence that the sector's uptake of more recent advances in data visualisation, virtual reality and 3D simulation technologies has been intermittent. This chapter aims to make this gap more visible and argues that much more could be done to see stronger and more innovative partnerships between industry, digital developers and universities in the co-creation of world class sim/viz products for the global mining sector.

VALUE

Virtual reality, 3D simulation, data visualisation, gamification, computer-based training and e-learning are just some of the digital technologies that have revolutionised the way work is done across the economy. This includes areas as diverse as industry training and education, logistics and transport, prototyping, remote guidance and piloting, and medical training. The US and Europe have led the way, integrating these technologies into defence, business and industry as far back as the late 1980s. In Australia, too, as the equipment needed to run virtual reality systems has become more affordable, the telecommunications, financial, medical, education and some areas of the mining sector have begun to take advantage of the opportunities inherent in these technologies.

Undoubtedly, use of computers and computer applications is endemic in the local mining industry from the largest mining operation right down to relatively small mines. In a recent interview, Ed Malone, a consultant with the Australian mineral industry for over 25 years, noted some of the myriad ways the sector uses digital technologies:

> Three dimensional representations of ore body distributions based on drill hole data exist as computer models which can be investigated from any direction and used in the calculation of reserves, planning of mining operations and monitoring of actual operations. Most large mining equipment and haulage trucks are monitored on central computers with the aid of radio connections, GPS location data, operator inputs and weight and movement sensors, which permit calculation of ore tonnage delivered to stockpiles and waste delivered to appropriate waste dumps. The concentrator plants which extract the valuable elements from the ore are controlled by expert systems that monitor the performance of major items of equipment and the nature of the ore stream as it passes through the crushing and grinding stages and the flotation stages, as saleable product is separated from the tailings. Coal mining and iron ore mining operations are just as computer intensive. The burden of product transport, particularly of iron ore operations, is leading to the development of completely computerised, driverless trains.

This chapter considers Australia's mining sector and its uptake of more recent advances in digital technologies, specifically 3D simulation and visualisation technologies (hereafter, sim/viz). The mining sector would appear to be the perfect candidate for extensive use of these technologies, due to the inherently risky nature of the work. Sim/viz is ideal for safety training, disaster recovery, decision-making and productivity improvements, among other applications.

Here I will describe some ways in which the Australian mining sector currently utilises sim/viz technologies to its advantage, but will argue that much more could be done to see stronger and more innovative partnerships between industry, research and digital developers. I'll also ask: to what degree are these sectors able to communicate effectively with each other? What pathways and intermediaries exist, or could be needed to expand the sector's uptake of sim/viz technologies?

The importance of more successfully exploiting and expanding our creative industries input into non-creative sectors are manifold. In the mining sector, it impacts on profitability, worker safety and productivity, national economic fortunes, and export capacity. Likewise, for the export-orientated Australian games and sim/viz companies, there are obvious benefits to working in new sectors—particularly at times of a high Australian dollar, the contraction of the industry as a result of the GFC, and irregular government support (for example, while the Victorian government recently released its *Assigned Production Investment–Games* program with funding to assist the 100 plus development studios located in that state, in 2014 the Federal government announced the end of a national funding program for the sector overseen by Screen Australia). There is also an undeniable opportunity to use local mining and digital expertise to co-create world class sim/viz products for the export market—most especially so for the consolidating Chinese mining sector right on our doorstep, which is currently investing in the development and application of new technologies.

I write this chapter as a result of observations formed during my six years' work in the Queensland office of Enterprise Connect, including as a Business Adviser to gaming and interactive media companies. My experience was that the state's local mining sector has been slow to understand and adopt these technologies beyond the 'low hanging fruit' of safety training. Furthermore, according to work done by Schofield & Dasys (2009) and van Wyk & de Villiers (2009), it appears that the more recent advances in virtual reality and 3D simulation technologies have received only patchy uptake by the global mining sector. If this is, in fact, the case, it could be an opportunity for Australian industry if we can get the collaboration ecosystem right. However, published research in this area is scant—another motivator of this chapter.

Mining companies that have embraced sim/viz have started with the most obvious and needed area within the organisation—miner safety and training. What is needed is the confidence to go further.

Mineler is a digital marketplace for the global mining industry, with applications available for web and mobile, from Victrix Solutions (Perth). Photo: Mineler Pty Ltd.

Visualisation and simulation technology: Applications for Australian mining
What is simulation and visualisation, and what can it provide its users? The following is a brief overview.

- Simulation is the representation of the real world by a computer program. This can occur for techniques, frameworks or models, to name but a few applications. Examples of outcomes include self-paced, 3D interactive training programs; scenario/what-if/decision-making planning; passage of time (4D); and 3D movement through virtual space.

- Visualisation is a visual representation of data, particularly a graphical one. This could be as simple as an X-Y graph through to a virtual fly through of data. Examples of outcomes include the presentation of health data to show disease clusters; the visualisation of production data on a dashboard that allows for what-if scenario planning; the visualisation of changes to sea levels over time to help predict the impact of such changes on coastal communities.

In the US, simulation and visualisation have been used as cost-effective methods for the interactive delivery of data and training since the late 1980s. Early methods were typically mainframe programs that allowed staff to crunch massive amounts of data and personalise their training. By the mid-1990s, the US Department of Defense and some financial and insurance institutions were adopting the technology. The US military utilised the video game DOOM to train personnel in combat techniques and the corporate sector similarly began to consider the enormous potential of simulation-based game technologies to be applied outside of gaming circles.

US companies were not developing these programs in-house, but instead drew on the skills and experience of practitioners from the creative industries—practitioners that have long enabled businesses to design, advertise and market their products and services, and create media and tools for their delivery, from radio and television to computers and mobile phones. Many of these practitioners were becoming more and more involved with technology and were pushing the envelope on its uses. Whether embedded within the firm or operating externally, the delivery of these new skills and products improved the productivity and capabilities of diverse organisations.

In Australia, by the mid 2000s, senior management in mining began to see changes in productivity levels, labour expectations and price volatility. Return on investment in their equipment, improved worker safety and global reputation increased in importance for most producers. There was also a growing awareness of and use of digital technologies which improved the ability of mining companies to capture data on productivity and capacity, safety statistics and the longevity of equipment. Many of these initial programs were static with limited levels of interaction. However, they did allow miners to learn how to use equipment in a safe environment, with the opportunity to fail safely, and to re-run the simulation as many times as necessary to gain proficiency.

Today's sim/viz programs have come a long way from those early versions. Companies can use the technologies to deal with a range of issues, including productivity inefficiencies, timely staff induction, training in the use of equipment and maintenance requirements, and inconsistencies in worker safety. With online and mobile training, induction and mandatory testing can be completed before a new staff member shows up for the first day, leaving the classroom component dramatically reduced from several days to only a couple of hours. Furthermore, these programs can be customised to each site, provided in different languages or cultural variations, and updated to reflect changes to a site, legislation or to re-train staff due to recurring safety issues. They can also provide multiple, integrated perspectives of the same incident for different roles such as an operator, manager or driver. Further, CAD and 3D modelling provide the ability to fly through an environment, and with 4D one can actually observe environmental change over time.

Andrew Shook, General Manager, Surface Mining & Automation, Rio Tinto, writes that because of the huge developments in ICT they have now installed a 'Mine Automation System', which

> functions as the information backbone for Rio Tinto's mining operations, allowing data from all of the disparate mine sources to be integrated into one overall whole. It also allows us to apply mathematical models and visualisation tools that let users interrogate and integrate a wide array of data sets, providing novel insights that could not be obtained otherwise (*The AusIMM Bulletin*, April 2015).

The following small sample gives a sense of the many applications for sim/viz technologies within the mining industry:

- Virtual Reality (VR) goggles to 'walk through' underground coal mines.
- iCinema technology, developed at the University of NSW, which lets instructional designers create virtual environments and entities that react and change in response to user action, allowing teams to both explore sites and carry out tasks.
- 3D interactive programs for above and underground safety training.
- 3D games engines with project-specific assets allowing multiple scenario planning by staff for construction, extraction and safety training. (An example of this is the Project Canary games-based simulation training tool developed in 2009 by Queensland's Kinetic Group, based on a battle game used the Australian military.)
- Self-paced, interactive induction training courses, which enable new employees to get onto the job site quickly, reducing downtime for the mine.
- Data visualisation, which enables mining companies to utilise historical production data to run scenarios for changes and improvements in productivity of open cut mines.

How to build uptake?

Despite the huge benefits to be gained through the application of sim/viz technology in the mining sector, knowledge of and connections between the mining and sim/viz sectors remains weak and piecemeal—and particularly with medium-sized local mining companies. Part of the problem is the lack of comprehensive research exploring the benefits of digital technology application in the mining sector. Much remains anecdotal. In the following discussion I highlight some of the issues preventing more widespread use of sim/viz technologies, and suggest some ways to improve the 'pathways' between the creative and non-creative sectors.

Local mining industry

Digital technology advances can still seem like too much hype and complexity for many companies to risk time, money and reputation. While not as expensive as even five years ago, it is still an investment to implement sim/viz into an organisation. There is also concern about the levels of technological nous required to properly use such technologies. In the face of this inexperience, how can a company compare worth, how can it be assured that it is getting value for money?

Also, will the investment reap positive outcomes? For example, as Jennifer Tichon and Robin Burgess point out in their article 'A review of virtual reality as a medium for safety related training in mining' (2011), while in other sectors virtual environments have been effectively used to train pilots and surgeons, 'very limited research exists regarding the effectiveness of serious games for training miners'.

The ability of a company—not just those in the mining sector—to satisfactorily answer questions such as those posed above is dependant in large part on whether the decision-makers in the company have knowledge strengths or gaps in this area. It makes sense that many of the mining companies that have embraced sim/viz have started with the most obvious and needed area within the organisation—miner safety and training. What is needed is the confidence to go further, and look at the myriad issues facing a site and how technology could fill those gaps. Certainly, this awareness is growing among the big players. Tony O'Neill, from Anglo American, in an article in the *The AusIMM Bulletin*, 'Smart thinking about the future of the minerals industry' (2015), discussed the role of innovation—including 3D technology, lasers, automation and robotics—and noted that:

> the potential to revolutionise the status-quo has never been so great—we are on the cusp of game-changing innovation that will be able to transport the industry into its next stage of evolution…Cultural change is at the heart of creating this paradigm shift for our industry.

But to embark on this journey takes time, effort, knowledge, resources and—as noted above—cultural change. Partly, this involves asking questions of their own operations. What could be improved? Is it productivity? Communication between management and operations? A lack of training in key areas? Management skills? Tracking efficiencies/inefficiencies of plant/equipment? Is there sufficient willingness to embrace change? The other side of the equation is, who does the company need to speak to? With one company or six? Where to begin? For many companies it simply falls into the 'too hard' basket. This is where an easier connection to developers/providers from the creative industries and to research institutions is required.

Creative Industries SMEs

The primary provider of services in sim/viz technologies is the creative industries. In many instances, the interactive tools and immersive learning environments developed are the result of collaboration between instructional designers, graphic designers, animators, games developers, videographers, photographers, interactive media designers, mathematicians and software developers. Bridging the cultural gap between 'the gamers' and the mining sector is often a hard one for all concerned.

In my experience of listening to and working with many digital creatives, the typical response to the question about working with mining sector clients is that a lot of their time has to be spent educating clients for free: clients are not very adventurous in their approach to the use of technology, and practitioners must educate each level as they move through the client's hierarchy until they reach the principal decision-maker.

Indeed, many clients do need to be educated about the opportunities and capabilities of these technologies, but that's not necessarily the client's immediate goal. Rather, the client has a problem and wants to work with someone who will listen to them and strive to find a solution. Unfortunately, too many designers/developers make the mistake of looking for a problem that fits their solution and, subsequently, their 'pitch' is all about their design and the clever features of their offering. By halfway through, the client's eyes begin to glaze over as they are bombarded with tech speak. Designers/developers that take a more collaborative approach and seek to understand the problem before creating a solution will make much deeper inroads into the sector; and to a wider range of project types well beyond safety training. And through that process the clients end up reaping the benefits of more in-depth understanding and utilisation of sim/viz. A recent interview with Daniel Bermingham, CEO of Croomo, a Brisbane-based digital training development company, revealed the benefits of long-term engagement with clients. He spoke of the significant increase over the last decade in his clients' 'agility' as regards the use of technology, accompanied by a growing appreciation of his team as developers, and not just as the 'gamer guys'.

How do we build on these salutary but largely isolated instances? In addition to educating clients, one of the issues is that most sim/viz companies in Australia are at the smaller end of the SME sector. This creates a number of challenges—on the one hand, it is hard for them to 'shoulder the burden' of educating the mining sector, while at the same time, clients assume (correctly or not) that smaller developers are not capable of handling large projects. In some cases there are challenges of scale, but it is not uncommon for digital developers to collaborate with other developers here and overseas to bring in additional skill sets. However, rather than attempt to address the current knowledge gap one company or one practitioner at a time, there is an obvious role for larger, cross-sectorial institutions and government bodies to play.

Research and policy solutions

So what role do research, peer networks, and government bodies have to play in improving connections and understanding between the interactive media and mining sectors? Universities, such as the University of NSW and the University of Queensland, and industry research bodies such as Queensland's CRCMining, have been involved in research in the use of sim/viz technologies since the early 1990s and 2000s.

One of the key challenges for universities is commercialising their successes. Collaborations are essential. For example, the iCinema and iCASTS projects from UNSW were developed in conjunction with the product development team Tiller Designs. Utilised in four sites within Australia and one in China, they use virtual reality in conjunction with a 360-degree screen to allow the user to interact directly with an underground mine environment by selecting items, moving objects, and simulating basic real-world tasks. There is the potential here for universities to work beyond their own research expertise and function as independent brokers and 'collaborative spaces' that could bring the mining sector and the sim/viz SME sector together—and to be more open in sharing cutting edge technological knowledge. And, of course, all universities have a pivotal role in familiarising their students with the potential of sim/viz before they start their working careers.

Governments around Australia have also engaged in innovative collaborations. Between 2010 and late 2012, the Commonwealth Department of Education, Employment and Workplace Relations and the Victorian government's Department of Business and Innovation invested dollar-for-dollar in the Interactive Skills Integration Scheme (ISIS) to identify and pilot models for addressing workforce development needs in the Australian games and interactive media industries. They also matched these developers with organisations that had never before utilised such skills. It was a joint initiative of Australia's leading centres for creative industries research and business development: the Creative Industries Innovation Centre (CIIC) at the University of Technology, Sydney; the ARC Centre of Excellence for Creative Industries and Innovation; and Creative Enterprise Australia at Queensland University of Technology.

Three projects were selected for the pilot, but I will discuss just one in detail, as it directly involves the use of data visualisation technology in mining. This project involved the interactive media company Zone4 Digital Media which works with traditional industries that have challenges in sharing large data sets with their clients or other stakeholders. These large data sets are typically exported into massive Excel spreadsheets that are either too large to be easily manipulated or preclude useful analysis due to their complexity. Using their proprietary data visualisation platform, Zone4 is able to read massive data sets and display the information in a graphical interface that allows users to easily manipulate the data and analyse the results. The aim of the project was to develop a data visualisation dashboard, utilising benchmarking data from the mining sector, to allow mining companies to conduct 'what-if' scenarios to improve productivity and asset utilisation.

Zone4 was matched with GBI Mining Intelligence, a data services company specialising in providing insights in equipment productivity, benchmarking and analysis of people, performance and potential productivity to mining clients. Previously, GBI's data analysis was delivered through lengthy paper-based reports. GBI staff then had to fly to clients around the world to present the information and explain the outcomes. This was costly for all parties and was ineffective for communicating key learnings to vital team members, such as on-site supervisors, payload drivers and senior managers. Each had a different need or interpretation of the data from these reports but it was not uncommon for the presentations to

only occur to senior managers. This left these managers with the task of presenting the data to the actual site staff to improve efficiencies. This was not always successful and resulted in little to no change for the site.

GBI realised that delivering the reports in the form of an interactive computer model could potentially offer a much better outcome for the client: a consistent message could be developed for each team member from their perspective; and a GBI staff member would not need to physically present the results. Furthermore, the clients would be able to manipulate benchmark data through their own 'what if' scenarios and scripts to determine how to best improve mine site performance. The in-house skills and capital at GBI were not available to allow them to do this for themselves, thus the partnership with Zone4 was forged.

The tool completed at the end of the ISIS pilot was a stand-alone data visualisation product that uses the equivalent of 8000 years of operational data from mining equipment around the world. It is a dynamic, online subscription service that allows users to interrogate the data to create customised benchmarking and best-practice reports to support decision-making and planning. It allows deep analysis and data mining through a dashboard view. According to Graham Lumley, CEO of GBI, the tool has been so successful, 'mining companies want this for other types of data. It is opening up a whole new area…a whole new world of analytics and how we present analytics'. The recent acquisition of GBI Mining Intelligence by PwC greatly increases the global opportunities for the company.

Utilising a subscription-based licensing model, the product has since been marketed to mining companies around the globe and Zone4 continues to use their visualisation platform *zipdata* to solve communication and decision-making challenges of mining and non-mining sector companies nationally and internationally. As a CIIC Business Adviser, I worked with GBI, Zone4 and their legal team to establish commercial arrangements before they embarked on the pilot program. Working out the details of the joint venture partnership was vital for the success of the program. We spent a good six to eight weeks talking about intellectual property—demonstrating the need for intermediaries such as business advisers or other disinterested agencies to help facilitate these complex partnerships.

As a follow on from this project, in April 2013, the CIIC decided to investigate additional ways that sim/viz specialists could collaborate with one another to tender for larger projects and to create larger outcomes than any single developer could achieve alone. A discussion of this process can be found in Chapter 12, 'Levelling Up: A formation process for inter-organisational collaboration between digital creative SMEs described'.

Conclusion
The Australian mining sector is a global player, exporting our natural resources the world over. But ores and other minerals are not the only products being exported—technologies such as 3D training, in scenario planning programming and safety applications are too. Yet despite this, much of the mining sector uptake of sim/viz technologies remains largely limited to safety training.

Hindering collaboration are gaps in knowledge and understanding among industry, researchers and government. Serious consideration is needed by all these players to find better ways to connect these two disparate sectors. This could include:

- increase mining sector understanding of what the technology can offer (including serious evaluations of the benefits);
- increase the skills and up-to-date knowledge exchange between the mining sector, university sector and the SME sim/viz sector;
- improve venture capital investment and commercialisation opportunities for joint venture outputs;
- improve sim/viz firms' awareness of mining industry needs and priorities so they can respond with user-centred, not off-the-shelf, solutions; and
- develop processes and frameworks to allow small sim/viz companies to work collaboratively to secure larger projects with the mining sector.

As a step in the right direction, the peak organisation for the sim/viz community, Simulation Australasia, aims to 'to further advance the research, development and use of simulation technologies and practices in industry' and has developed a series of networking events and industry forums on the benefits of these technologies. But accompanying this is the usual struggle to source funding.

Responses to these issues are needed if the mining sector is to keep pace with the technological and productivity advances being made by overseas competitors, and if the interactive media industry is to advance and become more sustainable—indeed, become relevant to the broader economy, not just to those 'gamer guys'.

Acknowledgement
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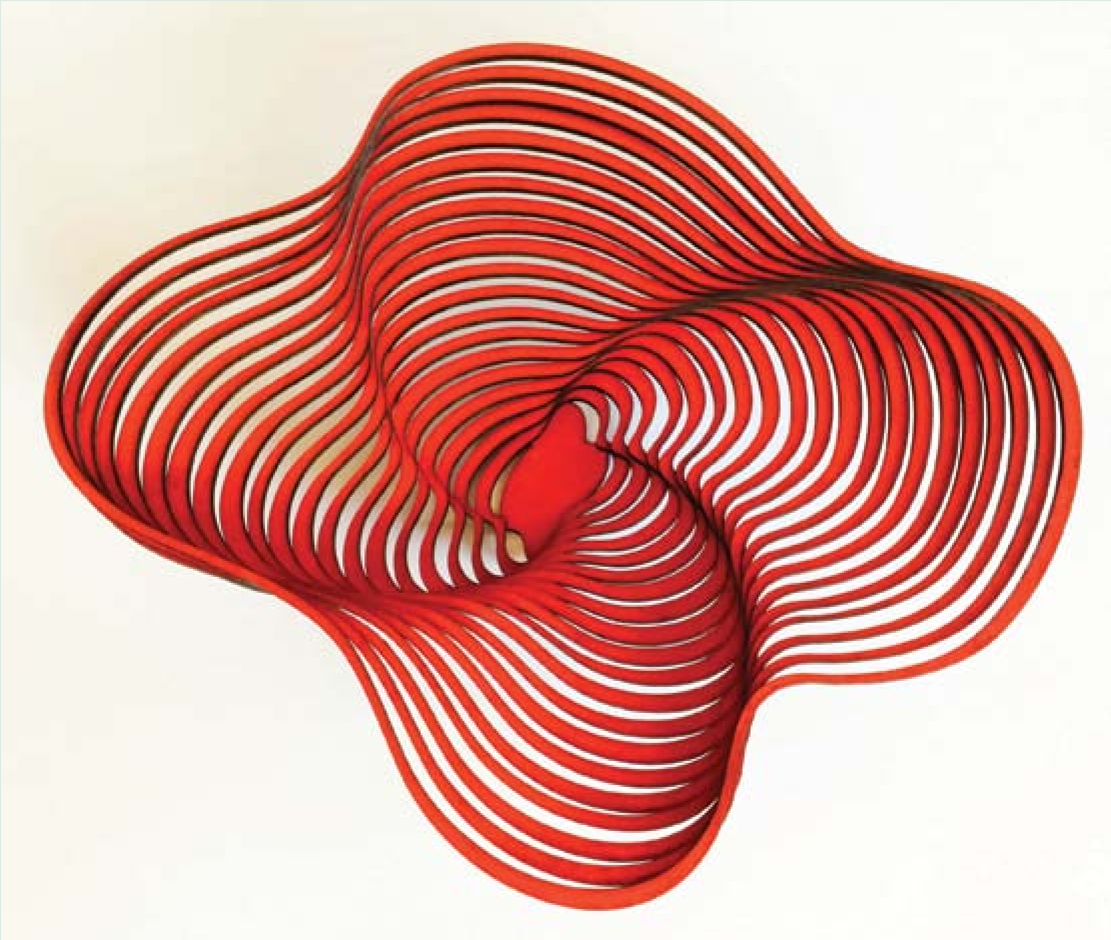
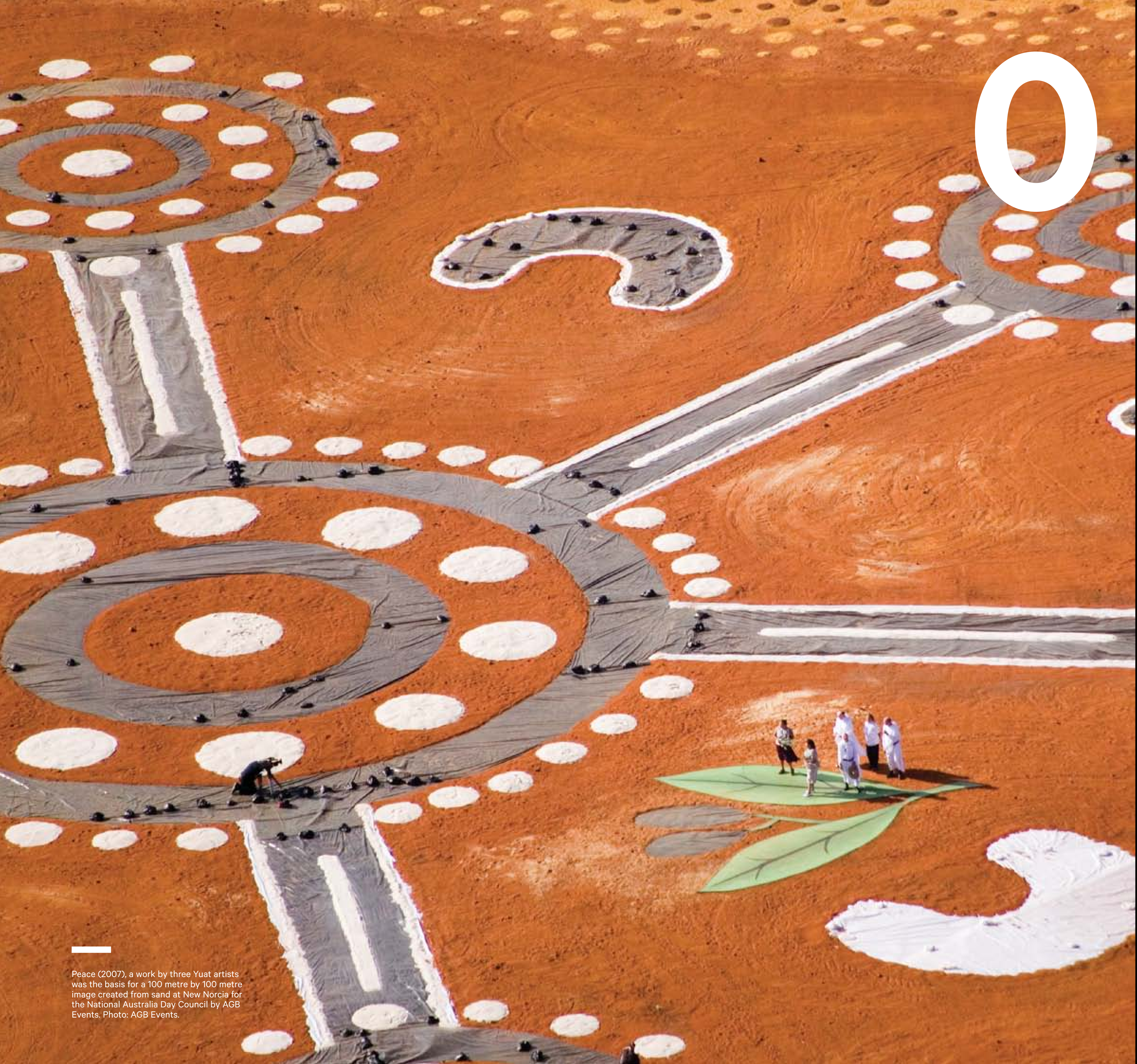


The Amoeba bowl (2014), This Papercut Life (Sue Codee, Perth). Made from lasercut wood and painted red, measures 48 x 28cm. Photo: Sue Codee.



Peace (2007), a work by three Yuat artists was the basis for a 100 metre by 100 metre image created from sand at New Norcia for the National Australia Day Council by AGB Events. Photo: AGB Events.

03

GOVERNMENT AND CREATIVE INDUSTRIES DEVELOPMENT

Section three considers the role of government policy and support services for industry development.

Rosie Catalano and drummer Terepai Richmond at Free Energy Device Studios (Sydney) recording a track on Catalano's first EP in 2011. Photo: Jade Cantwell.

You're hot, then you're cold
Creative industries policy making in Australia

// Stuart Cunningham

Much compelling evidence has emerged over the last two decades demonstrating the importance of Australia's creative industries. In 2014, the Australian Bureau of Statistics confirmed that culture is 'big business' in this country. Yet despite this, interest by policy makers at all levels of government has been intermittent, at best. This chapter gives a brief history of policy development, and offers a number of reasons for why policy and politics have not focussed more resolutely on Australia's creative economy. It finishes with a discussion of Australia's 'unfinished agenda', one which demands attention not only by government, but also industry and higher education, if we are to properly meet both the challenges and opportunities before us.

POLICY

Over two decades, Australia has tinkered with, but not committed consistently to, policy frameworks which seek to recognise the nature and value of the creative industries within the wider economy, support its growth, and facilitate its benefits for the wider economy and society. In this short chapter, I will touch on what has and hasn't actually happened and why, and finish by considering our nation's unfinished agenda.

But first, the definitions. In its original *Creative Industries Mapping Document* in 1998, the UK government defined creative industries as 'those 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', and grouped the arts, established media and new media, together with design and architecture, under its banner. The concept of the creative economy takes the original idea of creative industries and broadens the focus to include the contributions that people in creative occupations, and creative industries as enterprises, make to the economy as a whole. The Australian Bureau of Statistics, in its latest *Cultural and Creative Activity Satellite Account*, defines the field as 'cultural and creative activity conducted by the creative workforce and found in the creative industries, which include media, arts, heritage, design, fashion, and information technology'.

What happened

It's appropriate to start in 1994 with *Creative Nation*. *Creative Nation* was the first fully-fledged cultural policy announced in Australia, and, as Alison Croggon wrote in an article for ABC Arts online in 2013, 'the last time that an Australian politician of Keating's prominence nailed his colours to the mast and declared that culture was central to Australia's national identity, social health and economic life'. But 1994 was also the year that the term 'creative industries' was first used in Australian policy discourse (some years before its internationally acknowledged origin in Tony Blair's 'Cool Britannia' era), with Roger Buckeridge and Terry Cutler's *Commerce in Content*, which probably had some influence on *Creative Nation*.

The launch of Australia's second national cultural policy, *Creative Australia*, in 2013, may seem a neat bookend. *Creative Australia* was much more than business-as-usual in cultural policy, given what minister Simon Crean wanted from his policy process: '"joining the dots", bringing culture into contact with the "education revolution", with technology and innovation, and with its role in binding the social fabric of the nation'. These parameters for a cultural policy certainly embedded the wider contributions which creative activity makes to economic modernisation, social inclusion and technological diffusion. A model policy process, conducted over almost two years, it was beyond tragic that the very day after Crean launched the policy, he resigned from the Gillard Ministry before he was pushed, as the short and troubled era of that Labor government moved to its denouement.

But it's too neat to focus only on cultural policy. Creative industries and creative economy policy have been as much tied up with innovation and industry policy, as well as research and education, as arts and culture. This has been both its strength and its weakness. There is compelling evidence for the dynamic growth of digital content, design services and creative internet applications—well above general economy averages over a 15 year period—and for their increasing importance as enabling skills in modern economies. However, the case for government recognition and support for creative industries, and for better integration with the mainstream pillars of the Australian economy, sits uneasily amongst the established stakeholder interests in arts and culture, higher education curricula and research agendas in the humanities and creative arts, research and development and innovation, and industry policy.

To take the central example that concerns this book: the Creative Industries Innovation Centre (CIIC). This was the main spending centrepiece of Labor's Arts Policy going into the 2007 election, one that had been modelled explicitly on the education, enterprise and research and development vision embodied in Queensland University of Technology's Creative Industries Precinct. What eventually came out the other side of the policy implementation process in 2009 was a centre positioned as one of a half dozen foci on new and emerging enterprise sectors under the Enterprise Connect program led by the Department of Innovation, Industry, Science and Research. This outcome resulted from the policy position that creative industries are an integral element of any innovation system, alongside advanced manufacturing, clean technology, enterprise development in regional and remote Australia, and supply chain integration for small businesses competing for work in, for example, resources or defence.

I'll try to reflect that complexity in this brief pop-up history. Because readers of this book may be less familiar with certain material, I will put some stress on policies and proposals which explicitly engage creative industries from an innovation, industry, research and education angle. It goes without saying that some arts and cultural policies and programs will have benefited directly or indirectly the creative industries in Australia.

While Labor at a federal level delivered key creative industries and closely related policies and programs (*Creative Nation*, CIIC, *Creative Australia*), the Coalition also engaged and led policy development, especially in the communications, information technology and the arts portfolio in the 2001–07 period. And the policy and program work achieved at the state level further complicates assuming that creative industries is a solely 'Labor thing'.

During this period, there was considerable activity, with the creative industries idea gaining some policy traction across portfolios and agencies at a national level. A Prime Minister's Science, Engineering and Innovation Council inquiry in 2005 into 'The role of creativity in the information economy', and a Creative Innovation Strategy from the Australia Council for the Arts in 2006, complemented a longer-running Creative Industries Cluster Study carried out by the Department of Communications, Information Technology and the Arts. The Cluster Study was a well-coordinated series of reports that mapped the production of digital content in the country, addressed major measurement issues in this emergent sector, considered how existing public cultural assets such as the GLAM (galleries, libraries, archives, museums) sector could contribute more dynamically as market organisers and stimulators, examined distribution options, and laid out industry development strategies.

It also included the first and most comprehensive mapping of an innovation system outside of the science, technology, engineering and maths (STEM) sector. This report, *Research and Innovation Systems in the Production of Digital Content and Applications* (2003), charted the performance of the digital content innovation sector, examining organisations (creative firms, universities and training, research centres, industry bodies, cultural agencies and customers), assets (technologies, intellectual property, skills, finances and network infrastructure), regulatory regimes and their interrelations. It emphasised that, while there is a substantial fixed asset base (stock), the *flows* amongst these elements are poor.

The culmination of the Cluster Study was an industry expert group report in November 2005, *Unlocking the Potential: Digital Content Industry Action Agenda*, and a budget bid for a Digital Media Innovation Network. *Unlocking the Potential* remains the most recent major national report on creative industries as a business sector, and contains a number of still highly pertinent policy strategies for industry development in the areas of investment, exports, skills and training, and research and development. While this schedule of policy work did not result in funded initiatives, *Research and Innovation Systems in the Production of Digital Content and Applications* formed the conceptual frame for what became, in 2005, the ARC Centre of Excellence for Creative Industries and Innovation, headquartered at QUT.

Initiatives at the state level have been as important as those at the federal level. Victoria has been notable for its capacity to lead national policy development at significant times, and is the state with the most developed and sophisticated focus on the role of design in the wider economy, especially in manufacturing. It also has a strong industrial and employment base in the ICT sector and Melbourne claims national leadership in public and civic cultural aspiration. Putting these elements into dynamic interaction has resulted in well-developed policies and programs in Victoria in design, film, television and games, and fashion.

Queensland may present as an unprepossessing hotspot for innovation in creative industries policy, based as it is on a 'rocks and crops' economy. But it led in explicitly-branded creative industries initiatives only a few years after the UK Blair government's landmark initiatives in the late 1990s. Under the 'Smart State' rubric, the Beattie government invested in QUT's Creative Industries Precinct, an inner urban brownfields site redevelopment drawing together higher education, research and development, creative enterprises, cultural destinations, and incubator and accelerator services based on cluster theories looking to facilitate synergies and spillovers. It developed a fully-fledged policy, *Creativity is Big Business: A Framework for the Future*, and then subsequently focused sharply on demand-driven programs (Ulysses and HEAT) that sought to connect the state's architecture, design and fashion capability with local manufacturing and global markets.

New South Wales has long lagged behind its east-coast neighbours in developing specific creative industries policies. This is partly because it has benefited from the substantial share of federal cultural funding it attracts from having the largest population base in Australia as well as a critical mass of commercial and public creative infrastructure. As recently as 2013, however, the state announced a *Creative Industries Action Plan*, declaring that 'NSW is already Australia's Creative Industries capital, home to the nation's biggest, most diverse, most globally connected and sophisticated creative sector. NSW's creative industries make a significant contribution to the social, cultural and economic fibre of our State'.

Western Australia is distinctive and often innovative in its approach to cultural and creative enterprise. It has a smaller, more focused capacity base, enjoys significant sources of funds including resources industry philanthropy and lottery monies directed to the cultural sector, and, as an example of Western Australia taking the lead in opportunities presented by new technologies, had the first screen agency in the country to partner with a crowd funding company to leverage public funding.

Unlike countries unendowed with abundant natural resources, which have had to face much more pointed challenges to their economic sustainability, Australia has been able to avoid searching self examination about the growing importance of high value, knowledge-intensive services in relation to agriculture, mining and manufacturing.

Progress 2013, a Melbourne workshop aimed a discussing issues, people and strategies in relation to Australia's non-profits and social movement following the 2013 Federal Election produced by Wildwon Projects.
Photo: Wildwon Projects.

Why has Australia's engagement with the creative industries run so hot and cold?

Despite its close history and shared institutions and outlook, the UK—where creative industries were first birthed—is very different from Australia in terms of industrial structure. While Australia shares with Britain and most other OECD economies a growing dominance of services over primary and secondary industries, Australia's export successes very much ride, if no longer on the sheep's back, then certainly on the back of massive iron ore ships and coal trains. Liquid natural gas may well extend what has been an unprecedented commodities boom which has already lasted more than a decade.

The UK has a reasonably strong and bipartisan understanding that it needs its creative economy to be strong and supported. During the height of the global downturn, with its impact on the financial sector, creative industries were the largest employer in London. The whole idea of the creative industries was used in the UK to signal the strength and international profile of these high-growth sectors of the economy. An economy which relies on high-value services to generate much of its export earnings is a different economy to that of Australia.

While Australia may be structurally different, it is also about mindset. Unlike countries unendowed with abundant natural resources, which have had to face much more pointed challenges to their economic sustainability, Australia has to a significant extent been able to avoid searching self examination about the growing importance of high value, knowledge-intensive services in relation to agriculture, mining and manufacturing. In many ways, we have continued to be the 'lucky country'—a phrase coined by Donald Horne in the 1960s, who argued that Australia's prosperity was essentially unplanned and accidental.

In an important development in 2014, the Australian Bureau of Statistics published Australia's 'first experimental measures of the economic contribution of cultural and creative activity in Australia'. It found that culture is 'big business' in this country, contributing an estimated $86 billion (6.9 per cent) to Australia's Gross Domestic Product on a national accounts basis in 2008–09 and $65.8 billion (5.6 per cent) to Australia's Gross Value Added (GVA) in same year. To put this into context, this contribution was similar to the GVA contribution of health care and social assistance. There were almost 1,000,000 people during that same year whose main employment was in a cultural or creative industry or occupation.

The research conducted on Australia's creative economy by the ARC Centre of Excellence for Creative Industries and Innovation informed the Australian Bureau of Statistics' work. It also complemented it with research on the sector's growth dynamics. High growth is found in creative services—business-to-business—at almost twice the growth of the rest of the economy. It is important to note that this growth in creative services occupations—the designers, content developers, communicators and so on—is not restricted to the creative services sector itself, populated by many small-to-medium enterprises. The level of growth in the employment of creative services occupations within other industry sectors—the embedded workforce such as designers employed by manufacturers, architects by construction firms and so on—was also above the growth rate of the general workforce.

It is not hard to see why there should be such relatively high growth patterns in creative services and creative service occupations embedded in other industries. The progressive embedding of the internet and associated digital applications and services into the general economy, especially since the first correction of the dotcom boom and bust more than a decade ago, has seen rapid rises in demand for website design and online visual communication, as well as online and digital advertising, and software data-based automation and business applications. Additionally, there are widespread converged digital technologies of reproduction and dissemination—digital cameras, digital video, digital audio creation, sharing online in social platforms—and a growing design-and-communication skill base and consciousness that delivers people, ideas and applications into the economy, and creates increasingly sophisticated demand in consumers, some of whom are co-producing and disseminating content. Despite this evidence, there are, I think, a number of reasons why policy and politics has not focused more resolutely on Australia's creative economy.

The balance of trade in creative goods and services does not excite. Architecture and design are the only export-positive sectors. But Australia is with the large majority of countries on this, given the massive dominance in music, film, television export of the US and a few other countries, including Britain, which are the domiciles of the major conglomerates.

The sector does not own its identity. The notion of the creative industries as an organising pivot to represent the sector's interests, marshal the evidence, and get in the door to decision-makers when necessary, has not been secured. Again, Australia is not alone in this. But there have been some counter-productive turf wars—for example, culture versus commerce, or vision versus market—which show how underdeveloped our national debate remains. Whereas the performing arts and film can count among its leadership some extremely effective voices, and the television industry is a heavyweight actor in its own right with bipartisan support for Australian and local content; the digital content, design and creative software sectors and their business-to-business interactions—which are driving growth, innovation and employment—are typically small to medium enterprises (SMEs) whose fortunes seem to regularly fly under the policy and political radar. In the academic jargon, they are the economic 'subalterns' whose fortunes are forgotten, as Big Business, Big Culture and Big Public Corporations grab the limelight and policy attention.

The creative economy is composed of mixtures of public, private and community enterprise and activity, ranging from the fully commercial, to those that are becoming marketised—especially in the dynamic digital audiovisual space—and voluntary and household sector activity. This makes it harder to compare to traditional market sectors. It is a sector that absorbs swathes of human capital because it contributes so much to personal expression, social identity—in short, meaning—as well as money. This makes it relatively unproductive weighted on the scales of traditional productivity measures. Once again, Australia is absolutely not Robinson Crusoe in this—it is simply endemic to the sector. But when combined with the first two points, it means the sector's contribution to Australian economy, society and culture remains to a significant extent hidden.

The unfinished agenda

Australia has a substantial unfinished agenda, one that is by no means confined to calling on government to 'do something'. Industry needs to organise to better define and advance its interests, and more clearly articulate its contribution to economy and society. Education has within its resources the capacity and potential to make a generational difference in students' preparedness for opportunities and challenges in a globalising, digitising economy.

As already noted, there are a number of highly pertinent policy strategies for industry development in the areas of skills and training, research and development, investment, and exports arising from the last major national report in 2005, *Unlocking the Potential: Digital Content Industry Action Agenda*. The six key issues that needed addressing to maximise the potential of the industry remain central:

- stimulate market interest in investment
- confront the challenge of international competition
- rectify disadvantage created by the historically based analogue/digital distinction which means rethinking path dependencies that favour established practices in cultural policies
- recognise digital content as a general purpose technology for the 21st century
- address skills gaps in these leading edge industries and
- build a total industry from a fragmented base.

It is important to reiterate that digital content, design and other high-growth elements of the creative economy are economically significant not only because of the size of the sector (as now officially measured by the Australian Bureau of Statistics) but also because it is a high-growth industry, growing faster worldwide and in Australia than other economic sectors. These long-running, above-average growth trends are indicators of innovation in so far as they demonstrate new needs for creative attributes and skills as the general economy evolves. New locations of creative labour are co-evolving with new needs and opportunities across the economy. Also, the economic multipliers arising from the digital content industry are significant, being higher than those for most other categories of economic activity. While traditional productivity measures, as noted above, may be problematic for cultural and creative activity in general, the now well-documented phenomenon of high growth creative services have major implications for productivity growth in many important industries beyond the core digital content industry itself: design, digital content and technology are becoming important inputs to other industries and act as enablers, which help transform the way business is done.

A passion for policy initiatives arising from the much more intense focus on the creative economy in the UK has produced a great deal of practical traction, as well as strategic, forward-looking manifesto-style recommendations, including *A Manifesto for the Creative Economy*, published by the National Endowment for Science, Technology and the Arts in 2013. The broad recommendations I am offering draw on this manifesto, as well as add to, and adapt, it for Australian conditions.

We need to adopt contemporary and now broadly consensual definitions of the creative industries and the creative economy. Beginning to speak the same language can be the beginning of a more unified approach. This would include supporting the ability of the Australian Bureau of Statistics to continue to research and publish the *Cultural and Creative Activity Satellite Account*. This will only happen if the relevant federal and state offices and departments continue to contribute to the cost of running it.

It is important to continue to articulate revisions to the Australian Innovation System framework in a way which integrates the creative sector. My book *Hidden Innovation: Policy, Industry and the Creative Sector* (2013) has gone into this in some detail, and it should be seen as part of a broader settlement on innovation which recognises the interdependence of knowledge inputs into innovation. While the disciplines which constitute science, technology, engineering and maths (STEM) on the one hand, and the humanities, arts and social sciences (HASS) on the other, are mostly kept in their silos in education and research; in the real world, especially in the high skill, high wage, high performance, high tech firms and sectors which are driving Australian innovation, there is always mixing of STEM and HASS in their workforces.

This has a number of implications for innovation policy. Services, including creative services, need to be treated alongside agriculture, mining and manufacturing as generators of high skill, high wage jobs, export performance and innovation. And education and training at school, vocational and higher education levels need to prepare people for high-performance, innovative workplaces where cross disciplinary communication and collaboration and complex problem solving skills are paramount and where so-called 'T-shaped' people—deep in disciplinary knowledge, but broad in teamwork, communication and cross disciplinary problem solving skills—can thrive.

While on the matter of education, school and university curricula should be encouraged to bring together art, design, technology and computer science to better prepare the workforce of the future for high growth, cutting-edge business opportunities which thoroughly mix and match these disciplines. School and university curricula should teach and promote entrepreneurship, and the contemporary nature, scope and growth potential of 'creative careers'.

Government policies on research and development tax regimes, public procurement and business support especially for SMEs should be reviewed for their applicability to and accessibility by the creative sector. Arts and cultural policies can be reviewed to consider the development of a rigorous experimental approach to digital research and development in these sectors. Increased and more efficient rights licensing transactions should be supported through refinements and reform of intellectual property regimes.

With regard to business support services, it is notable that the CIIC, over its six years of operation, demonstrated that business services targeted at the sector and delivered by those with specific expertise in the sector were highly prized by recipients of those services, particularly in comparison to highly generic business service provision. Restructuring of government-provided business services needs to be mindful of the evidence that previously marginalised business sectors, such as the creative sector, may well become marginalised again as business service provision again becomes generic.

The Abbott government has brought redesigned priorities to the table. In industry policy, five growth sectors have been identified in which Australia has established competitive success: food and agri-business; mining equipment, technology and services; oil, gas and energy resources; medical technologies and pharmaceuticals; and advanced manufacturing sectors. There is a role for architecture and design, communication and advertising, and web applications as 'enabling technologies and services' supporting these sectors.

Two key final points might be made, while thinking both about this particular initiative and some of the wider priorities of the present federal, and other governments.

Design and 'design thinking' are being mainstreamed into much industry, workforce and policy thinking. Business applications of design thinking, or design integration, have been developed at a state level in Australia, but we lag our OECD confrères conspicuously in design research, development and policy. Design activity is notoriously underestimated in official national statistics, and employed designers are so broadly embedded throughout industry sectors that their contributions can be significantly under-counted. Design has been conspicuously absent from national policy attention since its excision from the purview of the Australia Council in the 1980s. It must now come back into focus.

The second point is related. Many of Australia's leading architecture and design businesses have a consolidated presence in Asia. This needs to be much better known and, where possible and appropriate, emulated in other creative sectors. Senior journalistic chronicler of the nation's narrative, Paul Kelly, writing in *The Australian* in 2013, has urged that 'Australia's attitude towards China cannot remain frozen in the resource-trade mindset'. Nowhere is digital culture transforming economies as rapidly as in Asia. Australia's competitiveness in our region depends on our ability to engage with Asian and especially Chinese digital capital. Pan-Asian digital distribution platforms, such as the e-commerce firm Alibaba, the internet company Tencent and the Chinese search engine Baidu, are expanding, consolidating and professionalising. Do Australian creative-digital entrepreneurs possess the requisite business, language and programming skills to take advantage of Asian digital markets and the deep export opportunities they may offer? This is a major challenge, and opportunity, for the future.

Study Booth by BigCity Design, 2014. Australian Catholic University, North Sydney Learning Commons. Photo: Natasha Mulhall.

AGB Events (Sydney) projection design on the Sher Mandal Observatory, New Delhi, for the OzFest 2012 performance by singer Gurrumul and sitar player Annushka Shankar. Photo: AGB Events.

Australia's approach to creative industries policy
An international comparison

// Anthony Merrilees

All governments, the world over, have finite resources. As a consequence, choices have to be made about priorities, direction and strategy. This chapter examines a number of international policy responses to the development of the creative industries, with examples from Asia, the United States and Europe. Characteristic of these policy approaches is sophisticated, high level engagement between government and industry. By reflecting on these case studies, this chapter seeks to open a discussion on the need for Australian governments and industry to meaningfully come together to engage, evaluate and learn, in order to develop our own world-class strategy.

POLICY

Businesses in all segments of the economy operate in dynamic and volatile economic environments, across a range of industries that are at various stages of the business life cycle. Some industry sectors such as online education are growing and expanding as their industries undergo fundamental change. Other industry sectors such as print manufacturing are shrinking and consolidating, as they struggle to compete with substitute products and changes in consumption patterns. Other entirely new industries such as mobile applications and digital and social media marketing are emerging. The effect of this in terms of business competitiveness and business management is twofold. Firstly, businesses need to be aware of the trends and 'disruptors' operating in and influencing their own industry and business environment, and how these might affect their sustainability or competitiveness. Secondly, businesses need to have plans and strategies in place that enable them to thrive and adapt to changed business conditions.

Governments, like businesses, operate in very similar dynamic and volatile economic environments. Over time, a nation's wealth, productivity and competitiveness across a range of industry sectors will ebb and flow, as new industries, technologies and economic trends emerge and take hold. The role of government is to make plans or policies that will create or optimise the capability of its industries—and thus ultimately its economy—to successfully grow. As is the case in business, governments have finite financial resources and must therefore make decisions about what the key economic priorities and strategies are, and how resources will be allocated to deal with them.

Whether by luck or good management, Australia was once acknowledged as a policy leader and innovator in creative industries (due primarily to its 1994 *Creative Nation* policy adopted under the Keating Labor government) as recognised in UNESCO's *Creative Economy Report 2013 Special Edition*. However, its leadership in this area of policy has long since been surpassed by responses in other parts of the world. No major political party in Australia now has a policy on creative industries and for the most part politicians on either side of politics would be more likely to use the phrase 'the arts', or use that phrase interchangeability with creative industries. One obvious response to this might be 'so what' or 'is that really a problem?' In my view there are good reasons for regarding the policy approach in Australia in this area as deficient, foremost among which are four very good rationales.

The first and most cogent one is that, according to the United Nations Conference on Trade and Development's (UNCTAD) 2004 *Creative Industries and Development Report*, information economy, knowledge and creativity are powerful drivers of economic growth. Globally, creative industries are attracting a lot of interest. One of the reasons for this is because, in order for economies to be globally competitive, they need to invest energy into developing sustainable value-added products and services, which are exactly what creative industries embody.

This is particularly true for economies that are not necessarily resource rich or resource focused, such as those in Europe. In these economies there is a more ready recognition of the need to foster the development of value-added industries like those in the creative sector. So what signs have there been internationally that would signal to Australia's policy makers the importance of a creative policy?

As far back as 2004 UNCTAD said in the report noted above:

> For advanced industrial economies, the information economy is already a leading edge from which national wealth flows and a key to improving competitiveness.
>
> Globally, creative industries are estimated to account for more than seven per cent of the world's gross domestic product and are forecast to grow, on average, by 10 per cent a year. The economic and employment-generating potential of these industries is vast.

An equally important second reason is that the creative industries and culture are inextricably intertwined with one another. This intersection is often misunderstood or underestimated. The power of the intersection is that creativity and creative industries are actually at the heart of creating far more than just economic or financial value that can be measured via an accounting system such as gross domestic product (GDP). They create cultural value which cannot be measured or valued in that way. A simple illustration of this concept is in the question: what value might we place on the collection of artworks in the Louvre? While the average Australian might well think of a dollar figure, my guess is that the average French person would say 'priceless'.

UNCTAD noted too that the impact of this intersection between culture and creative industries for policymakers was that it justified the need for public sector support and intervention:

> Whereas previously culture was divorced from economic policy, in the case of creative industries both the market and the state play a much larger role. This involves addressing some traditional sources of market failure associated with externalities, imperfect competition, joint consumption, scale economies and imperfect information… As regards cultural goods and services, where the social value exceeds monetary and financial returns, there are strong arguments for subsidies and state support for cultural products, particularly performing arts and broadcasting. These are the traditional arguments for public support of cultural goods and services.

A third and powerful reason is that creativity drives innovation, and innovation is at the heart of creativity. In Australia, the challenge is to meaningfully spread our efforts across all of the elements of the economy that add to growth, in order to minimise our exposure to poor economic cycles and low commodity prices. Australia must continue to diversify its economic base if we're going to create wealth and prosperity in the long term. Right now Australia's economy is doing fine due principally to demand for resources, however, if demand for resources slows or prices fall then our economy will underperform. The Commonwealth Department of Industry's *Australian Industry Report* 2014 indicates that our manufacturing sector has been shrinking for some time and generally struggles (subject to some exceptions) to compete internationally. Australia needs to leverage its creativity to value-add to our industries and drive future economic growth. Even China, 'the world's factory', knows that it needs to add design and creativity to the mix to future-proof its manufacturing sector and is strategically focussed on shifting from 'Made in China' to 'Designed in China'. More than a quarry of creative talent, Australia can and needs to be a creative economy.

Aligned to this is how we rate globally as an innovator. According to the World Intellectual Property Organisation's (WIPO) 2014 *Global Innovation Index*, as a nation our comparative global innovation rating ranks us 17. At face value this seems okay, but when one considers the score achieved to rank 17th was 55 out of 100, the reality is that we as country could be doing much better. The Global Innovation Index highlighted Australia's weakness in how much innovation output we get for our inputs (the innovation efficiency ratio) where our global rank was 81st. We are also pretty poor in the areas of: innovation linkages (48th), knowledge diffusion (78th), export of our cultural and creative products (64th), government expenditure on secondary education (59th) and energy usage (66th). On the positive side of the ledger, we rate very highly in human capital and research (7th), infrastructure (7th); market sophistication (10th), and creative outputs (12th).

In short, the report's assessment is that we don't work hard enough at converting our advantages in knowledge, infrastructure, political stability and creativity into value-added products and services that have export potential. By comparison, the countries which are perennial top 10 performers are distinguished by the high levels of value-added services and products produced within those economies, and which have been successful internationally. The obvious conclusion to draw is that Australia still leans heavily towards being an exporter of commodities.

The final, and perhaps most compelling rationale, is the need for Australian businesses and governments to look up over the horizon and see what competing economies are doing. The nature of policy responses in Australia differs quite markedly from the extremely focused and sophisticated responses that other countries have adopted. In this regard, it is fair to say that many countries including most European Union countries (it's a central part of the EU's *Europe 2020* strategy for jobs and growth) have opted at least to develop some form of creative industries policy, industry action plan or development agenda. Further, governments in many of these countries have gone way beyond this to establish whole agencies or parts of government that are designated to developing and implementing policies with their creative industries. Three examples follow.

Asia

Australia's Asian neighbours have been embracing the economic development opportunities of the creative industries and developing co-ordinated policy approaches designed to foster these industries within their economies. These approaches have been quite varied and are often driven by the particular sectoral strengths and synergies that exist within their economies. The spread of countries adopting creative industries or creative economy focused policy to drive economic development includes not only developing and transitioning economies but developed economies such as South Korea and Singapore.

In Indonesia, both the current and previous governments have supported the growth of local creative industries as a pathway to growth. The creative economy contributes seven percent of the country's GDP. One of the economic development strategies for Indonesia is to diversify its export base from commodities to a greater focus on manufacturing and services. Under the previous SBY administration the government formed a Ministry of Tourism and Creative Economy, recognising that creativity and culture form part of unique tourism experiences. After his 2014 election, President Widodo heightened the focus on creative industry policy by creating a government agency dedicated to leading the development of these industries. Part of that strategy also includes closer ties with South Korea.

Of all the Asian countries South Korea stands out as the country most committed to driving its economic development through the fostering and nurturing of its creative economy. South Korea is a highly developed economy ranked 13th by GDP and 5th in the World Bank's ease of doing business index. South Korea has strengths in science and technology, information and communication technology (ICT) and cultural content, which are the 'vitamins' of a creative economy.

Developing and revitalising the creative industries in order to help the economy make what will be 'a big leap forward in 2015' is one of the South Korean government's key policy platforms. Commitment to this policy starts at the highest point with South Korea's President Park Geun-Hye as the policy's leading advocate. In 2014, she outlined her strategy for a 'creative economy' in a keynote address at the World Economic Forum in Davos. At the heart of her initiative is a focus on innovation and entrepreneurship. To boost growth and employment, South Korea believes it needs to foster an ecosystem to support start-ups. The President said the country's 'highly talented population' is one of South Korea's greatest assets. Heavy investment in infrastructure has also contributed to more innovation. South Korea's high-speed internet subscription rate has actually exceeded 100 per cent, smart-phone penetration is above 70 per cent, and 4G is ubiquitous with 5G LTE around the corner.

One of the core facets of the president's creative economy policy direction is the recognition that the creative economy and creative industries assist in driving innovation in all sectors. To this end South Korea has embarked on an ambitious program to establish not one but 17 innovation centres in 17 major cities across the country in a bid to quickly develop its creative economy and creative industries. The centres will all work closely with industry and some of South Korea's largest companies such as Samsung and LG are active partners and investors in the centres. As President Park Geun-Hye observed:

> The innovation centres for the creative industries will be at the core of developing a creative economy, as well as developing regional economies and helping to make a cradle that will nurture human resources. For that purpose, we will combine the abilities of the central government, the regional governments and the private sector.

ICT and the video game industry are focal industries for South Korea. To assist growth, South Korea intends to establish a 'Creative Economy Valley' in Gyeonggi Province, to house IT and games businesses. The precinct will be equipped with facilities and a support centre in order to help those who wish to start small businesses or venture start-ups. It will also facilitate information-sharing among start-ups and offer business infrastructure support services to them. In addition to the innovation centres, South Korea also intends to establish a 'technology bank' to help develop the creative industries. The 'technology bank' will be assigned to collect unused ideas, patents and know-how held by government research institutions and companies and help their transfer to start-up businesses or entrepreneurs that are capable of commercially exploiting these intangible assets. This recognises that the intellectual property created in these institutions is ultimately publicly funded and therefore publicly owned. The government also plans to increase the amount of start-up funds available for young entrepreneurs and angel investment funds.

The United States

Over time the United States economy has morphed from rural agrarian, to industrial, to creative and technological. The United States actually earns more export revenue from its copyright industries such as film, software, music and television then it does from the export of its manufactured or pharmaceutical products. However, by contrast, there isn't in fact any national policy or debate centred on developing the creative industries and there is no leadership or advocacy by the President. There is a National Endowment for the Arts, but its focus is on arts and culture not on industry or business. There are two main reasons for this. The first is that the creative industries are entrenched in economic fabric of the country. In 2015 the United States Bureau of Commerce estimated that in total, two million people work in creative industries across the country. The second is many creative industries sectors have almost exclusively been developed by the market or private sector. They are so entrenched within the economy—consider the film industry and software development—that there is no real case for support and assistance at a national policy level.

Perhaps an additional reason is that key proponents for the creative economy such as urban studies theorist Richard Florida have looked at it through the lens of a 'creative class'—a socio economic class of knowledge workers who drive innovation and economic development—and the impact that has in developing and re-invigorating urban environments. Central to Florida's concept is the notion that the key to economic growth lies not just in the ability to attract the creative class, but to translate that underlying advantage into creative economic outcomes in the form of new ideas, new high-tech businesses and regional growth. As a result the policy approach in the United States is very different because most of the policy and development activities are at a regional or local community level.

By way of example, in the state of Michigan, manufacturing, and in particular automotive manufacturing, has been the basis of the state's wealth for many decades. The automotive industry is definitely still there, and it is still a fairly big industry, however it is certainly not as big as it was at its height from 1960 to 1980. The impact of the major industrial downturn within an industry sector has played out quite dramatically in some urban localities in Michigan such as Detroit. Over a period of decades the decline of the area's key economic driver led to large numbers of businesses simply leaving the city. New industry sectors and business can't realistically be created overnight, and as a result there was a dramatic decline in local government revenue and therefore the ability to maintain services to the city. In 2013, the City of Detroit declared bankruptcy. Economic policy makers had to look at where new economic growth might come from and the creative industries were identified as an area of strength which also has potential for further development and growth. Research by the Michigan state government indicated that Detroit has the sixth largest creative class in the country. While this may be news to some, it's not so surprising when one considers the city's rich traditions in automotive design, advertising and music: Detroit is, of course, the home to Motown. The state of Michigan has opted to support the sector and many local development programs are underway. For example, the DC3 is an economic development organisation with a targeted purpose: to provide support to Detroit's creative industries in the form of resources, exposure, and advocacy in order to grow Detroit's creative economy and recognise Detroit as a global centre for design.

Europe and the United Kingdom

The importance of the social and economic contribution that the creative industries make to the United Kingdom and European Union countries has long been accepted. In contrast to Australia, the policy frameworks have moved beyond a debate over the value and contribution that the cultural and creative industries provide to their economies, and whether there is a case for government assistance and support. The value of the creative economy has been accepted and understood, so the vast majority, if not all, European Union countries have for some time adopted and implemented policies to assist businesses in these industries to develop and prosper.

One of the most sophisticated responses comes from the UK where the creative industries are recognised as a growth sector. In 2012, the Department for Culture Media and Sports (DCMS) estimated this sector added £71.4 billion in 'gross value-add' to the national economy. One of the keys to this policy success has been the strong partnership between industry and government. The capacity of the creative industries to engage with government and to advocate for the allocation of resources and the implementation of beneficial policies has been helped by the fact that the industry speaks with a coordinated voice, unlike the fragmented approach seen in Australia. There are representative industry bodies; the Creative Industries Council, a joint forum between the sector and government; and the more recent membership-based Creative Industries Federation. These groups' ability to engage with government and feed into the policy debate is assisted by the fact that there is a dedicated arm of government for the industry in the DCMS.

The net result of this is the articulated 2014 strategy *Create UK* which provides a strategic vision and pathway for creative industries development through to 2020. The key pillars of the strategy are around five issue areas: access to finance; skills and education; intellectual property; infrastructure (hard and soft); and internationalisation. The *Create UK* strategy aims 'to unite the different parts of the creative industries behind common goals and to speak with one voice on the issues that cut across the sector'.

Another key factor which has assisted in the development of the creative industries policy in Europe is that design and innovation are 'culturally' part of their economies, in that, in comparison to Australia, there is a heightened understanding of the important role that design plays in fostering innovation in industry sectors such as manufacturing. For example, in the Netherlands, the Innovation Platform policy advisory included 'creative industry' as a key area of the Dutch economy and, as early as 1988, the Dutch government developed a network of regional innovation centres to stimulate knowledge and technology transfer to SME business. It is somewhat ironic, then, that in Australia the Enterprise Connect network which originally drew on this Dutch initiative was dispensed with in favour of the establishment of industry productivity or growth centres. The difference, as subtle as it may seem, is that in the UK and Europe the key economic drivers are seen as innovation and creativity, while in Australia the emphasis is on being more productive and 'lean'. In Australia, we should also be asking, are we designing and making the right things that embody the right kind of design properties and aesthetics? And not be simply asking, are we making things in a more advanced and productive way.

Australia

The richness of the global policy responses that I have touched on in this chapter is in contrast to the generic cultural mindset in Australia with its focus on manufacturing and the exploitation of resources, and where, traditionally, industry assistance has supported major manufacturing industries like the automotive and agricultural sectors. That continuing mindset is seen in the current Government's focus on mining, and natural and agricultural commodities rather than creative and cultural commodities.

In 2009, the Rudd–Gillard government's establishment of a national innovation centre for the creative industries, the Creative Industries Innovation Centre (CIIC), represented a significant change in policy approach by the federal government. It finally (albeit briefly, as the Centre was de-funded under the subsequent government in 2014) recognised the creative industries as not just the arts, but as being an industry or economy in the same sense as mining or manufacturing. Regrettably, and despite the policy approaches being adopted by our competitors and other higher performing advanced economies, the creative industries have now been dropped from industry assistance policy in favour of five 'growth sectors': advanced manufacturing; food and agribusiness; mining equipment, technology and services; medical technologies and pharmaceuticals; and, oil, gas and energy resources. This seems all the more stranger when one considers the fact that the key likely beneficiaries from the roll out of the governments largest infrastructure project, the National Broadband Network, will be creative industries companies that will benefit from increased internet speed and bandwidth.

Traditionally, industry assistance has supported major manufacturing industries...there seems to be a suspicion or view that creative industry firms aren't engaged in 'real business' and this view is reflected structurally in government.

Studio at The Project Factory (Sydney), where they create digital solutions to address the needs of brands, broadcasters and governments. Photo: The Project Factory.

The official mobile app for the UK series, Sherlock, created by The Project Factory (Sydney), 2014. Photo: The Project Factory and Hartswood Films.

One reason is, almost certainly, lack of sophistication and imagination at a policy making level, particularly within the federal government. It would be easy to dismiss this criticism as my own 'sour grapes' but for the fact this assessment comes from long-time senior federal bureaucrat and former head of the Department of Industry from 2011 to 2013, Dr Don Russell. In a June 2014 *Australian Financial Review* article 'Bureaucrats to blame for dishevelled policy', he reflects that while there was certainly the expertise and knowledge within senior bureaucratic circles there was also a lack of imagination and innovation in the policy realm.

Another reason, from my own observation over the past six years, is that there seems to be a suspicion or view that creative industry firms aren't engaged in 'real business' and don't produce much value and this view is reflected structurally in government with the vast majority of Department of Industry policy resources directed towards the development of manufacturing, resources and energy policy.

Although the government is not entirely at fault here, as too much academic 'hot air' has been expended in a long-term debate over defining the creative industries which has tended to 'muddy' policy waters. This over-focus on 'who's in' and 'who's out' has proved counter-productive in a fragmented industry environment. While varied approaches to describing the industry exist, all models effectively include four key elements that embody the creative economy: culture, creativity, design and copyright.

The failure of policymakers to meaningfully engage, evaluate and learn is another factor. Too often, policy is made in a vacuum, without adequate consultation and engagement between government, industry and the research sector (both private and public). In other countries such as United Kingdom, the Netherlands and South Korea there is a far more harmonious and integrated relationship between research, industry and the public sectors. Good public policy practice is an area in which we need to do much better. What perhaps is needed are mechanisms whereby government can learn to meet business needs better. Higher levels of meaningful interaction are needed. Government can become too obsessed with activity and accountability, at the expense of impact. We need to become more sophisticated in the way policy is delivered. There has to be real industry involvement and consultation. A one-size fits all approach won't work.

At some state and local community levels, the importance of the creative industries seems to be better understood and recognised than at a national level, which has manifested in more industry support and assistance being forthcoming at these levels of government. Queensland led the way developing its own creative industries strategy in 2003. However the government ultimately failed to fund the strategy to engage with industry as a whole and, instead, opted to establish a creative industry precinct at the Queensland University of Technology. More recently, it has focused on design integration but overall commitment has waxed and waned. Creative industries were not part of the Newman government's policy framework, as was the case with the Beattie and Bligh governments. The New South Wales government recognised the importance of supporting the development of its creative industries in 2013 by forming an industry-led taskforce that developed a ten-year *Industry Action Plan: NSW Creative Industries*. In Victoria, the state government funding and policy agency Arts Victoria has changed its name to Creative Victoria and is developing a creative industry development strategy.

Perhaps the last and most salient point to make as to why public policy should play a role in assisting the development of the creative industries and creative economy is to demonstrate how properly constructed and implemented programs can make a difference. In this regard, the creative industries are particularly well suited to these types of programs, because one of the key 'market failures' that affect Australian creative businesses is a lack of business management and entrepreneurial capabilities. Access to specialist industry knowledge that would assist them to address their business deficits or business growth challenges is critical. The value that company can extract by accessing these kinds of services and the impact it can have in their businesses is substantial.

Conclusion

The starting proposition for this chapter was pretty simple, any business that wants to develop and prosper needs to pay attention to what is happening to its markets and customers at range of levels and they also need to understand and analyse what their competitors are doing as a means of helping them to stay ahead. And it is really no different for national governments. Developing and developed economies all over the world—and the United Nations—have recognised the socio-economic value of creative industry and creative economy, and have put in place plans and strategies to develop these industries.

What's missing in Australia is the level of commitment *and* a unifying strategy or plan which brings everyone together and sets a path for industry to go down that exists in so many other competitive economies. In the UK—where there is a really well-developed national framework—government commitment and engagement is high and the industry itself has formed a strong representative industry body and articulated a clear policy position. It is the same in Asia, where a number of countries have their own strategies and industry action agendas, foremost of which is South Korea. In Australia, that leadership role has not been clearly identified or owned by any particular department or organisation. We need to establish a high-level agenda, rather than just be focused on the numbers alone. The policy settings in other countries have moved beyond that point. Creative industries champions spend too much time proving and justifying their existence, rather than doing the hard work of nutting out in a clear or coherent way what's actually required. The evidence and experience of the CIIC over a six year period has been that when the right programs are put in place, business can extract substantial value from government engagement.

UP–Close
CIIC Business Reviews

The core service of the Creative Industries Innovation Centre (CIIC) was to provide Business Reviews to established businesses in the creative industries with an annual turnover of at least $1 million. Over the six years of the Centre's operation Business Advisers conducted 750 Business Reviews aimed at clarifying purpose, vision and targets as well as identifying strategies for growth. (This number does not include the 'Biztro' one-hour sessions provided for start ups and smaller businesses, see the Biztro *up-close* later in the book.)

This *up-close* examines three of the CIIC's Business Review clients and the impact the review had on their companies.

1—Fashion: Viktoria + Woods
Viktoria + Woods is a women's fashion design business founded in 2005 and based in Richmond, Melbourne. Business revenue has quadrupled in the last three years and is generated through wholesale sales to a range of Australian retail outlets. The company produces four product ranges annually, comprising approximately 60 to 65 garments. Clients are women aged 25 to 45 years and the company describes its product approach as 'effortless wardrobe staples with a pared-back, contemporary feel'.

The key value extracted from Viktoria + Woods' 2013 Business Review with the CIIC was the development of the company's brand profile and strategy. Developing a highly recognisable fashion brand and design aesthetic are key success factors in the fashion design industry. Post-review, the company worked with an international fashion brand specialist to develop a profile and strategy for an internationally competitive brand. This gave the company's managers belief in the fundamental direction of their brand in what is a highly competitive market. The new strategy produced positive results in the form of a new agreement to supply part of its range to David Jones. The business also opened its own retail store outlet in Armadale, Melbourne that allows them to present their range in an environment where they can control the brand experience, and they are now focused on overseas markets. These changes have paid dividends for the company.

Margie Woods and Lisa Reynolds from Viktoria and Woods (Melbourne). Photo: Viktoria + Woods.

Captive Cape, Ziggy Jean and Lovelle Shirt from the Viktoria + Woods Eclipse 15 Collection (Melbourne). Photo: Viktoria + Woods.

2—Publishing: ITC
ITC is a Brisbane-based educational publisher that launched in 2002 as a 'home-garage business'. Its primary product at launch was a diary that acted a professional development aid for teachers. After experiencing sound business growth over a number of years, the company's growth trajectory began to slow. New digital communication platforms and mobile devices along with changing patterns in consumer consumption were fundamentally changing the publishing industry and ITC realised that if the company was to continue to grow then it would need to develop new products and markets, beyond its teacher diary, and embrace the changing environment.

They also realised that the company's real value proposition resided in its own proprietary intellectual property.

The key value ITC extracted from their 2012 Business Review with CIIC Business Adviser Anthony Merrilees was the use of design thinking tools that allowed them to see the issues in their existing business model and envisage a new business model. This enabled the development of a more sustainable business model that saw the company begin the transformation from being a print publisher to now also developing digital education resources and delivering a range of pedagogical development workshops.

Left: ITC Publications (Brisbane) specialise in educational publishing. Photo: ITC Publications Pty Ltd.

Opposite page: Griffith G11 Learning Commons, a major library redevelopment and learning commons for Griffith University's Gold Coast campus by Thomson Adsett, 2014. Photo: Angus Martin.

3—Architecture: ThomsonAdsett
Brisbane-based architecture and design firm ThomsonAdsett offers architecture, urban design and interior design services through their network of offices in Australia and Asia. Operating since 1971, the firm's practice focuses on design for commercial, educational, health care and senior living facilities.

In 2013, ThomsonAdsett underwent a Business Review process across the company's offices and specialty divisions with CIIC Business Adviser David Schloeffel. The firm viewed the review as a necessary 'health check' for the company to better understand 'where to next?'. Despite being one of Australia's top architecture firms and having sustained market competitiveness over four decades, one of the 10 review recommendations was the need for the company to forge a clear brand strategy as, while their brand was strong in the areas they work in, it was weak in the sense of them being recognised as a large-scale architectural practice.

As a result of the review the company developed strategies to bolster growth and a new marketing plan—including bringing in external expertise. Previously, marketing had tended to be 'organic' rather than strategic and planned.

Group Managing Director, Chris Straw, said of the review,

> Sometimes the things said by someone outside the room can have more impact than someone inside the room. It was great to have an independent person—who has done this before with many other creative businesses—offer that fresh perspective.

In 2015, ThomsonAdsett has seven offices that employ 160 staff, is the eighth largest architecture fee earner in Australasia, and (again) made the 2015 *Building Design* World Architecture 100 list—coming in at number 95 overall, and number two in the world in the 'elderly living' category.

In production for 'Naval Stores', 2015, for Defence Housing Australia and Parramatta Council, by Heidi Axelsen and Hugo Moline from MAPA, who specialise in public and participatory art and architecture.
Photo: MAPA Art & Architecture.

Servicing growth in established SME creative industries businesses
Evidence from the Creative Industries Innovation Centre client-companies and Business Advisers

// Lisa Andersen

From 2009 to 2015 the Creative Industries Innovation Centre (CIIC) undertook 750 Business Reviews of small to medium-sized creative enterprises with a turnover of $1 million or more and at least three years of trading. This chapter draws upon a 2014 survey of those client-businesses and interviews with CIIC creative industries Business Advisers to explore the priorities for established creative businesses around growth and market development; internal capabilities in the areas of human resource management and sales and marketing; and their perspectives on the gap for government service interventions.

POLICY

Within the creative industries sector, most SME companies are started by, owned by and employ creative practitioners and typically do not have management as a core competency. (For a good overview of this governance issue, see Paul Jeffcutt and Andy C Pratt's 2002 article 'Managing creativity in the cultural industries'.)

Creative businesses also tend to have difficulties securing finance which, according to the NESTA policy paper, 'Unlocking the potential of innovative firms' (2009), is due to limited access to 'high quality sectoral intelligence' as well as 'the perception with financiers that creative businesses are lifestyle focussed, rather than goal orientated'. However, Chris Bilton in 'Manageable Creativity' (2010), argues this perception of 'lifestyle businesses'—and the charge that 'creative enterprises do not take their commercial responsibilities seriously'—has sprung from an outsider view of a sectoral culture where economic and social relationships are often blurred; with creative business networks based on friendship ties and 'being part of the scene' as well as supply and demand.

In 'Skills for creative industries graduate success' (2011), Ruth Bridgstock, describes the scale of the sector 'in contrast with more conventional industries such as financial services or manufacturing', as 'dominated by networked clusters of small-to-medium enterprises, sole-traders and micro-businesses' (and the creative business categories are mapped by Tamara Ogilvie, Yuan Deng and Rob Lee in Chapter One in this book). The 'experience of risk' is intrinsic to the sector, according to Mark Banks, Andy Lovatt, Justin O'Connor and Carlo Raffo in 'Risk and trust in the cultural industries' (2000). And businesses in the creative industries tend to engage with international markets earlier than similar sized businesses in other sectors and are often rapid adopters of new technologies (Enterprise Connect, *Australian Creative Industries SMEs*, 2009).

To Paul Jeffcutt and Andy C Pratt, creative businesses, with their 'novel' and 'ephemeral' products, may show 'significant and ongoing' growth, but life cycles are short-term—businesses 'live or live or die by the volume and success of their output being valued as "best" in the market place', and this only 'for a limited period'. In his 2009 article, 'The problem with "creative"', Peter Taylor agrees that 'business churn' is endemic to the sector,

> …where long-established businesses struggle with complacency, irrelevance and commoditisation, whilst the innovative, entrepreneurial seeds of what will eventually replace them sprout unpredictably in every direction.

Given this view of a 'start up-heavy' sector with, what Chris Bilton describes as, 'unpredictable' creative processes, people and products, that is constantly 'embroiled in a clear case of creative destruction' of established businesses—as Peter Taylor dramatically describes it—most of the literature on the 'business' of creative business is either focused on the disruptive new products and platforms of emerging enterprises or the large companies (now being disrupted). And while some sub-sectors, such as architecture and the screen industries, *are* covered, until now—and this book—not much has been written about established, commercial creative industries SMEs in Australia as a cohort with business issues specific to their sector and size.

This chapter addresses that gap and outlines key business development issues currently facing established Australian SME creative industry businesses, predominantly trading in the commercial sector, by drawing upon the findings from a 2014 survey of CIIC Business Review clients and additional insights from interviews with the CIIC creative industries Business Advisers.

Methodology
In late 2014 two research projects were undertaken by the author in response to the announcement of the CIIC's closure: a client-business survey and a series of interviews with CIIC Business Advisers that sought to capture knowledge and insights from clients and staff to inform this book.

CIIC client survey
The survey took the form of a 16 question, self-completion online questionnaire that took around 10 to 15 minutes to complete. An invitation to participate in the survey was emailed to CIIC clients in October 2014.

The questionnaire aimed to identify current business needs and, alongside demographic questions on the business, open-ended questions included:

- What is your organisation's number one priority for the next two years?
- What needs to be strengthened within your organisation to support achieving this priority?
- What are the two most pressing issues your business is facing?

That data was then classified and grouped into categories for the analysis below. As well, companies were asked to rate their internal strengths against a list of business capabilities that resulted in a self-graded 'mark' on their internal capabilities (see Table 11.3) and, in areas where they saw themselves as weak, they were asked to provide some details on what needed strengthening.

Six hundred and thirty four established (with more than three years of trading) creative industry businesses who had completed a Business Review between 2009 and July 2014 were invited to fill in the questionnaire. Of these, 191 completed questionnaires were returned; a response rate of 30 per cent. (Other creative businesses who had accessed CIIC services also completed the survey but the analysis here focuses solely on the responses from Business Review clients.)

Tables 11.1 and 11.2 show a close enough correlation between the total number of CIIC Business Review clients and the survey respondents—both in terms of company location and creative industries sector—that the survey respondents can be seen as a representative cohort of CIIC-engaged businesses.

Table 11.1
Location of total number of CIIC Business Review clients 2009–2014 compared to survey respondents

Location state	CIIC Business Review clients	Survey respondents
ACT	1.9%	1.6%
NSW	41.9%	43.5%
NT	0.4%	1.6%
QLD	21.5%	19.4%
SA	7.3%	8.4%
TAS	3.9%	4.7%
VIC	18.1%	14.7%
WA	5.2%	6.3%
Total	**100.0%**	**100.0%**

Table 11.2
Creative industries sub-sector of total number of CIIC Business Review clients 2009–2014 compared to survey respondents

Creative industries sector	CIIC Business Review Clients	Survey Respondents
Advertising & marketing	25.0%	23.5%
Architecture	10.3%	8.0%
Design	23.4%	26.6%
Film, TV & radio	7.7%	8.0%
Music & performing arts	8.5%	7.4%
Software & interactive content	15.3%	16.5%
Visual arts	3.4%	3.7%
Writing, publishing & print media	6.4%	6.4%
Total	**100.0%**	**100.0%**

CIIC Business Adviser interviews

Alongside the CIIC client survey analysis, insight from seven CIIC Business Advisers is used. Stuart Davis, Sonya Henderson Edbrooke, Anthony Merrilees, David Schloeffel, Tony Shannon, David Sharpe and Mark Stewart—who, between them, had provided Business Reviews for more than 700 creative businesses—were interviewed by the author between November and December 2014. Their interviews were transcribed and edited to publication level, then sent to each interviewee for review, fact check and final approval, and then coded by theme using NVivo qualitative data analysis software.

In each structured interview questions were asked about Business Adviser skills, CIIC services, creative businesses and public policy. This chapter draws upon their responses to the following interview questions:

1. What's wrong with creative business in Australia?
2. In terms of business competencies, where are the gaps? What is needed? What are the best intervention points?
3. How do you manage a creative workforce? What have you seen that is working well?
4. In terms of global competitiveness, what are the opportunities for Australian creative industries? What capabilities and inputs are missing?
5. Which models of public programs/services to support industry development have you been most impressed with?

Research findings
Who responded?

All of the survey respondents had undertaken a Business Review through the CIIC between 2009 and mid-2014. To be eligible for a review, the key criteria were that the creative industries business had to have been in operation for three years or longer and have had an annual turnover over $1 million and less than $100 million in one of the previous three financial years. (In practice, the service mainly attracted businesses between $1 million and $5 million turnover and this is also reflected in the survey results.)

Creative SMEs in Australia generally struggle with poor management skills and practices (this is explored in detail in Section One of this book). Compounding this, Roy Green found in *Management Matters in Australia* (2009) that many SMEs are 'oblivious to the actual current state of management' and are 'in the dark about the areas where they can improve their own performance'. However, having previously gone through a process of strategic review with a CIIC Business Adviser, the companies who responded to the survey are less likely to be 'in the dark' and more likely to be 'self-aware' in recognising the limitations of their company's capabilities compared to the greater population of SME creative businesses in Australia. Which makes their perspective more valuable.

Figure 11.1 shows the annual turnover of respondent's businesses, where 79 per cent had an annual turnover of more than $1 million and one third had an annual turnover of more than $2 million (while noting that only 62 per cent of respondents completed the survey question on turnover). Of the respondents, 83 per cent provide business-to-business products, and 55 per cent provide business-to-consumer products, the overlap being those businesses working in both markets (Figure 11.2). Forty seven per cent describe their business as 'growing' and another 35 per cent see their business as 'diversifying and renewing' (Figure 11.3). This supports the top two current business priorities identified by companies and discussed below as 'growth management' and 'market development'.

Figure 11.1
Annual business turnover for 2013/2014 Financial Year of CIIC Business Review survey respondents

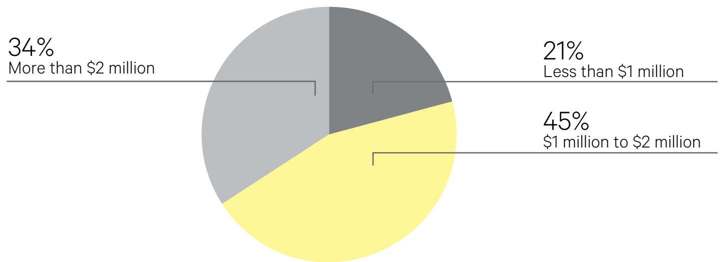


Figure 11.2
Market for their company's products or services from CIIC Business Review survey respondents

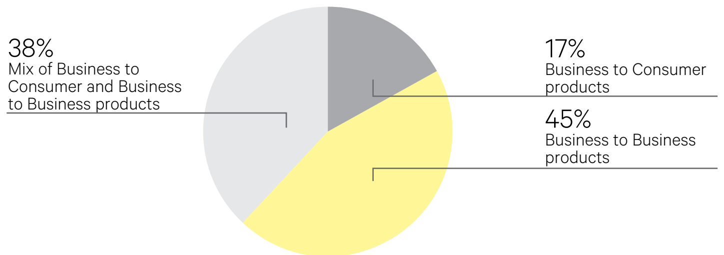
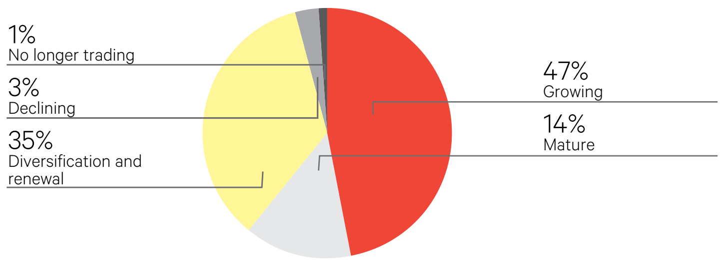


Figure 11.3
Business lifecycle stage of CIIC Business Review survey respondents



Internal business capabilities

Respondents were asked to rate their firm's business capabilities according to their own perception of the overall calibre at their firm. During his 2009 research, Roy Green observed that managers 'generally over-scored their firms' management capabilities'—and although the CIIC survey respondents are more 'self aware' of their business limitations compared to the overall population of creative businesses, that may also be the case with these 'self-graded' responses.

Table 11.3
Self-assessment on their company's business capabilities by CIIC survey respondents

Business capability	Mark out of 100
Use of digital systems	80
Compliance with legal and legislative requirements	77
Financial management	75
New product and/or service development	71
Internal systems management	71
Brand management	71
Pricing	70
Access to expert knowledge networks	70
Business strategy	68
Market development – local	66
Sales	66
Market intelligence	65
Advertising and marketing	65
Human resource management	64
Market development – international	48

If we assume that these results are slightly over-scored, they (in Table 11.3) paint a somewhat gloomy picture. This self-aware set of established businesses don't grade themselves with a 'high distinction' (85-plus) in any business capability and only manage a 'distinction' (75-plus) in use of digital systems, compliance and their financial management. The fundamental (and probably immovable) issue is that with almost all of these SMEs, the owner/principals' backgrounds are in creative practice—being a designer, architect, communications specialist, digital developer, artist, musician, producer or director—and not in running a business.

From the open-ended responses, it is clear that a lot of businesses struggle with this balance between 'art versus commerce'. Two key issues highlighted in their comments are that 'business areas tend to get sidelined over production-based areas', as one respondent wrote, and they lack internal business expertise and skills. Their assessments on internal capabilities were borne out by the CIIC Business Advisers' observations on their clients, and these weaknesses across the sector in business capabilities were examined in detail in the chapters by David Schloeffel, Mark Stewart and Tony Shannon in Section One of this book.

In terms of market intelligence—as described by Tamara Ogilvie, Yuan Deng and Rob Lee in their earlier chapter—the lack of available intelligence tailored to Australia's SME creative industries is a sector-wide gap. As one respondent commented, it's 'hard to get expert knowledge and market intelligence in my industry other than through friendly competitors'. And while some sub-sectors, like architecture, have greater access, most industry intelligence is geared to large companies so existing data does not allow SME creative businesses to benchmark—to tell them where they are relative to other players in their market. In addition, as one respondent pointed out, Australian companies find intelligence on offshore markets 'hard to find' and requiring 'a lot of capital and commitment' from the firm. The other low scores on market development, human resource management and sales/marketing are discussed below.

Business priorities: growth management and market development
Asked what was their 'number one' priority in terms of their business strategy for the next two years, companies identified (in 'top five' order) growth management, market development, sales, sustainability, and business model development (see Figure 11.4).

Figure 11.5 shows what businesses who identified *growth management* as their top priority thought most needed strengthening within their company—with sales and marketing the critical weakness (and the recurring theme of this chapter). In particular, in their comments they described the need to focus on developing sales/marketing and digital capabilities, and in working on business strategy, consolidating revenue streams, clients and costs, refining internal systems, and building stronger teams.

For the respondents who identified *new market development* as their top priority, sales and marketing was, again, number one on their list of what most needed to be strengthened, followed by access to capital and to expert advice (See Figure 11.6). From the open-ended responses, the main barrier here was the combination of being unable to access external investment, networks and expert knowledge, alongside the lack of internal sales/marketing capabilities and their limited capacity to commit staff time to new market ventures—exacerbated by poor cash flow management.

Figure 11.4
Top five survey responses on their company's 'number one priority for the next two years'

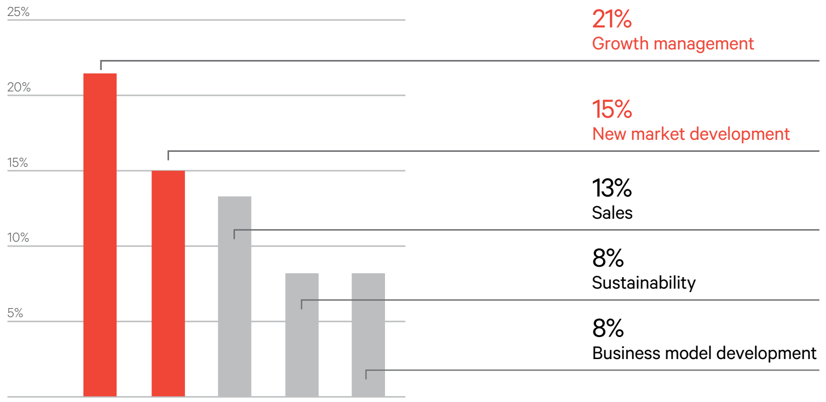


Figure 11.5
Top five survey responses on what needs to be strengthened within the company to manage company growth

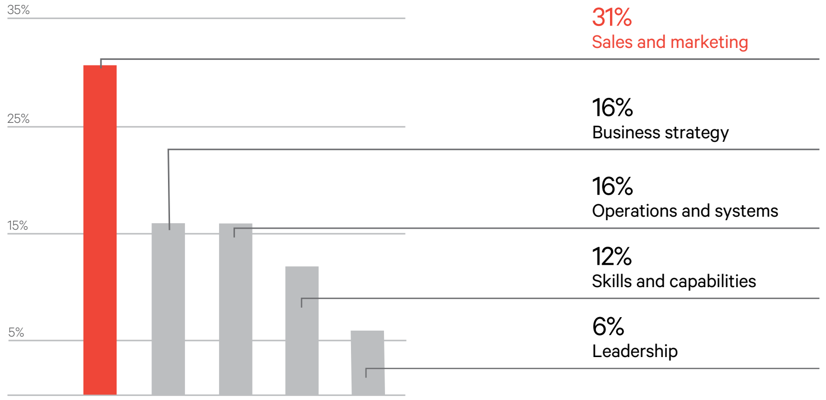
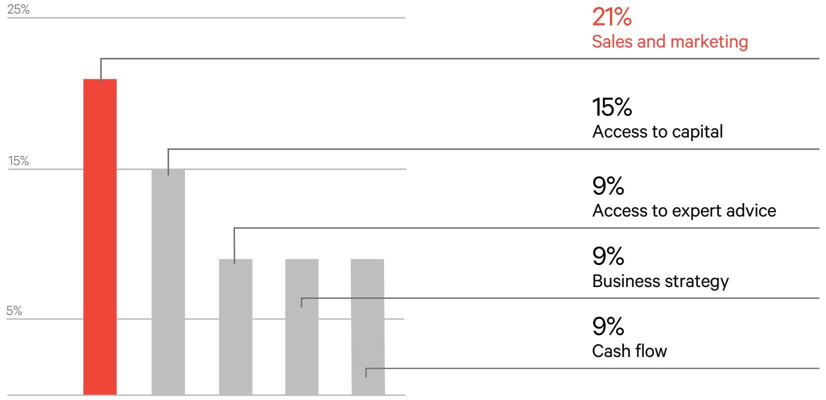


Figure 11.6
Top five survey responses on what needs to be strengthened within the company to achieve their new market development priority



International market development

As the survey respondents 'failed' themselves on their international market development capabilities, it's worth examining this in a little more detail. While overall many respondents were focused on local markets or didn't know 'where to start' with international markets, the respondents who had prioritised this area described their lack of access to:

- **market intelligence:** 'local market information is hard to keep up to date with...[but] collection of international information and opportunities is even harder to find and resource' (CIIC client survey respondent)
- **expert knowledge:** 'knowing who we can talk to who can offer assistance to aid with exporting, raising capital, and international growth strategies' (CIIC client survey respondent)
- **connections** (particularly in niche markets): 'We don't have many contacts or partnerships internationally. It's an opportunity for us. However, it's a very specific industry so accessing the right kind of partners or clients is difficult' (CIIC client survey respondent).

In addition to these access issues, these companies reported a need to improve internal sales/marketing capabilities and to have a business strategy in place for internationalisation.

The CIIC Business Advisers saw that most Australian creative businesses, as Anthony Merrilees put it, 'do not think about their products and services in a global way'.

Even with those who are thinking internationalisation, David Sharpe observed that:

> A lot of them think about one or two export markets but ignore the rest of the world. So they might think about the US and the UK first...Perhaps it's an English-speaking bias or perhaps it's the glamour of those two markets, particularly in something like fashion...[what is needed is] broadening the range of thought and then, in the next stage, an export strategy that would question where your suppliers going to be, how far goods have to travel, what are the import duties, and so on. Some firms have inadequately prepared for it, and they would recognise this too.

In terms of input into and export strategy for creative products or services, there are very few expert services for SMEs to access (or afford). For example, said David Sharpe,

> The typical thing would be you would refer them to Austrade, but they... target their resources to certain areas and certain industries so it's not always useful [for creative enterprises]...I have often recommended in Business Reviews that people seek out a private export advisor.

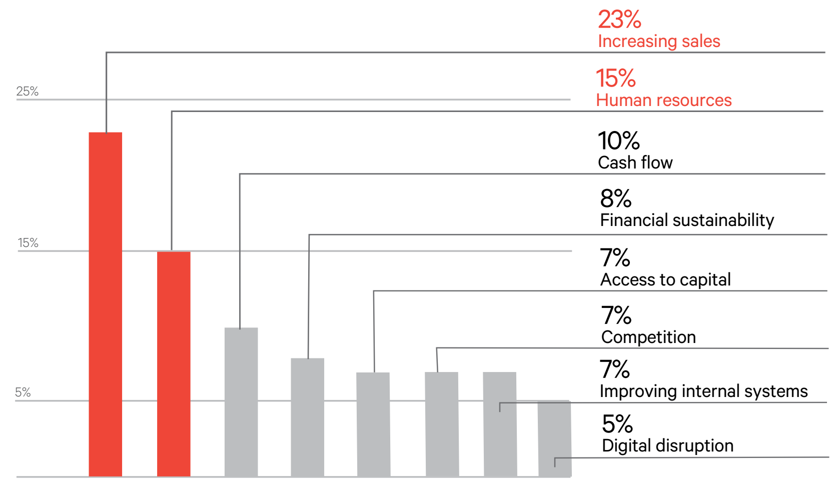
Anthony Merrilees sees a lack of global focus across *all* Australian industry, and that it is negatively affecting local creative enterprises offering business-to-business services.

> Straight away when you start off any business in New Zealand you know 'we haven't got enough population here' and that you're going to have to sell stuff outside of New Zealand...They're more attuned to the concept of design being something that's going to assist them because they're looking at products globally rather than locally.

The 'pressing issues' of sales and HR

Overall, the two most pressing issues facing respondent creative businesses are increasing sales and managing human resources (see Figure 11.7)—two areas they did not see as internal strengths (Table 11.3).

**Figure 11.7
Top eight survey responses on the most pressing issues their creative business is facing**



Beyond internal business competency gaps, there are Australia-wide gaps in creative industries-experienced salespeople; creative industries SME market intelligence and benchmarking data; and accessible-to-SMEs industry-expertise for business advice and mentoring.

(L-R) Alexander Lotersztain, Helen Kontouris and Brett Gray, designers at Designs In Timber, One/Third (Launceston). Photo: Florian Groehn.

Sales

In terms of sales, respondent comments pointed to an internal gap in sales and pricing skills. As one respondent wrote, 'We have a team of highly skilled individuals, and a strong reputation in our industry, however we still don't know how to get our name out there'. While respondents recognised the need to employ specialist sales skills, they also, conversely, described a lack of commitment to resourcing sales; mainly due to budgetary constraints and not being able to attract and manage sales 'talent', but also partly from a sector-wide culture of reliance on 'word of mouth' for business development. This was articulated by one respondent:

> Our business arrives chiefly by word-of-mouth. We take the view that advertising is the cost of having a bad product.

According to the Business Advisers, most creative businesses have very little rigor and process around their business development and sales and this is compounded by managements' limited understanding of margins and the ways their business makes money; for example, Business Advisers commonly found that owner/principals did not know their rate of profit or even which jobs made a profit.

Tony Shannon describes sales as 'a skills gap, a capability gap and an interest gap', and as the fundamental thing that is 'wrong' with creative business in Australia. Beyond an interest in sales and the commitment (where many creative businesses do not, or *can*not, offer upper quartile salaries to attract talented sales staff), he sees a national skills gap here; that 'there's not that many sales people who understand creative industries selling'.

If, as Tony Shannon said, 'finding a sales person with the competency' is one thing, then the other thing is managing that sales person, and human resource management is the second pressing issue that creative businesses identified.

Managing human resources

Unlike other sectors which are 'plant-heavy' (manufacturing) or 'capital-heavy' (financial sector), creative industries are 'people-heavy' and many creative businesses *are* their staff. So, not surprisingly, HR management featured strongly in the survey results, and as a weakness.

It is common practice for businesses to use their 'creatives' (ie, people trained in creative practice) to undertake the specialist, non-creative roles; as described by Business Adviser Stuart Davis:

> With architects, for example, you might have 40 architects working in a practice and one of them will be responsible for marketing. But they're not a marketing professional...They're giving it to someone who's not qualified.

Key issues from respondent comments are that, as with sales, HR is not prioritised and, as there is usually no specialist internal role, it falls under the purview of a company owner/principal who lacks both the time to focus on staff relationships and keep up-to-date with requirements and 'red tape', and does not have the 'know how' around employment contracts and HR policies. They 'get by on a wing and a prayer' (as one respondent described it) and think there is not enough accessible information and expert support around HR management and compliance. This over-dependence on the owner/principals possessing a breadth of specialist management capabilities, as with all SMEs, is also an issue—'if I'm unable to undertake a task there is no backup', as one respondent wrote.

The Business Advisers observed that very few creative businesses—with the exception of architecture practices where continuous development is part of maintaining registration—spend an appropriate amount on training full stop, let alone on business skills development. David Sharpe explained that,

> One of the concerns is that they're going to spend a fortune on training the staff and then they're going to leave and other people are going to benefit from it.

With many companies, there is also a culture where formal training is not valorised or prioritised. Sonia Henderson Edbrooke described this:

> They think if you need to know something you're just going to pick it up from somebody else, or it's your responsibility to figure that out on your own and work at night to do it…I think some of it still goes back to the starving artist in the cold attic suffering for their art. I still see a lot of that in the creatives.

That 'creatives don't keep timesheets' is also a prevalent culture—where creative staff work to make every job 'the best job it can be' and not 'the best within the four billable hours'. So creative businesses have a problem managing both 'excessive hours' and what Tony Shannon calls 'creative creep' which he defines as 'the disconnect between the creative process, what's satisfactory, and what the revenue might be at the other end'.

> That's where the creative industries hurts itself so much. The client says, I've only got $250 but then they spend $2000 worth of time doing it. Yes, do the $250 job, but with no gold lettering on the side…If [the client] doesn't like it maybe next time they'll understand the difference between a $2000 or $250 job.

In Chapter Three of this volume, Mark Stewart also explains a common type of creative business that places emphasis on the key design roles—the 'blank page designer'—usually the owner/principals, and has built their value in that brand. Where there is this over-dependency on principals, 'employees tend to be worker bees—capable in what they do, but not really focused on the development of the business.' Sonia Henderson Edbrooke also observed 'ego driven' businesses—with the owner/principals as '*the* creative force for the company and everybody else is there to make them look good or do their bidding'—as those businesses which are more likely to have high staff turnover and less likely to have formal HR systems in place.

Government services needed

In answer to the question 'If you could design a government business service that would support the growth of your business, what would it be?', common responses included access to capital (seven per cent), business skills development (five per cent) and human resources support (four per cent).

However, the overwhelming number of respondents—50 per cent—identified access to an expert advisor, providing high-level guidance and mentoring, as the service they most needed. (Remembering that all of these companies had previously experienced a CIIC Business Adviser providing objective advice grounded in creative industries expertise, this result may not be surprising. However, it does show the companies who completed the survey had gained value from that expert—albeit short-term—input.)

Table 11.4 provides the 'position description' for this expert-advisory role summarised from the survey respondents' open-ended answers. One respondent described their company's 'dilemma' around using external expertise as:

> Access to expert knowledge is often cost prohibitive for small business owners. While it would be very valuable it is hard to instantly realise any benefit or gain, so justifying the expenditure in uncertain economic times is difficult. It seems the safest way to enable this is save for it but then over that time you are saving you could be performing better with that expert knowledge support.

Table 11.4
Summary of CIIC survey respondents' description of the 'expert-advisor' government business service needed to support business growth

Service	Regular, ongoing face to face contact and some 'on call' time using a bank of hours
	Business can pick advisor with specialist or industry-specific expertise needed according to business goal
	Works directly with executive decision-maker(s)
	Ongoing relationship until business priority goal achieved
Person	Senior sector experience
	Business experience
	Well-connected
	Objective
	Coach
	Mentor
	Sounding board
	Trusted face
Role	High-end advice on:
	– business strategy
	– finance and access to capital
	– how to scale up
	– market development and new market opportunities
	– industry best practice
	– business modelling
	Source of industry intelligence and up-to-date information
	High-value networks and introductions
	Identify business weaknesses
	Keep business 'on track' to priority goal

Given that the CIIC was the first Australian government service of its type tailored to creative industries, it's safe to say that creative businesses, apart from, perhaps, screen/digital production companies, were not and have not become accustomed to accessing expert advice through government business assistance. And, in addition, according to the Business Advisers, these companies did not typically use consultants, so recruitment and management of a consultancy process is also very likely to be a missing capability. Mark Stewart observed:

> There is a degree of DIY inside the businesses…[and] there are all sorts of things that historically mitigated against them using consultants, not just cost. I think relevance was probably a big question because they hadn't had anyone actually set out a pathway for them and say you need to go from here to here, and if that's the case you really need some professional advice.

This lack of competence in managing external consultants is not included in the 'expert-advisor position description' (Table 11.4); but would need to be taken into account in any government service design.

When the CIIC closure was announced in September 2014, the author undertook a national audit of business support services available for creative industries for referral purposes. That *Creative Industries Innovation Centre Replacement Services Factsheet* showed that while some business support was directed at concept and start-up businesses—particularly focusing on digital enterprises—and to address a lack of business awareness amongst arts practitioners, there was now a gap in government business services for established, private-sector creative businesses who did not qualify for services under the new, national Entrepreneurs' Infrastructure Programme (which CIIC internal analysis indicated would exclude at least 56 per cent the CIIC's existing client-businesses, including all firms solely operating in the business-to-consumer market). Beyond professional consultancy services, access to low or no-cost tailored, independent business expertise was available through only two state/territory government programs—Victoria's Business Development Manager program and the Australian Capital Territory's Mobile Business Advisor service—and neither had a specific creative industries focus or expertise.

Conclusion

From a survey of CIIC creative business clients in October 2014, this chapter has described a group of established, Australian SME creative businesses with annual turnovers from around $1 million to $5 million. As the literature on the business management of creative industries firms tends to focus on start-ups and large companies, this is an under-researched business group and it would be particularly useful to find out more about the sub-set of these companies who 'aspire to grow' or diversify, or are internationalising.

The businesses are currently prioritising growth management, new market development and sales. Internal business capabilities are weakest in the areas of market development (international and local), human resource management, and sales and marketing.

Beyond these internal business competency gaps, there are Australia-wide gaps in creative industries-experienced salespeople; creative industries SME market intelligence and benchmarking data; and accessible-to-SMEs industry-expertise for advice and mentoring. These gaps are exacerbated when those creative businesses are looking to build international markets. With 82 per cent of the respondent businesses currently experiencing 'growth' or 'renewal' in their business lifecycle, there is clearly an opportunity for business peak bodies and governments to work with these companies to address these gaps and service ongoing growth.

Screen printing workshop as part of Sydney's Blume Festival, presented by Signature Prints, who specialise in the design, print and manufacturing of textiles, wallpaper, limited edition art and luxury luggage. Photo: Signature Prints.

ImmersaView (Brisbane) create software for advanced, high-performance visualisation across markets such as defence and education. Photo: ImmersaView.

Levelling up

A government-led formation process for inter-organisational collaboration between digital creative SMEs

// Sonya Henderson Edbrooke & Melissa Anderson

During 2013 six leading Queensland simulation/visualisation companies worked with business development experts through the Australian government's industry development program, Enterprise Connect, to create a collaborative approach and operational structure that would enable long-term group work to secure projects larger than any single company could complete alone. Beyond networking, long lunches and LinkedIn, this case study describes and reflects on a serious, externally facilitated group formation process in the creative industries, one that included mapping group capabilities and company cultures; client engagement and project operation 'rehearsals'; group visioning and branding; and the development of a legal framework for collaborative tendering and work. This journey led to the development of their joint venture company Oratactix.

POLICY

Small to medium-sized creative businesses in Australia tend to work in isolation and there are few well-established industry bodies that foster intra-industry dialogue and cooperation in formal ways, beyond networking events. This isolated way of working means that good opportunities are lost. Businesses that may on the face of it be considered competitors, might, if brought together, discover that they have more complementary than competing strengths. They can still compete for the small jobs, but by working in collaboration they can also take on the large projects that usually go to big, well-established international companies.

But who leads? Such a partnership among equals is unlikely to form or prosper without independent facilitation. All of the participants in the case described in this chapter agreed that if one of their number had sent out an email to the rest inviting them to come together, they would not have responded. The fact that the invitation came from a government agency meant that they were willing to sit in a room together. They also agreed that having an independent facilitator ensured that they were all an equal part of the process as opposed to one of them being seen as taking over.

While a commercial consultant could in theory do a good job of facilitating such a group, there is presently no business model for doing so. Therefore government-funded agencies are ideally placed to take this role in industry development.

This chapter describes a facilitated process to form the Oratactix inter-organisational joint venture between six Queensland creative industries businesses led by the authors.

Stage one: bringing the companies together

In early April 2013, Enterprise Connect (EC), an Australian government program through the Department of Industry, created to help small and medium businesses to reach their full potential, sent an email to thirteen of southeast Queensland's leading simulation/visualisation and interactive media companies inviting them to a meeting to be held on 1 May. The reason given for the meeting was that many of EC's non-creative business clients could benefit from their services but either did not know or understand the technology, or were unsure of where to begin the process of utilising it within their company. EC wanted to bring simulation, interactive and modelling experts together with key non-creative industries client companies to review and discuss the options for using these technologies.

The initiators of the invitation, Sonya Henderson Edbrooke, Business Adviser, and Melissa Anderson, EC Queensland state director, both have backgrounds in the digital and IT sectors and are familiar with the impact such technologies can have on increasing the productivity and capabilities of an organisation. Sonya has had a long-term career in the creative industries where she has worked with and in a number of digital companies. Through her contact with non-creative industries

companies in her EC role, Sonya realised there was a gap amongst many non-creative EC clients in understanding the opportunities offered by new technologies and even with knowing who to speak to in the digital creative companies. Melissa Anderson was, at the same time, facilitating a similar collaboration project in north Queensland to bring together companies involved in steel projects to work together to secure larger and higher value projects—described later in this chapter—and knew the effect such collaborations can have in expanding the capabilities and market share of the participants.

Of those thirteen invitees, nine companies attended the initial meeting. The company directors were aware of each other, some had met before and some already had been utilising each other's services, but they also tended to view each other as competitors. The EC hosts explained that the purpose of bringing the companies together was to facilitate business with EC clients from other industries, in particular to enhance simulation/visualisation use in the mining and manufacturing industries, and to improve and enhance their companies' offerings. To do this effectively would require a clear language and means to present the benefits and capabilities of simulation/visualisation technology to a new audience who might not immediately see the benefits.

Would they consider working as a group with EC to develop such a presentation for its client base? While still unsure of the final outcome, they agreed and a second meeting was called where each company would present their capabilities to the rest.

At the second meeting each company made a presentation on their competencies and capabilities. As they learned more about each other, it became evident that while there was some overlap in offerings, the companies did not actually compete on core capabilities. It was agreed that there was merit in working together with EC to develop a single language and unified presentation for EC clients. Three of the nine companies, for a variety of reasons, were unable to continue with the group during subsequent meetings and collaboration development.

The six companies who continued on the journey were:

- Ai3D—visualisation consultancy using the latest games and 3D visualisation technology to convey the design intent of complex infrastructure, master planning, urban design, engineering, architecture, landscape architecture and heritage projects through interactive virtual environments.
- Clui—creators of cloud-based e-learning and online assessment tracking platforms providing training records that can follow a student from job to job.
- Croomo)—3D simulation/visualisation company specialising in interactive training technology for the commercial, finance and mining sectors.

– ImmersaView—specialists in software for blending multiple projected images on a single screen and software for streaming video, audio and data from client simulations using the client's existing network and hardware.
– Real Serious Games—creators of games-engine based simulation to assist heavy industries such as construction and infrastructure to plan, communicate and teach complex or high-risk concepts.
– Zaxis—a production company specialising in 3D stills, animation and promotional videos for the property development, government and mining sectors.

Stage two: developing the relationship
After the initial two meetings the representatives from the remaining companies agreed to meet fortnightly in EC-hosted sessions. It was important to keep the momentum in the group by meeting regularly to discuss how they could work together, what business model would be required, what formal and informal processes and structures would be required, amongst other topics. Meetings with EC became monthly, with the group assigned one of the topics noted above to work on during the interim. From these interactions they realised that a more formal structure would be required rather than a loose collaborative group. They began to have meetings with solicitors to discuss their options for working together including considerations of structure, IP development and utilisation, pricing and management.

As the group continued to meet, getting to know one another better, it became clear to the members that there was an opportunity to work not just with the EC industry clients, but collaboratively to secure projects larger than any single company could complete alone. This was to become the primary focus of the group collaboration. Tim Dwyer from business-coaching firm Shirlaws conducted two sessions with the group early in the process. His aim was to assist them to determine how they could work together as a group, what was required from them to collaborate, what could the joint projects entail, and what companies or industries would be involved? As they began to answers these questions, it was determined by the EC hosts that they should test this collaborative approach with an actual EC client.

On 12 July, the team made a single presentation to two clients, one from the mining sector and a company that develops SAP solutions for major infrastructure projects. This was not a pitch for a particular project but rather an opportunity to showcase the capabilities of the group and to hear the issues and challenges of these 'practice' clients. Both clients were impressed and the CEO of the mining transport company asked for a follow-up meeting with members of the group to better understand her needs.

This exercise confirmed the value of a unified group presentation of capabilities versus presentations by six different companies. But it also brought questions into focus: how was the group to operate as a collective—who will lead, what tools were required?

To better position the group to work as a collective, the EC hosts determined that an Enterprise Learning session on branding was a good place to start. Local branding specialist DAIS was engaged to lead this stage that occurred in three phases over several months. Phase one was the initial workshop with the group members to articulate their vision for the group, their work and the types of problems they wanted to solve. As the group was still in the early stages of thinking through these questions, this was an initial discovery opportunity. Phase two focused on the DAIS team articulating the considerations and ideas that came out of the phase one workshop. Phase three was a presentation by the group to DAIS on the outcomes of the additional visioning work completed as part of the group business review workshops (see next section).

Stage three: developing joint vision and purpose in three workshops
After several months it became evident that this collaboration had the opportunity to become a more formal corporate structure that would impact each individual company. It seemed an opportune time to bring the companies together in a Group Business Review process. This would enable each company to receive an individual Business Review on their company while also working as a group through more structured workshops to review how they would formally work together and identify key operational needs.

With the relationships between the companies formalised, a Group Business Review application was made and the members agreed on a three-part workshop agenda to determine the purpose and vision of the group, its value proposition and how the companies would formally work together with a client.

Workshop one: purpose
For the first workshop, the members were asked to describe their individual vision of the group. Their input was formed into an agreed singular purpose and vision. Initial purpose and vision options from this brainstorming were used as the basis for the next workshops. Purpose refers to the underlying *why* (purpose, cause or belief) the business exists as it relates to a company's customers and end users, staff and stakeholders, Purpose is the filter through which all product and service decisions should be made. While the vision for a business may change due to changes in the market or environment, the *Purpose* is the company's 'true north'; the filter through which management judges all opportunities and makes its decisions, and it does not change over the lifetime of the business. For example, VELUX is a global company which designs and manufactures skylights, roof windows and sun tunnels. Their purpose of 'providing daylight, fresh air and quality of life' is the filter through which all their product decisions are made.

Currently the companies in the collective receive most of their revenue from fee-for-service projects. An idea that quickly emerged from the purpose/vision workshop was that if in the long run the group becomes reliant on this same model then it doesn't really extend the reach of the companies. The participants agreed that products would be needed as well.

The discussions of short to medium-term goals led to thinking about where they envisioned themselves five years from now: the 'Big Hairy Audacious Goals' (BHAGs) they wanted to achieve. These were goals for the types of projects they wanted to pursue, product ideas and options for building the group's brand.

There was a great deal of nuts and bolts work that needed to be completed from the purpose, vision and goals of the group. They realised that while each company has its own systems and processes an agreed format needed to be created for the new entity; that these six companies will have to work as a single group on larger projects.

Over the next two to three years the group aims to collectively and collaboratively work on simulation and visualisation projects for clients, specifically those projects in excess of $1 million dollars. While this will establish their framework for working together it will also establish their reputation for working on difficult problems that are solved through clever and boundary-pushing capabilities of simulation and visualisation technology. Reaching these goals will also require the development of standard operations, procedures and methodologies that can be shared or licensed with like-minded groups.

Consideration of corporate culture and values also formed a part of the vision workshop. The alignment of culture and values is very important to any group or organisation to ensure an optimal working environment for staff and clients. An alignment of company cultures and values provides a more cohesive collaborative and working environment from the start.

This is an ongoing discussion that the group will revisit as they work together and face new challenges. However, when asked 'what projects you won't work on' and 'what you won't do for a client' the participants found they were in consensus on certain core values including not helping a client to lie and not fabricating data or simulating or visualising erroneous outcomes or details.

The group met between the first and second workshops to continue their planning and to review their work on purpose/vision and BHAGs. In that meeting, the purpose/vision of the group became more succinct. The BHAGs changed as well. This continued review and revision of their initial decisions was an important process for the group because it showed an underling value of wanting to get things right; of not accepting the first decision as gospel, but realising that some things need time to gel and that all parties are open to additional work to get it right.

Workshop two: context and value propositions

The second workshop opened with a discussion of the context in which the participants work. This discussion was wide-ranging and covered topics such as key trends, technological development, competition, client needs, rules and regulations, uncertainties and the economic climate. Understanding this context is key to knowing how they will position themselves within the market.

The group agreed that simulation/visualisation is an exciting field in which technology is always rapidly changing. Each participant spends a great deal of concerted effort to stay abreast of these changes. Clients have an even more onerous task trying to keep up. However, these trends seen in action along with interest from the media mean that clients are more exposed to the possibilities and capabilities of simulation/visualisation than ever before.

A key contextual consideration for the group was potential competitors. The group identified several competitors and discussed their value propositions. Consideration was also given to clients who believe that with the purchase of 3D software they are able to complete these project types on their own without external expertise.

In competition against major firms, the group decided that their advantage is their smaller size, making them more nimble and flexible in working with clients; more apt to provide a custom solution; quicker with more value for client investment.

At the other end of the scale, the diversity of the skill set and expertise of the group may set them apart from some of the smaller firms that are unable to land the large projects which interest the group. But these smaller firms may also be seen as opportunities for further alliances versus considering them solely as competition.

A large part of the workshop was spent identifying the group's key value propositions. A value proposition is a statement that clearly identifies the value a customer receives when buying/using a product or service. It should convince a potential customer of the differentiation of that particular product or service and how it will add more value or better solve a problem than other similar offerings. It is not the features of your offering but what is of value and benefit to the customer.

Client needs was another key consideration. The need of the client is typically associated with the client type: Decision-maker, Implementer, User, Evaluator, Creator or Resistor. The group agreed that their approach to each group would need to differ based on the client type and their motivations.

The success in Queensland points to an ongoing role for the provision of government services in enabling the development of inter-organisational partnerships and in scaling up the creative industries SME sector.

Office at White Sky Music (Melbourne), who specialise in music industry accounting and business management. Photo: White Sky Music.

Workshop three: group exercise
In the final workshop the team was tasked with developing an initial solution for a client problem. The facilitator drove the agenda to get the group to work through the problem in the allocated time. In addition to the facilitator, the group was observed by other members of the EC team to provide feedback on how the group worked as a team.

Two hypothetical options, created around the possibility of an international climate change conference in Australia to be attended by world leaders, were presented for the group to work with.

Initially, the group was drawn to what they saw as the 'meatier' option—around security for the conference, while the other option, with a focus on showcasing the host city's innovations around climate change, seemed a less-challenging, straightforward multimedia/marketing presentation. However the facilitator challenged them on thinking too narrowly, that the presentation to the client could be an opportunity for really 'pushing the envelope' on the use of technology, gamification and immersive experiences for completely new results. The fact that the hypothetical client had allocated a seven-figure sum for the project piqued their interest even more as they realised the client was serious about the outcome.

In the allocated 90 minutes the group developed a three-staged process for giving the client's users a continuous experience which would be delivered through a variety of software and hardware configurations. Afterwards the group were pleased at how well they had worked together and how, in less than two hours, they had developed a strong and complete concept with tangible and achievable outcomes. Clearly, the time the group had spent getting to know one another in the earlier stages had 'paid off' in how well and quickly they worked together during this session.

Additional observations and feedback were the need for the group to consider developing a brainstorming framework that would provide even greater structure for idea generation; and the eventual need for a project management methodology. Overall, the exercise showed the depth of knowledge within the group, their professionalism in working collaboratively and highlighted some of the key processes and methodologies that need to be created.

Outcomes
The group of companies have been on an evolving journey since May 2013: from an initial meeting where any benefits or outcomes were unknown to the incorporation of a separate entity—Oratactix—in January 2014.

The group realises that it needs to get runs on the board as Oratactix as soon as possible and begin to build their brand promise. They all have excellent connections across a variety of industries, and as each member speaks with their own clients they discuss Oratactix and clients are interested to know more. There are international opportunities through some members and the connections through the Department of Industry business support program..

Two of Oratactix's most enlightened realisations from the past year are that they are strong as a collaborative team, and their mutual desire to go after the big problems, to those places where others 'fear to tread'.

Lessons from another EC group collaboration process
Melissa Anderson also facilitated a collaboration project in north Queensland that brought together seven companies in the steel construction industry to work together to secure projects larger and higher in value than could be considered by any of the companies alone. Their competitive advantage was their location proximate to major resource extraction projects. Their challenge was one of scale and scope. The collaboration concept was originally raised by an EC client in the steel industry who saw benefit not just in collaborating to pitch for large projects, but also in terms of product procurement, cross-utilisation, training and retention of staff, and continuous improvement through peer learning.

As with the Oratactix project, a key ingredient was an independent facilitator without a commercial agenda—here, the role undertaken by EC. This process also led to the formation of a separate legal joint venture entity created to pitch for larger projects that required scale and scope. Other outcomes included the development of a training/certification organisation, a joint sourcing program and an employee exchange program.

Other lessons learned in north Queensland were that

- a clear focus on forward momentum, with strong, time-bounded goals, was key to sustaining a collaborative effort,
- each company should nominate a representative for the project who is sufficiently empowered to make decisions and also available to meet and workshop on a regular basis, and
- a clear pathway for transition of ownership of the project from EC to the individual companies was needed with responsibility for meetings handed back to the companies as soon as a firm commitment to proceed is established.

Without this handover of responsibility, participants became reliant on the ongoing involvement of EC and struggled to maintain good momentum when EC stepped back from project ownership. Subsequently, EC also assisted in identifying a suitable independent Chair, who was appointed to the board of the new entity and was responsible for ensuring progress against targets.

Conclusion
Collaboration is a very powerful tool but it doesn't come naturally. If a group tries to work out how to do it in the middle of a project, it doesn't work. You can't plan while you're doing. The process worked well for a number of reasons:

1. The group members took the time to get to know one another one to one and with group meetings
2. They agreed to work through the steps of determining purpose, vision, values/culture and value proposition for their offering(s)
3. They invested the time and money to establish the correct legal and corporate structures with a full Shareholders Agreement in advance of any project contracts
4. They invested the time and effort to develop collaboration frameworks.

The experience of bringing the Oratactix collective together has shown how planning pays off. The Oratactix members have put in the hours talking and testing how they individually work, how they want to work together and what collaboration between them would look like. An important aspect of the process was maintaining the momentum with the group, keeping them committed to working on a consistent basis and transferring the responsibility of the vision and drive to the group. If it is going to succeed they must have complete control. They continue to work together to put systems in place and will be ready to seize opportunities when they present themselves.

The other key ingredient here was EC being able to act as an independent facilitator, without a commercial agenda, to get the ball rolling. The success in Queensland points to an ongoing role for the provision of government services in enabling the development of inter-organisational partnerships and in scaling up the creative industries SME sector.

AGB Events' Lights of Christmas event at St Mary's Cathedral, Sydney, in 2014 included large-format building projections with animation and 3D mapping. Photo: AGB Events.

UP–Close
Biztro one-hour, tailored business advice

Stuart Davis, CIIC Business Adviser during a CIIC Business Review in Adelaide, 2015. Photo: Stuart Davis.

// Lisa Andersen & Paul Byron

From 2010 to 2014 the Creative Industries Innovation Centre (CIIC) provided hundreds of creative businesses across Australia—concept, start-ups and established—with free one-hour 'speed business reviews', known as Biztros, with an experienced Business Adviser. This up-close details how Biztro worked.

Background

When the CIIC began in 2009, its core Business Review service was offered to creative industry businesses that had operated for at least three years and had an annual turnover of at least $1 million. But there was a gap in support for under-$1 million companies, concept and start-up businesses, sole-traders, and companies of all sizes who wanted a 'speed review' on how they were tracking. Biztro was designed to fill that gap.

> I think in many ways the Biztro replicated very much how the Business Review operated; same problems, same spread of clients wanting this, that or the other thing out of it. Some had very specific things in mind, some were starting up. I quite enjoyed the Biztro because it gave me an opportunity to express myself whiteboard-style.
>
> Tony Shannon, CIIC Business Adviser

From 2010 to 2014, the Biztro program provided 1179 hours of free business advice to 1099 creative business owners across metropolitan and regional Australia. In a 2014 internal CIIC survey, 70 clients from recent Biztro sessions provided feedback and 94 per cent reported that they had found the service useful (client comments below are taken from that survey). With its broad outreach, Biztro also raised the profile of the CIIC across the whole creative industries sector.

The Biztro 'recipe'

Business Advisers

Business Advisers brought a range of skills to their role with CIIC and to the Biztro service. Combined, advisers had experience in business training and analysis, advertising, marketing, development consultancy, theatre and film production, games development, industrial design, e-learning, and manufacturing. Advisers also contributed skills developed through performing Business Reviews with CIIC prior to Biztro's commencement.

The Advisers reported that Biztro was a good source of professional development that kept them up-to-date with an array of business issues in the creative sector. They also enjoyed the 'open-door' policy of Biztro days, and the varied engagements with creative entrepreneurs.

> The randomness kept Business Advisers on their toes; having somebody new walk in the door and quick fire solutions. In fact, I remember thinking one day that the Biztro was of the same use to the Business Adviser as the clients.
>
> David Sharpe, CIIC Business Adviser

The clients

> It was a good reality check for someone with little business experience or knowledge.
>
> Biztro client

Biztro clients varied. Though most were early stage start-ups, some were companies that had been running for ten years but were under the Business Review threshold. While a few clients didn't appreciate the tough love approach of these sessions, most embraced this.

> I think Einstein said that time was elastic and there is nothing slower than a bad Biztro hour, let me tell you. When they were just not interested in the bad news you had for them, that hour could drag on. Or when they don't talk: a lot of them are quite shy.
>
> Tony Shannon, CIIC Business Adviser

The sessions were challenging for clients who were less engaged, had unrealistic expectations, or attended without a specific goal or agenda. Such clients were unlikely to return for further Biztro sessions. For others, a pathway of support was established through Biztro, whereby they returned for additional sessions over a number of years. Returning clients were more often from established companies and often brought new issues to discuss at each meeting.

> It helped me to sharpen my focus on my business in terms of what my core services are.
>
> Biztro client

One hour format

Biztro sessions were free and had no strict agenda or required outcome. Clients just needed to register online and provide a brief business biography. The tailored approaches of Business Advisers took different forms, but generally focused on issuing actionable recommendations regarding client issues raised at Biztro. Where client issues were ill-defined, the default conversation was big picture.

> Sometimes it would be me grabbing a whiteboard marker and working on their business model with them or sometimes it might be talking about brand strategy. The session would just really depend on what they raised.
>
> Stuart Davis, CIIC Business Adviser

Common themes discussed in Biztro sessions included ways in which a business can differentiate itself from others, getting a better sense of one's market and how to tap into this, and developing an actionable plan for the next stages of business growth and development.

Management and bookings

Because Biztro sessions were booked online, Business Advisers were able to do some homework on clients' businesses and concerns prior to meeting. Commonly, one-hour sessions were held back-to-back in one-day blocks. Some advisers felt that the one hour was arbitrary, with some meetings being shorter, or additional appointments scheduled if more time was required, or to follow-up after recommendations were implemented.

The CIIC hosted Biztros in the various offices where Business Advisers were located around Australia but the preference was to partner with external creative industries organisations where they would manage the promotion of the day-long event and recruitment of clients and the CIIC would provide the services of a Business Adviser and, where relevant, cover travel costs. In that way Biztro days could be regionally located or 'themed'; a Biztro day for architects organised by the Australian Institute of Architects, for example, or an Alice Springs Biztro day with remote Aboriginal creative enterprises.

In NSW, Business Adviser David Sharpe brokered an ongoing relationship with arts peak Regional Arts NSW who scheduled and programmed Biztro sessions in a range of regional and rural locations in that state. This partnership was deemed a positive experience by those involved, and some effort was made to follow up meetings with regional clients via telephone or Skype, if required.

Follow-up

Unlike Business Review clients who often arrived at CIIC through established business networks, Biztro clients often found out about the service through partner organisations or government websites. Business Advisers found that certain clients stood out as having greater drive and potential for growth. Enduring relationships were often established with these clients who returned for follow-up consultations to assist in developing growth pathways.

> I walked away with ideas that I could (and did) implement immediately and it also shifted my thinking about my future strategies and growth.
>
> Biztro client

Outcomes

Because the businesses of Biztro clients were often not that complex, one hour was felt to be enough to discuss key matters, with opportunity for follow-up if required. Further, most Business Advisers enjoyed the problem-solving task of Biztro, and felt that the unstructured format was a key strength of the program. However, the limits of doing meaningful 'homework' prior to meeting clients was noted, and Advisers believed that often more could have been achieved in the space of a meeting.

> I think it needed the face-to-face and it needed the mental tussle in conversation about what are you actually trying to do in this business.
>
> Mark Stewart, CIIC business adviser

A strength of Biztro noted by all Advisers was the flexibility that enabled tailored service. Advisers could encourage clients to return, and undertake

further consultation via phone or online, or meeting outside business hours. Commonly, the more potential that Business Advisers saw in clients, the more time and effort they would expend. That Biztro could be used as a kind of pathway program for business development for start-ups was noted as a key strength.

> I think it has more of an impact because you're getting them young, you're getting them early. You're setting the foundations for what they do.
>
> David Schloeffel, CIIC Business Adviser.

Biztro sessions is Sydney were in high demand, though this was not the case for all sites, particularly regional areas and smaller cities with less density of creative enterprises. Advisers working in low-attendance states, however, still felt Biztros were valuable by generating positive local outcomes.

Some Advisers felt that the number of follow-up Biztro visits was too low, and unfortunately no evaluation data was collected on client reasons for returning or not. In Queensland it lower attendance rates may have reflected a general distrust of quality of services from government.

Allocated venues and scheduling sessions during business hours may have curtailed attendance levels. In all sites, client cancellations and 'no-shows' were key frustrations of Business Advisers, and it was felt that this may have been a symptom of Biztro being a free service.

The most consistent theme in client feedback was the clarification gained in the Biztro process. Some found clarity in knowing whether or not to proceed with their business ventures, while others reported a clarification of the direction and/or the skills and resources they required. Many clients noted the importance of follow-up consultations, as well as the knowledge transfer aspects of the consultation, and the value of walking away from Biztro with an actionable outcome.

Closing reflections

Among CIIC Business Advisers, Biztro was considered a successful scheme, of great value to clients and Advisers alike. Some suggested potential enhancements, such as formalising it as a pathway program to support developing 'good businesses'.

> The program could move towards having the initial Biztro session identify good businesses to put into a more structured program with, maybe, three more meetings on strategy or business development or product development or other areas of concern.
>
> David Schloeffel, CIIC Business Adviser

A pathway program could focus on start-up businesses and equipping them with key business management tools. Other Advisers noted that more return visits would further the growth of participating businesses. Others felt that clients could have been vetted more, to ensure that those attending Biztro operated in a business spectrum, since the service seemed less valuable to creatives working in a non-profit sphere.

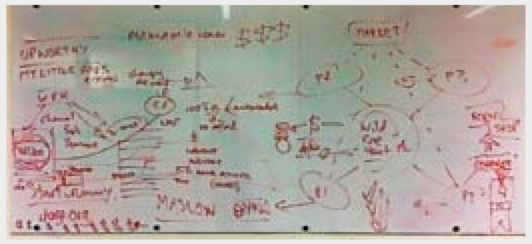
Another observation was that, while common threads came out of the Biztros about what people driving creative businesses really wanted to know (sales, for example, was a very common capability gap), the CIIC was never able to corral that knowledge to develop dedicated service responses to address those gaps-in-common.

The lack of formal evaluation was noted by advisers as a weakness of Biztro. Client feedback gathered via email and online surveys informed changes to Advisers' practices and how Biztro was run, but not in a systematic way. Other suggestions from Business Advisers included making Biztro sessions even less formal: short, sharp consultations that may not require an hour.

Yet most Advisers were pleased with the one-hour format. It was also suggested that greater flexibility with scheduling could be beneficial, whereby clients could access Advisers for a certain amount of time per quarter, without needing them to attend fixed-date appointments.

> My measure of if it was a good Biztro was whether or not the client asked if they could take a photo of my whiteboard scribbling. As long as they took a photo, it was all right. But if they didn't take a photo of it, then I had probably missed the mark.
>
> Tony Shannon, CIIC Business Adviser

It was generally agreed by the Business Advisers that the flexibility and informality of each one hour session and how it was able to be 'served up' in various ways with various partners and themes was a key strength—not often seen with bureaucratic offerings—that should be retained in designing future versions of Biztro.



Whiteboard from a Biztro session with Tony Shannon, CIIC Business Adviser. Photo: Tony Shannon.

Ecocreative (Adelaide), a creative consultancy focused on inspiring positive change for a sustainable society. Photo: Ecocreative.

Creative Industries Innovation Centre archive launch event, University of Technology, Sydney, April 2015. Photo: Tanya Dyhin.

The Creative Industries Innovation Centre

A model for government service delivery to creative businesses

// Lisa Colley

This chapter presents a brief history of the Creative Industries Innovation Centre, from 2009–2015. It reflects on what worked, what didn't, and what could be done differently. Key lessons concern the paramount importance of Business Advisers with detailed knowledge of the sector and the ability to provide ongoing, one-on-one support. Reflections on 'next steps' provide important insights into what a highly effective delivery of business advice to small and medium-sized creative enterprises might look like.

POLICY

When the Creative Industries Innovation Centre (CIIC) was first suggested in 2007, it was perceived as an important opportunity to support Australian creative enterprises *as businesses*. Very importantly, and for the first time, it was an initiative located within the industry portfolio, which allowed for the consideration of the creative industries as part of Australia's economic performance.

In this chapter I present a brief history of the CIIC, in a roughly chronological order. As founding (and only) CIIC Director, I reflect on what worked, what didn't and what could have been done differently. My hope is that this chapter, along with the others in this book, will shed light on what the CIIC can teach us as a model for government service delivery to small and medium-sized creative enterprises (SMEs).

The core function of the CIIC was to deliver business advice to individual creative businesses. However, the CIIC also needs to be examined from a wider perspective. How does the creative sector interact with the broader economy, both in Australia and globally? What specific skill set does it bring to the doing of business, and how can that be capitalised upon? How can this sector be supported to drive innovation? From the outset, we felt this 'bigger picture' perspective was critical to our approach and could not be separated from our core activities. We understood the CIIC as offering a creative industries initiative; one which would help support the sector, promote it, advocate for its importance, and impact on both the market place in which the sector operated and the policy frameworks that affected it. The degree to which we were successful in that task is one of the questions for this chapter—and for future endeavours.

Origins and function

In the lead up to the 2007 election, the Labor Party under Kevin Rudd proposed the creation a nationwide network of 'innovation centres'. These centres would expand the remit of the existing Enterprise Connect program run through the Department of Innovation, Industry, Science and Research. The initial program was designed to improve productivity, competitiveness and growth potential in businesses, by offering comprehensive, objective Business Reviews by skilled Business Advisers. The proposed innovation centres would continue this core offering, but would focus on innovation, creativity and excellence within specific key sectors, including clean energy, mining technology, defence and creative industries as well as regional and remote industry development. Connections with universities were encouraged as a means to link SMEs to research. In addition, the innovation centres were expected to develop complementary programs and services for their particular industry, based on sector need. To assist with this, each centre had an advisory committee made up of members from the industry, which reported directly to the minister.

A number of reports had highlighted the need for such an initiative for the creative industries. This included the very early Cutler report *Commerce in Content* (1994) and extensive research coming out of QUT's ARC Centre of Excellence for Creative Industries and Innovation (CCI). The soon-to-be Minister for the Arts, Peter Garrett, well understood that creative enterprises needed to succeed as businesses; while Kim Carr, responsible for the industry portfolio, recognised that driving innovation meant industry policy had to encompass a broader range of sectors than just manufacturing.

Thus, two years later, when the centre was officially launched, both ministers were on the podium together. This was an important shift in perspective: government recognition that the creative industries had a key role to play as an economically productive sector, and should be supported as such.

In 2009, the government advertised for an organisation to host the CIIC. The University of Technology, Sydney (UTS), led by the Deputy Vice Chancellor Research, Professor Sue Rowley, put together a successful bid to host the CIIC. The support of The City of Sydney and the NSW Government were critical to the success of this bid. The NSW Government, in particular, were vocal advocates for a Sydney-based centre, as the state was, at the time, home to 39 per cent of Australia's creative industry businesses. Partner universities from around Australia included Victoria's Monash University, University of Sydney, University of South Australia, University of Western Australia, University of Wollongong, University of Newcastle and University of Tasmania.

Given this was a first for Australia, our preliminary research drew on international models; in particular, the business support programs operating in the UK and Europe. The NESTA team and John Howkins in the UK, and Rene Hartman in the Netherlands all provided expert advice. The Dutch program supporting creative companies with knowledge and expertise on management and technology run by Syntens (the former Dutch Innovation Centres Network) and funded by their Ministry of Economic Affairs was a particularly useful model for our start-up thinking. With more than a decade of government support behind it, the creative industries in the Netherlands had risen to be a 'top sector' by 2008, based on their contribution to the growth of the national economy.

Our research on good practice emphasised the need for the Business Advisers to have specific creative industries expertise. Not necessarily a deep knowledge, but a sense and sensibility for the sector—an empathy. It also stressed the importance of the one-to-one approach—akin to mentoring—and the need for a post-review process and follow-up.

What was also clear was that Australian creative industries weren't at the same level of business understanding as their European counterparts. This was reinforced by Roy Green's report *Management Matters in Australia*—released around the same time—which found that, while Australian SMEs possessed high technical and creative skills, management capabilities were generally poor. It would be necessary, therefore, for the CIIC to develop an offering tailored to the Australian context.

The first three years (2009–2011): core service, communications and complementary offerings

As the first ever national service of this type for Australia's creative industries, establishing the CIIC was not unlike that of a start-up that had to offer a full service while still researching the offering. There was little industry intelligence on the specific business needs of the creative industries and no one industry body to provide this guidance. So the CIIC needed to learn by doing.

Business Review and eligibility

Our starting point was the core service offering (the Business Review) but it quickly became obvious we needed to connect with prospective clients—they just weren't sitting there waiting for us. Unlike other sectors such as manufacturing, which had a long history of government support, creative enterprises didn't necessarily know that the CIIC Business Review was something they needed. Another challenge for the CIIC was the fact that, initially, Business Reviews were only available to creative businesses with a turnover of $1.5 million, an ACN and at least three years of trading—eligibility criteria that excluded most of the sector.

The Director and Business Advisers became key promoters—cold calling, attending events, and meeting people, drawing heavily on our networks. Those existing networks initially largely defined which sectors the CIIC serviced. Peak industry bodies were another important way to communicate our service to their members. The design community, in particular, responded very well, as did the architecture, and marketing and communications sectors. Figure 13.1 shows a breakdown of Business Review clients by sector.

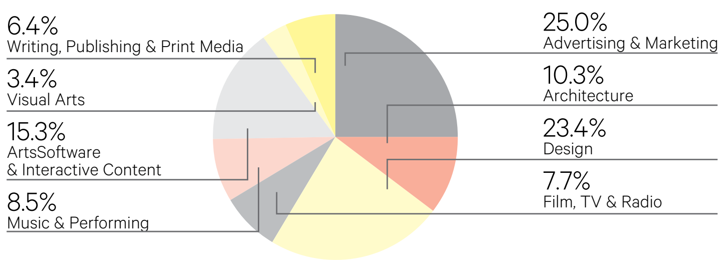


Figure 13.1
Creative industries sub-sector of total number of CIIC Business Review clients 2009–2015

Upon completion of a Business Review, a business received a Business Review Report, which outlined findings and recommended actions. The business could then apply for a Tailored Advisory Service (TAS) grant which reimbursed them half the cost (up to $20,000) of engaging external consultants to help them with the implementation of the Business Review recommendations.

Not surprisingly, the TAS grant was a big incentive to get companies to sign up for a Business Review. But it also forced businesses to decide if they were serious or not about taking action. Over the six years, with the matched government funds, CIIC client businesses invested over $18 million—a level of investment in business improvements that would not otherwise have occurred.

A major learning from TAS grant was that, while the grant covered half the cost of hiring an external consultant, many companies were not equipped with the skills to do this well—how to write a good consultancy brief, how to properly assess the quality of applicants etc. This was an area where Business Advisers often played an informal ongoing support role. In the Entrepreneurs' Infrastructure Programme—which replaced the Enterprise Connect program in 2014—this post-review role has been recognised as a legitimate one for the Business Advisers.

From the outset, a major issue for the CIIC was that everyone wanted the Business Advisers' time. Businesses wanted the one-on-one service *and* the potential of getting the matched TAS grant. However, in terms of eligibility criterion, the $1.5 million turnover threshold raised real questions around access as less than one in ten creative enterprises could meet this threshold—a serious credibility issue for the CIIC. Concerted engagement by the CIIC Advisory Committee with the Department of Industry achieved a good result and in late 2009 the turnover threshold was reduced to $1 million. Subsequent CIIC-commissioned sector analysis by Jackie Bailey and Christopher Madden showed that, even at this reduced threshold, 93 per cent of creative enterprises were still excluded from Business Review services. Their June 2010 report, *Analysis of creative industries by turnover, value chains and discussions with business advisers,* recommended eligibility based on a turnover threshold of $600,000 as more meaningful for the sector, and this remains a good starting point for consideration in future service design for creative industries.

Communications

This question of credibility also played a large part in the CIIC's thinking around complementary offerings. As the host university, UTS received extra funding to develop these services, which included a website, marketing and events, and industry analysis. There was a clear opportunity here to develop something that could reach creative businesses and expand the accessibility of our offering.

We were part of the Enterprise Connect program, which was orientated towards the manufacturing sector, and as such had guidelines around marketing and branding appropriate to that industry. Our clients, however, were highly skilled in design, communication, branding, and marketing. This is what they did. How were we to promote and market ourselves to this highly visual, digitally savvy sector in a credible way?

The solution lay in our location within a university that had a strong creative industries focus. Working with and within UTS we developed the 'Creative Innovation' brand and communications collateral—including website, social media presence, industry publications and events—under the UTS banner. This allowed us to connect with creative businesses in language and images that they related to.

Complementary offerings

Early on we piloted and tested a range of complementary offerings, including a bank for creative industries and micro finance. We trialled Accelerate, a service in which a creative business could present to a select group of major corporates in the hope of accessing further support—be it financial, legal or systems. There was serious interest from some big firms in investing in start-ups, but making it work proved too hard, partly because of their own legal frameworks. We also investigated developing some digital diagnostic tools like a simple financial calculator but our evaluations showed that, while business case studies and event information were important, there was little user interest in the provision of other online resources. The overriding factor in all of these early explorations was that, without an established track record of working with and delivering value to companies (plus the accumulation of sector insights that would come from such interaction), it was too early for these ideas. Furthermore, given the lack of a cohesive industry body for the creative sector, we had to be careful not to become a *de facto* industry body. Our primary focus had to be the delivery of business advice to creative enterprises.

The key lesson from this early stage was that the Business Advisers were central to what the CIIC did—they *were* the service. Feedback consistently confirmed that what people really wanted was to sit down with one person and discuss their issues. That face-to-face engagement made all the difference—if a Business Adviser made a recommendation, the business tended to heed it. This realisation also made clear that the core service, the Business Review, and any complementary offerings needed to be one package, delivered by one team.

In our second year, we developed Biztro, a complementary service that sat perfectly alongside the core Business Review service. This free, one-hour, one-to-one business consultation targeted sole traders, start-ups and small businesses in the creative industries. From the CIIC's perspective, it was highly effective, as it broadened the centre's reach, maximised resources, and made smart use of the

centre's key asset—the Business Advisers. While one hour may not seem much, it worked: over four years, 1,099 creative businesses accessed this offering. (For more, see the Biztro 'UP-Close' that precedes this chapter.)

The second three years (2012–2014): 'sticking to our knitting'

If the first three years of the CIIC were characterised by experimentation and learning, the second three years were marked by a much clearer focus and solid delivery of linked services for the creative industries.

Contractually, things were streamlined. The Department of Industry now employed seven Business Advisers, another adviser largely responsible for managing the Design Integration Program, and myself, as Director. Likewise, the UTS support team was smaller, there were fewer external partners to manage, and less money. Mitigating tightened resources was a much clearer understanding of what the CIIC's role was, what services could be offered and what external ideas and requests were 'out of scope'.

A critical achievement of the first phase was establishing the CIIC's credibility through the delivery of quality Business Reviews. Once companies understood that the Business Advisers had no vested interest in telling clients anything other than what they needed to hear, they became trusted for their objectivity and sound advice. For businesses willing to listen and follow through, the Business Review process offered powerful insights and pathways to development.

Part of that process was being prepared to question the mythology of the 'individual genius'—what cultural policy specialist Chris Bilton has described as the 'heroic' model of creativity which (incorrectly) implies that successful creativity can't be attributed to good structure, systems and management. The experience of CIIC business clients proves otherwise. In many cases, improvements in a company revolved around increased profitability—not necessarily growth. So, turnover might not change, but earnings would go up because improved systems and processes reduced costs. Improved customer relations saw more ongoing business. The Business Advisers were able to demonstrate that having solid business foundations allowed a company options: if they knew the cost of what they were doing versus what they were earning, they could make considered choices.

Another important development during phase two was the CIIC's roll out of the Design Integration Program (DIP) in 2012. The program aims to embed design thinking and practice in non-creative businesses, and has delivered some solid success stories with Australian manufacturers. Its work has also given weight to the importance of the creative industries as key enablers of other sectors. (For a detailed case study on the DIP, see Adam Blake and Stuart Davis' chapter in this book.)

The Business Advisers were central to what the CIIC did—they *were* the service. Feedback consistently confirmed that what people really wanted was to sit down with one person and discuss their issues. That face-to-face engagement made all the difference—if a Business Adviser made a recommendation, the business tended to heed it.

Behind the scenes for the Advance Pet Food online advertisement with Kontented (Sydney), who specialise in content strategy, creation and development. Photo: www.kontented.com.

The CIIC's relationships with external parties matured and stabilised during this time. This was partly a consequence of fewer resources, but also due to a better appreciation that the Centre's real value lay in the experience and expertise of its staff. With peak industry bodies, for example, we were clearer on what we could offer and what we could not. Thus, with any event or lecture, we contributed our knowledge base, our expertise. The rest—the marketing, the promotion, the organising, the travel costs etc.—was the preserve of the partner. We ran a number of very successful one-to-many initiatives under this arrangement, such as Generate, with music partners AMCOS and APRA, and Foundations, with the Australian Institute of Architects. In hindsight, this model of shared responsibility should have been adopted from the outset.

Added to the experience of our people was the increasing value we were able to realise from the growing number of Business Reviews conducted. At the outset of the CIIC we arranged with the Department to develop an industry intelligence database from the Business Reviews. We felt that there was value to be gained in interrogating the key issues being faced by businesses in the creative industries. In our second three years this foresight paid off with our ability to mine the data and create industry-specific forensic reports. These reports were highly valued by industry bodies who did not have access to this data or the ability to focus on this kind of industry research. We then added to this work by commissioning the *Valuing the Creative Industries Report*. This research is covered in more detail in chapter one.

The years that never were: 2016–
This section draws on six years of lessons learned, to present a sort of 'wish list' that is offered to anyone developing initiatives in the future to support creative enterprise.

Let's turn again to our core function—the Business Review. The model used by the CIIC was essentially a fairly short-term engagement orientated towards the TAS grant. There is scope to develop a more complex, nuanced offering built around a longer-term relationship between the Business Adviser and the client business. We started to envisage something like an initial triage assessment, which would ensure the best match of adviser to business, then the development of an actionable plan that would move the business along a scale, or along one of various pathways, depending on their needs, resources and commitment to change. The plan would be guided and supported by the Business Adviser who would check in at various points along the way. In this way, second and third year engagement would be a formalised part of the engagement. Not all companies might need or be appropriate for such long-term investment—identifying those companies that were really interested in their growth would be the critical factor.

Such an approach would require a different set of performance criteria, a different skill set for Business Advisers, and a different set of expectations. The Business Review Report would no longer be the primary outcome, rather the business' needs would drive the response.

There is a strong case for a more strategic and collaborative use of the Department's nationwide network of Business Advisers across all industry sectors, the program's key asset. For example, we know that it can be highly valuable to take two advisers into a firm, as they bring two perspectives. Certainly, a CIIC Business Adviser could informally draw on the wider pool of skills—logistics, operations, IT—residing in Business Advisers across the network of innovation centres. However, there was no formal mechanism to identify—let alone capitalise upon—these skills. Centre Directors were in a position to get an overview, and there were networking events, but, on the whole, too much was left up to serendipity. A structured process would help map and exploit this expertise, as well as disseminate the information across the centres.

As regards our other services, of course, fine-tuning is always possible. With Biztro, no-shows was a recurring issue, possibly as a result of people not properly valuing a free service. Some people turned up time and again—they saw the value—others didn't even bring pen and paper. We discussed various options but were always wary of not destroying the very thing that gave it such a broad-based appeal—its 'light touch'. But, things to consider would be a text messaging reminder system, or the introduction of a small payment, to be reimbursed after attending the session, or perhaps some sort of online qualifier. More and different partners could ease the burden of organising sessions, and ensuring people turned up. We made a deliberate decision not to over-engineer Biztro, which, for a first-time offering, was the right decision.

The one-to-many events were incredibly resource-intensive. I have already discussed how we came to outsource much of the organisational and marketing side to industry partners, who were well equipped to handle these tasks. There is another aspect to consider—that is, that adult education is a professional skill. Possibly even greater results could have been achieved if a third partner, with expertise in setting up and delivering quality professional development, had delivered content supplied by us. Such a partner could also pull all the material together so that it could have another life, post-presentation. That wasn't our role or area of expertise.

What of the services we didn't offer? Or, to put it another way, are different services needed at different points of intervention? I have discussed the issue of the turnover threshold in terms of access and credibility. It's also an economic issue. Our creative enterprises are a core part of SME land. They provide essential

services to other businesses. If we had been able to offer our Business Review to companies at a lower threshold, at an earlier stage in their lifecycles, arguably we could have helped them position themselves for much more significant growth and profitability from the get-go. A company at around the $600,000 mark, which is prepared to invest in the matched TAS grant, is serious about its future. A threshold at this level would also scoop up companies that are just starting to fail but still have the resources to be able to do something about it. This is what good industry policy is about.

At the other end of the scale, some of the businesses that we worked with went on to develop really solid business foundations and were ready for the next step in their business trajectory. What sorts of programs are needed to address issues such as scaling up, cross-fertilisation, investment, mergers and acquisitions? Earlier I discussed how some work we did around investment didn't take off—we dipped our toes in too early. Generally, there is still a very poor understanding in the creative industries about their rights and responsibilities in this area, but the ones that do understand it, will do really well. There could be a role to play in educating the financial sector about the nature of the creative industries, and vice versa.

Similarly, another important opportunity that I saw coming in the next three to five years was around the notion of co-creation. Here, different creative enterprises, with different skills, work together to realise a much bigger impact than they could if working alone. (See an example in Chapter 12 'Levelling up'.) Impeding this is the fact that creative companies are not particularly well networked, at least not outside of their own specific sector. We did not see much cross-fertilisation in our six years, and it was always a challenge to communicate with the creative industries as a whole. This would have been a big focus of the next stage of the CIIC: to demonstrate the benefit of being part of the creative industries through things such as collaboration and co-creation; by developing a more structured way of connecting the creative industries alumni network; and by connecting that group to a broader network of non-creative businesses.

In terms of our Business Review clients, the biggest difference lay between the not-for-profit arts organisations and the commercial creatives. For many arts companies, a Business Review was challenging, as the Business Adviser brought a commercial perspective that investigated, regardless of funding, a company's ability to generate income and grow. This was a very different service to the one traditionally provided by an arts consultant. However, it's a necessary line of inquiry. For the review process to be effective, though, some changes would be needed. First, an appropriate threshold would be around $350,000–$750,000. Second, in many arts companies, particularly the not-for-profits, decisions involve a board, an artistic director and a general manager. Decision-making is a different beast, and the eligibility criteria might need to include something about board engagement in the process. Third, they have fundamentally different structures around budgets, timelines and funding. The great bulk of not-for-profit art companies that we saw were really well run. They have excellent governance—you can't get government funding without it. They're skilled at creating excellent artistic content, and they understand the audience for their products. What they lack is resources and people with a business skill set.

The knowledge residing within the Business Review alumni was significant but largely untapped. On a few occasions we very successfully brought different creative companies together, to learn from each other about issues they had in common. Our research revealed that companies wanted more of these sorts of opportunities. What was needed was a structured, active alumni network to help expose companies to best practice, to other ways of doing things. Creative industry peer bodies could be instrumental in helping to connect alumni across sectors.

The final big question I want to examine is that of innovation. What has been the role of innovation at the CIIC over the last six years? It's in our title, yet curiously it is perhaps the most difficult aspect of our purpose to pin down. The word came from Kim Carr's original intention, which was about saying that these key sectors need to engage with the university and research agenda as a means of pursuing innovation. But for us, another way to look at it was by asking how could this connection with universities help create an innovative service for the creative industries?

Engagement between the creative industries and research remains an area of enormous potential, and the CIIC had many discussions with UTS about the best ways to proceed. For the university, the big opportunity in hosting an innovation centre lay in building better connections with industry. The research potential lay not in the centre itself, but via this 'door to industry' that the centre represented. Our Design Integration Program is an example of what this can mean in practice. The companies that have really embraced design integration—the poster stories of that program—have all engaged in longer-term relationships with 'universities' through research and internships. This program has been a successful realisation of that initial aspiration to bring together industry, government and university.

While it's very clear that a university's role is not to deliver services to industry, it is to educate the future creative industries business owners, there is great potential to build on the many natural connections between the creative industries and higher education—such as arts management courses, design faculties, and communications courses.

Conclusion

In ten years time, the Australian workforce and working environment will look nothing like it does today. The creative industries are already feeling the impacts—good and bad—of these changes. The task of preparing this sector of the economy so that it can grow, thrive and innovate is vital. If we want to see our small and medium-sized creative enterprises scale up, become global players, to cross-fertilise and move up the supply chain, then they must first understand the business of doing business.

One of the major outcomes of the six years of the centre is the enhanced understanding we have brought to the creative industries as an industry sector. It's fair to say that at the outset there was little understanding of where we fitted within industry policy frameworks that were already well established for other sectors. Our successes over six years, the thousands of businesses that we have engaged with and supported, demonstrate the high level of interest by creative companies in the business services we offered. They wanted to learn how to be better at business. Building basic business capabilities in our SMEs is a fundamental role that government can offer. It is ideally placed to help companies 'look up' from their day-to-day efforts and see the bigger picture. The CIIC helped creative enterprises do just that. It connected them to advice, to tools, to other ideas, to other ways of doing things—to good practice.

Christophe Charles – Lake Guy, Bogong Village 2013. Charles composes music from various materials, in particular from field recordings extending over a long period of time. From Bogong Centre for Sound Culture. Photo: Aksana Hugo Anastas.

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Screen printing workshop as part of Sydney's 2015 Blume Festival, presented by Signature Prints, who specialise in the design, print and manufacturing of textiles, wallpaper, limited-edition art and luxury luggage.
Photo: Signature Prints.

Author biographies

ANDERSEN, Lisa
Lisa Andersen managed research and legacy projects with the Creative Industries Innovation Centre from 2014 to 2015. With an early background in journalism and theatre production, she has worked in a variety of creative industry roles, managing the Empty Spaces Project that reimagines empty spaces for creative uses, and as senior researcher on the five-year ARC CAMRA cultural mapping Project. Lisa managed the state-wide NSW audience development program with Regional Arts NSW and the Australia Council for the Arts, was marketing and sponsorship manager for the first ever Paralympic Arts Festival (as part of her work on the Sydney 2000 Olympics), and has worked as a marketing consultant with the Sydney Opera House and Bangarra Dance Theatre, amongst others. Her publications include *All Culture is Local* (2013, with Margaret Malone) and *Making Meaning, Making Money: Directions for arts and cultural industries in The Creative Age* (2008, with Kate Oakley). In 2005 Lisa was co-winner of an Australian Award for University Teaching 'for the provision of education services to the community', and in 2014 she received a National Citation for her 'outstanding contribution to student learning' from her work over many years at the University of Technology Sydney's community program, UTS Shopfront.

ANDERSON, Melissa
Melissa Anderson is the Queensland state director of the Department of Industry and Science's Entrepreneurs' Infrastructure Program, driving growth, innovation, collaboration and productivity in Australia's small and medium sized enterprises. Melissa's extensive knowledge spans the IT, construction, manufacturing and pharmaceutical industries, with experience in both the Australian and Chinese markets. Melissa holds a Master of Business Administration from the University of Queensland, and a Certificate in Advanced Mandarin from Fudan University in Shanghai.

ASHTON, Paul
Paul Ashton is Professor of Public History at the University of Technology, Sydney, co-director of both the Centre for Creative Practice and Cultural Economy and the Australian Centre for Public History; and director of UTS Shopfront, a unit that works with community groups. His publications include *By-Roads and Hidden Treasures: Mapping Cultural Assets in Regional Australia, The Accidental City: Planning Sydney Since 1788* and *Sutherland Shire: A History*. He is also founding co-editor of the journal Public History Review.

BLAKE, Adam
Adam Blake has extensive experience leading the design and development of new initiatives, programs and partnerships—translating ideas into successful ventures. Currently, Adam is Group Head, Design and Consumer Engagement, with iconic

Australian boot and footwear makers, Blundstone. Previously he led the design and roll-out of the Commonwealth Government initiative, Business Growth Services, a specialist business advisory service to help SMEs build the capability to capitalise on growth opportunities. He also managed the Design Integration Program and was Director, Programs and Partnerships, at the Creative Industries Innovation Centre, with responsibility for designing and scaling programs supporting creative enterprises and entrepreneurs. Adam has held senior positions in public service, health research, community services and philanthropic sectors. Adam founded a consultancy company, SOCIAL, engaging with private industry to encourage and grow organisational corporate social responsibility and has co-founded several social ventures. He is an alumnus of the Sydney Leadership program. In 2013 he was awarded the Commonwealth Government Excellence in Innovation award and in 2014 the Commonwealth Government Australia Day Achievement award. Adam is a TEDxNoosa Executive Committee member and a board member of Sunshine Coast Creative Alliance. Adam was appointed Thought Leader in Residence 2014 at Brisbane Girls Grammar School.

BUCOLO, Sam
Sam Bucolo is a Professor of Design Innovation at the University of Technology, Sydney, where he helps Australian business grow thorough design-led innovation, while ensuring university programs evolve to match this structural industry shift. Sam was one of the original authors of the term 'design-led innovation', based on his work in getting firms to shift their focus from technology-led innovation models. Sam has collaborated widely with a range of industry partners, has led many government initiatives on embedding design-led innovation within organisations, has held several senior positions within universities, and has been an entrepreneur. He currently heads the Australian Design Integration Network and is the elected Australian board member for Cumulus, which represents over 200 art, design and media universities in 48 countries.

COLLEY, Lisa
Lisa Colley was the founding director of the Creative Industries Innovation Centre in 2009 until its closure in 2015. She understands the challenges facing small to medium creative businesses as a result of three decades of experience working across strategic planning, policy, business development, management and events in the creative industries. With significant experience within the arts and cultural sectors, Lisa has contributed actively to key policy debates affecting artists and arts organisations, giving her an insider's perspective into balancing creativity with business outcomes. She is a member of the Australian Institute of Company Directors and an AsiaLink Leaders Program Fellow.

CUNNINGHAM, Stuart
Stuart Cunningham is Distinguished Professor of Media and Communications, Queensland University of Technology. He directed the ARC Centre of Excellence for Creative Industries and Innovation throughout its funded life. His most recent books are *Digital Disruption: Cinema Moves Online* (2012, edited with Dina Iordanova), *Key Concepts in Creative Industries* (2013, with John Hartley, Jason Potts, Terry Flew, John Banks and Michael Keane), *Hidden Innovation: Policy, Industry and the Creative Sector* (2013), *Screen Distribution and the New King Kongs of the Online World* (2013, with Jon Silver), *The Media and Communications in Australia* (2014, with Sue Turnbull) and *Media Economics* (2015, with Terry Flew and Adam Swift).

He currently holds appointments to the Cooperative Research Centre Committee and the board of Screen Queensland. His most recent honours include admission into the UK-based Academy of Social Sciences from 2013 and the award of a Fulbright Senior Scholarship for 2014–15. Recent service has included membership of the Expert Working Group of the Australian Council of Learned Academies project 'The Role of Science, Research and Technology in Lifting Australia's Productivity' 2012-14, National Cultural Policy Reference Group 2011–13; and New South Wales Creative Industries Task Force 2012-13, and President of the Council of Humanities, Arts and Social Sciences, 2006–08.

DAVIS, Stuart
Since 2009 Stuart Davis has been a business adviser with AusIndustry. Stuart was originally trained as an industrial designer but has worked in advertising, marketing, digital and advanced manufacturing companies as well as being part of the team at the Creative Industries Innovation Centre since inception. Stuart is also a Graduate of the Australian Institute of Company Directors. Passionate about exploring business models, design-led innovation, branding, marketing and creating exceptional customer experiences Stuart's role is to help companies be the best they can be. For some this may be a modest aspiration for others it could be far more. Stuart will tell anyone that will listen that he lives in the best part of the country—the Adelaide Hills, South Australia. He can often be found cycling the picturesque country roads amongst the rolling hills between the vineyards.

DENG, Yuan
Yuan Deng is an actuary with over seven years' experience in consulting. He currently holds an associate position at SGS Economics and Planning. Since joining the company in 2009, Yuan has advised a range of clients in both public and private sectors on industry policy initiatives, land economics, major infrastructure investment and urban renewal projects. During this time, Yuan has managed many high-profile projects and gained extensive experience in cost

benefit analysis, feasibility assessments, economic forecasting and industry profiling. Prior to joining SGS, Yuan worked for a management consultancy company, assisting both public and private sector clients to improve their processes, reduce costs and develop business strategies. Yuan holds a Bachelor of Commerce degree and a Master of Actuarial Studies from the University of New South Wales. He is an Associate member of the Institute of Actuaries of Australia and a co-author of the paper: 'Cost Benefit Analysis—Key Features and Future Directions' (2013).

HEARN, Greg
Greg Hearn is Director of Commercial R&D and Research Professor in the Creative Industries Faculty at QUT. His work focuses on policy development and R&D for new technologies and services in the creative industries. He has authored or co-authored over 20 major research reports and books, including, *Public policy in knowledge-based economies* (2003) and *The knowledge economy handbook* (2005 and 2012); *Knowledge policy: Challenges for the 21st Century* (2008) and *Creative work beyond the creative industries: Innovation, employment and education* (2014). He is the leader of the Creative workforce 2.0 program in the ARC Centre of Excellence for Creative industries and Innovation. He works with universities and governments in South Africa and Brazil on creative industries related issues.

HENDERSON EDBROOKE, Sonya
Sonya Henderson Edbrooke has over 25 years' experience in creative industries, including creative and management roles in design, advertising, e-learning, interactive media and business consulting in the United States and Australia. She has been able to work with some of the brightest, creative and most talented clients in Queensland: in architecture, creative and interactive agencies, digital media, games and software development, fashion and design. With a background in managing her own creative companies and working in other creative agencies and organisations, she brings an understanding of the requirements and challenges faced by clients in running a strategic, profitable, creative business. She identifies and recommends the opportunities for the next stages of a company's growth and changes required to improve their productivity and profitability. In addition to her adviser role, she is also a facilitator in design integration working with clients in manufacturing, software development and architecture to gain a deeper understanding of the needs of their customers and integrate these insights into transformational organisation and strategic change within the company.

LEE, Rob
Rob Lee is an urban economist who specialises in market/industry analysis, economic development and policy appraisal. In the UK, Rob assessed regional development policy and provided policy advice to the Welsh Development Agency (WDA) as part of its inward investment strategy. In Australia, Rob has focused on urban economics and strategic planning projects. In 2010, Rob led an ex-post evaluation of job creation resulting from the Building the Education Revolution program. Rob has provided economic appraisal advice to the Art Gallery of NSW, Royal Botanic Gardens and Domain Trust and Sydney Living Museums. Rob directed the economic assessment of the Australian Literary Publishing sector for the Australia Council and most recently Rob directed the economic analysis of Australian creative industries on behalf of the CIIC.

MERRILEES, Anthony
Anthony Merrilees is a business consultant with a background in commercial law. He has over 25 years' experience in professional services and professional consulting, and spent the last 15 years focusing on working with businesses the creative industries. Anthony has a Bachelor of Arts (ANU), Bachelor of Laws (ANU), Graduate Diploma in Legal Practice (UTS) and is a Graduate of the Australian Institute of Company Directors (GAICD).

OGILVIE, Tamara
Tamara Ogilvie's skills span the creative and professional services sectors. With tertiary qualifications in commerce, the performing arts and writing (Bachelor of Arts and Bachelor of Commerce from the University of Sydney, and Graduate Certificate in Journalism, UTS), and as a qualified chartered accountant (ACA, Institute Chartered Accountants England and Wales). During her early career in the arts, Tamara saw a common skills gap in many creative businesses—in-house financial and business management to support an organisation's creative and growth aspirations. Hoping to be able to one day address the gap, Tamara left the arts to gain experience in business management and a professional accountancy qualification whilst working for the global consulting and accounting firm Deloitte in London. Informed by her experience in the professional services sector Tamara now applies her business and numerical skills to the creative industries in Australia. And in her spare time, teaches yoga.

SCHLOEFFEL, David
David Schloeffel has 35 years' experience in creative industries with senior management and creative roles in advertising, marketing, digital, PR, DM, radio, theatre, event and video production. He has worked as a writer, producer, director, creative director, account director, strategy director, theatre company manager, arts reviewer, consultant, general manager of a division of an ASX-listed communications company, and SME owner with a successful agency of ten years. Since 2010 he has proudly worked as a Business Adviser with the CIIC located at Monash University, working with over 250 firms, big and small, to help them be better creative businesses, as well as delivering a number of seminars on the business of being creative. He also lectures in masters programs in the School of Economics, Finance and Marketing at RMIT University.

SHANNON, Tony
Tony Shannon is a specialist in the business of digital content and digital media. He has experience in strategic planning for media and content-based SMEs; IPOs and business sales; managing joint-ventures; constructing e-commerce business models (including mobile); managing intellectual property and copyright; and extracting maximum value from digital assets. He holds a Master of Management from the Macquarie Graduate School of Management, and also has a Bachelor of Arts (Professional Writing).

STEWART, Mark
Mark Stewart is 25 years into a career working across many industries as a business owner, senior executive and consultant in both Australia and Europe. Over that time he has helped organisations to transform and deliver brand and business-building innovation. Over the last seven years he has focused his efforts working with small to medium firms, coaching and mentoring a range of manufacturing business owners to build strategic design capability and working with the owners of Australian creative companies helping them to clarify their true north and build strong sustainable companies.

2014 Adaptive design/reuse of Pumphouse Point heritage buildings to a wilderness retreat within the Tasmanian Wilderness World Heritage Area by Cumulus Studio (Hobart and Launceston). Photo: Adam Gibson.

Creative Business in Australia looks at the pressing issues that small to medium-sized creative industries companies face. Written for the owners/managers of design, software, digital, advertising and marketing, screen, sound, music, publishing, performance, events, architecture and visual arts businesses—as well as peak business and government thinkers and decision-makers—it offers a way forward for individual companies and for government policy and industry leadership to back growth.

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