



Research Centre
Business in Society

Business Support and the Cultural and Creative Sector in England and Scotland: A Review

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Executive Summary

Introduction: supporting the sustainability and growth of the cultural and creative sector

This Review forms part of the research and evaluation activity of Creative United’s Prosper programme¹ funded by Arts Council England (ACE). Prosper offers business support to a range of cultural and creative organisations particularly around commercial development of organisations’ activities as a route to future sustainability. The Prosper programme is one of a suite of Arts Council England (ACE) funded Building Resilience business support pilot programmes launched in 2017.

The rationale behind the launch of these programmes, and the Review context, is the range of current challenges to the sustainability and growth of the cultural and creative sector. These include, amongst others: funding cuts under austerity, increasing customer expectations, competition and policy expectations.

One solution put forward for the sector to meet the challenges of business and organisational development is that of increasing and improving the use of appropriate business support. Broad areas of business support are tax incentives, grants, financial instruments, and advice and consultancy. In recent times what is being seen is increasing mixtures of these elements in the design of programmes and projects – such as incubators; accelerators; joint grant, loan and support packages – and which are understood as elements of support ‘ecosystems’ for businesses and organisations. Given the nature of the Prosper business support programme model, which utilises a range of delivery formats (such as one-to-one advice and peer group learning), this Review focuses on such types of business support.

The Review methodology entailed: *web-based searching* of academic databases, government websites and their online archives, grey literature searches and wider Google searches utilising key words; a *Call for Evidence* in Spring 2017 circulated across relevant networks within the cultural and creative sector; and *analysis of the application data* from 259 organisations to the Prosper Business Support Programme.

Business support in England and Scotland

The need or demand for business support in the economy is widely accepted, although the identification of such demand (including latent demand) in a clear and comprehensive manner remains an on-going challenge. A lack of consensus exists concerning the range of research evidence on the business and personal characteristics that influence whether or not SMEs seek external

¹ <http://www.creativeunited.org.uk/programme/prosper/>

assistance. This is further complicated by the potential relationship to the nature of assistance sought (for example, information, advice, transactional, transformational, topic-based) and the further relationship variable of the supply infrastructure on offer.

The supply of business support entails a wide-ranging and diverse supply of providers of content and services through myriad delivery channels. Moving beyond friends and networks this ranges across commercial advisors (accountants, lawyers, consultants, etc.), business associations (Chambers of Commerce, sector trade associations, etc.), and public agents (Business Gateway, LEPs, etc.). The constant challenge for business support policy is to match any (limited) funded provision against the spectrum of demand to achieve the most effective and desired policy impact.

Changing political imperatives and efficiency drives have led to frequent reconfigurations of publicly-funded business support programmes, and most especially in England. The balancing act of provision through intervention has been described as the choice of mix between *generic* business support as against *targeted or specialist* support such as to specific sectors, (advanced manufacturing, creative, etc.), business segments (start-ups, high growth, etc.) or socio-economic groups (women-owned, family-owned, etc.). Importantly, public provision has also to sit alongside – and not ‘crowd out’ – private sector provision.

In England, generally national level generic business support is supported by a network of 39 Local Enterprise Partnership Growth Hubs attuned to local strategic economic objectives.

In Scotland, the national Business Gateway brand is accessed through a network of 57 local “Business Gateway” offices (and over 300 advisors). In addition, at national level, there exists a *targeted sector specialist* business support offer to the cultural and creative industries, the Cultural Enterprise Office².

In the UK, over this decade, the Small Business Survey 2016³ demonstrates a substantial and consistent decline in the use of business support over time and across all sizes of businesses. Whilst larger businesses use support the most, since 2010 their usage has dropped from 68% to 45% of respondents. Overall, only 26% of UK SMEs in 2016 reported using business support in the previous twelve months compared to 49% in 2010⁴.

In 2016, 32% of SME respondents in Scotland sought information or advice, higher than in England (26%), Wales (29%) and Northern Ireland (22%)⁵.

² <http://www.culturalenterpriseoffice.co.uk/>

³ BEIS (Department for Business Energy and Industrial Strategy), 2017a, 2017b

⁴ BEIS (Department for Business Energy and Industrial Strategy), 2017b Table 10.1

⁵ Ibid, Table 10.3

A consistently small percentage of SMEs (fewer than 5%) report that their business support needs have been unmet. Generally, awareness of the new business support infrastructure in England is patchy and usage is low.

Despite the rise of web-based platform resources, the overwhelming choice of delivery mode by firms in the last two years has been face-to-face, especially for advice. This accounts for three-quarters of strategic advice delivery and still over half for sourcing information support (where information sourced by telephone comes second at 17% of delivery channels used).

Those businesses that use business support are willing to pay, especially for advisors and consultants, and do so for at least 3 hours of advice and often considerably more.

For those UK organisations with no employees, as against ‘employer’ SMEs, business support usage was even lower, at 14% (as against 26%). Unmet demand was the same as for employer SMEs.

Whilst face-to-face is still the most popular channel, accessing business support was somewhat more likely to occur through email and website channels compared to employer SMEs. Zero employee SMEs were equally willing to pay for business support, but at lower amounts.

In 2016, 16% of zero employee SME respondents in both Scotland and Northern Ireland sought information or advice, higher than in England (14%) and Wales (9%)⁶.

Concerning the successful matching of demand and supply, substantial evidence of ‘what works’ in business support is scant but more intensive ‘hands-on’ programmes invoking strong and trustful relationships between advisors and clients suggest better outcomes – and are in-line with the recent evidence on usage choices made by businesses.

Evidence on barriers to usage of business support is much clearer – complex, confusing, difficult to navigate and constantly changing landscapes of supply accentuate the usage barrier issues for businesses. These barriers include: awareness of support and the ability of businesses to articulate need; businesses needing to make a choice amongst many, including achieving value for money; and the heightened potential for mismatching of businesses to support and subsequent poor experiences leading to future non-usage.

⁶ Ibid, p.54

Business support and the cultural and creative sector

The current supply of business support to the cultural and creative sector needs to be set within the context of devolution. In England, the national offer includes the National Business Support Helpline and GOV.UK website, sat alongside a set of 39 Local Growth Hubs. In Scotland, the national Business Gateway sits alongside 57 local Business Gateway offices. Scotland also has a national targeted business support offer to the cultural and creative sector, the Cultural Enterprise Office.

In early 2017, a Compendium process was undertaken to identify specialist business support targeted at the cultural and creative sector, and which identified around 80 programmes, projects and schemes across the UK, including advice and consultancy but also grants and loans.

The Review draws on three forms of evidence to assess the business support experience of the cultural and creative sector: sectoral reporting within the Longitudinal Small Business Survey; an analysis of new data derived from the cultural and creative applicants to the Prosper programme; and, documentary evidence including that generated from a Call for Evidence.

Evidence from the Longitudinal Small Business Survey 2016 shows that Arts and Entertainment SMEs are more likely than the average to have sought business support in the last 12 months – including potentially increasing usage in comparison to virtually all other sectors⁷. The sector reports no greater unmet demand than for any other sector, and which remains low across the board. Usage characteristics are that this support is more likely than average to be sourced from accountants, advisors, and consultants although less likely to be intensive.

The cultural and creative applicants to Prosper provide further insight, although account needs to be taken of the diversity of business/organisational population represented⁸. The database has much greater numbers of arts organisations than IT/software, greater regional distribution than the usually mapped creative economy, and one third are charities. Numbers of sole traders is lower than sector norms, but reflects economy-wide patterns, as does the representation of social enterprises.

In total, 35% of Prosper applicants reported previous use of business support in the last two years (mirroring the higher than average usage for the sector in the past year in national statistics). The cohort was most likely to be 6 to 25 employees, turnover greater than £101k, established for a few years, received Arts Council funding, and ‘not-for-profit’ or a social enterprise. The least likely organisational type to have used business support were recently-established ‘for profit’ organisations (which were often ‘micros’).

⁷ BEIS (Department for Business Energy and Industrial Strategy), 2017b

⁸ Nevertheless, with almost 250 businesses/organisations, the Prosper database holds a greater number of businesses than that in the Arts and Entertainment sample of the weighted Small Business Survey

Prosper applicants were most confident about their skills concerning ‘artistic, creative or cultural offer’ and ‘learning and participation’ and least confident about ‘raising finance’. Relatedly, they were most confident about their strengths in ‘articulating their vision and mission’ and ‘being open to ideas/innovations in business development’ and least confident about understanding ‘the steps to being investment ready’.

Not-for-profits were statistically significant in consistently reporting higher confidence concerning their organisations’ strengths and skills across a large range of business functions.

Overall, concerning business support needs the following needs were rated most highly by applicants (69% and above): financial sustainability; business plan writing; scaling up growth; awareness of funding/finance/investment. **The following needs were rated lowest (34% and lower):** new products and services; investment readiness.

Where applicants had previously received business support in the last two years, they reported statistically significant greater confidence in the following skills sets - business planning skills; data monitoring and reporting; finance and operations; and fundraising – **and the following business development functions** – understanding their business model; and sources of business and organisational support.

In the past a DCMS Creative Economy Programme ‘Access to Finance and Business Support’ Working Group⁹ concluded on a mix of generic and specialist support for the cultural and creative sector driven by the need to overcome the limited skills and ambitions for growth in many creative businesses.

Looking across evidence from recent support programmes and projects for the cultural and creative sector the following aspects of ‘what works’ are reported:

- Targeted cultural and creative sector specific business support, but which extends to ‘sub-sector specific’ business support where appropriate, for experiential learning and application;
- Business support delivered face-to-face by business advisors who have strong expertise in specific areas and are approachable, adaptable, supportive and trusted;
- Support that inspires and boosts confidence as well as particular business skills;
- Opportunities for networking with similar organisations in similar situations/arenas;
- Initiatives which develop organisations’ appreciation of the commercial and non-commercial value of their existing and prospective offers; and,
- Business support which appropriately develops ‘digitisation’ given its process of unlocking further opportunities.

⁹ DCMS (Department for Culture Media and Sport), 2006

Reflections

Cultural and creative sectors and business support: ‘journeys through the ecosystem’

Recently, the terms **ecology and ecosystem** have been used in **business, cultural policy and economic cluster debates to describe modern sectors and production systems**, and how they increasingly feature substantial and diverse ranges of connected actors, networks, inputs and systems. Capturing the complexity and fluidity of economic systems and their interconnections, including diversity around value creation and its inputs, a number of major sectoral reports have developed these metaphors to deepen understanding of the creative and cultural industries in particular and their contribution to economic, social and cultural life¹⁰.

These reports have utilised ecology and ecosystem to reflect a broader sense of ‘what are the cultural and creative sectors and their dynamism?’: for example, making connections between the publicly-funded arts ecology as an R&D function for the creative economy¹¹; the continued ‘back-and-forth’ of highly skilled portfolio workers across different parts of the ecosystem¹², and the inherent intertwined value systems of the cultural and commercial in hybrid business models.

Such an approach brings greater diversity to an understanding of the freelancers, micros, businesses, anchor institutions, organisations, social enterprises and intermediaries that make up the sector ecosystem in its entirety – their varied drivers, missions and business models and the development and growth ‘journeys’ that they are on – within and across the ecosystem.

The cultural and creative ecosystem in today’s economic climate

There exists clear economic evidence for the long run growth of the UK’s cultural and creative industries. In its recent response to the Government’s Green Paper on Industrial Strategy, the Creative Industries Council details how the sector generates around £90bn per annum and over 5% of the UK’s economy¹³. It directly employs almost 2 million people, and has a growth rate that has consistently outperformed that of the economy as a whole for over a decade¹⁴. However, in the face of concerns about the ‘productivity puzzle’ of the UK economy¹⁵, it has been identified that there is substantial variation across the business and sub-sectoral base (or segments) of the creative

¹⁰ Fleming and Erskine, 2011; Holden 2015, Markusen et al, 2011; Warwick Commission on the Future of Cultural Value 2015; see also Barker and Henry, 2016

¹¹ See, for example, Erikson et al. 2015 and the value of the public domain

¹² Grabher, 2004; Brighton et al, 2016

¹³ Creative Industries Council, 2017

¹⁴ Creative Industries Council, 2017

¹⁵ <http://www.bankofengland.co.uk/publications/Pages/speeches/2017/968.aspx>

economy with its ‘long tail’ of small micro-businesses identified as of particular concern regarding the productivity performance of the sector¹⁶.

This long tail reflects that, even within a national economy with a famed start-up and micro enterprise record, creative businesses are on average smaller – 90% of creative businesses have no more than five employees, 80% have no more than two, and 60% have just one. Moreover, they have a higher death rate¹⁷. To this may be added the high proportion of freelancers, portfolio (or precariously) working within the network-based, project-orientated, and transitory nature of much cultural and creative production¹⁸. Finally, in thinking about different business population segments, there has long been recognition of the cultural sole trader whose main aspiration is individual and cultural development and contribution.

Given an ecosystem approach which reflects fully the range of inputs and value generation activity, to this sectoral segment mix should be added the historically grant-funded ecology, infrastructure and institutions of cultural and creative value, and who are currently facing some of the toughest challenges in their history to survive, sustain, grow, and attain ‘resilience’. This includes a new breed, but also existing varieties, of impact-orientated social enterprises (start-ups, spin-outs, trading arms, etc.). Similarly, there is the growth of critical ‘intermediaries’ within production and ecosystem networks, in Holden’s (2015)¹⁹ language the ‘connectors’ and reflected, for example, in the new ACE label of Sector Support Organisations.

This is the nature and characteristics of the cultural and creative ecosystem and its businesses and organisations – and that is the starting point of demand for, and usage of, business support. A priori, it is to supporting these business journeys that business support is directed.

Key points of intervention in the business support journey

A number of key moments or phases can be identified in the business support journey and the process of matching demand and supply.

Engagement: understanding the sector and the ‘need’ for business support

There remains a common-held view of the ‘issue of demand’ within the sector, and its lack of ‘commercial mindset’. An ecosystem approach exemplifies the mix of cultural and commercial values that are distinctive to these sectors, and how these blend to define varied missions, goals and

¹⁶ Hathaway and Maggs, 2016; Brighton et al. 2016;
<https://www.artsprofessional.co.uk/magazine/article/achieving-productivity-and-mission-boost>

¹⁷ Brighton et al. 2016

¹⁸ Schlesinger et al. 2015

¹⁹ Holden, 2015

objectives – whether described as profitability, resilience, participation, employment, growth, artistic contribution, lifestyle, diversification, impact, sustainability, and so on.

The evidence in this report suggests that notwithstanding different motivations, cultures and business models, the cultural and creative sectors *are* increasingly aware of the need for business support and engaging substantially – and more so than other sectors – where appropriate support exists and has capacity. But it is also clear, for example, that a business support system directed at (the language of) ‘growth’ or ‘investment readiness’ has limited traction or cadence with the missions of much of the sector. For example: employment growth within the sector has been mainly driven by self-employment, not growth businesses; social enterprise has previously reported a sense of ‘not being understood’²⁰ by business support structures; and BIS noted that “...there is some concern that focusing solely on growth businesses can overlook the needs of more established businesses or those that perhaps need more support due to their limited potential for growth”²¹.

This is not to say that a growth agenda is not pertinent to the sector but that it plays to only part of the ecosystem – and this point is significant when recognising that it is the interdependences and contributions that individual parts make to the whole ecosystem that provide its dynamism, growth and resilience²². Thus it is vital that support programmes such as ACE’s Building Resilience do exist and sit alongside other currently ‘mainstream’ business support agendas if the ecosystem and its moving parts, as a whole, are to be supported.

In the largest evaluation of business support to date²³, a key finding amongst generally inconclusive results was the need for fewer and clearer business support programme objectives. Set within an understanding of the cultural and creative sectors as an ecosystem this suggests clarity of goals and design targeted at clear ecosystem ‘segments’ (and their internally common mindsets, missions, languages and capacities).

This is not to suggest that cultural change towards commercial and sustainable models is not a key challenge for the cultural and creative sectors – but that such cultural change itself may be a precursor or early stage business support activity within the organisational / business journey if (subsequent) engagement with growth-orientated industrial policy is to be achieved²⁴.

²⁰ BIS (Department for Business Innovation and Skills), 2011, p.9

²¹ BIS (Department for Business Innovation and Skills), 2014, p.17

²² Holden, 2007; Warwick Commission on the Future of Cultural Value, 2015

²³ WWCLEG (What Works Centre for Local Economic Growth), 2016

²⁴ See, for example, Stanziola and Mendez-Carbajo, 2011; Museums Association, 2013

In Scotland, the Cultural Enterprise Office exhibits elements of a segmented approach to and within the sector; in England it remains to be seen what approach and provision materialises within local Growth Hubs.

Articulating and identifying common demand across the ecosystem

The ability of businesses to articulate their support needs and demands, especially micro-businesses, is a well-recognised barrier to usage. Alongside the call for segmentation against organisational and business mission, it is clear that a number of ‘strategic horizontal or platform’ themes exist which are highly pertinent or specialist to the health of the cultural and creative sectors. Recent times have seen such themes as digitisation, audience development, IPR and copyright, investing in intangibles, etc. and the ability to identify and offer such strategic ecosystem themes to support development remains on-going. Furthermore, the introduction of such themes is key in bringing forward latent demand for business support within the sector, as businesses are supported to recognise their needs and translate these into (the common language of) demand. These strategic themes need to be seen as sitting alongside generic business themes and topics such as vision and mission, business planning, HR, finance, marketing, etc.

Common barriers to use of business support systems

Understanding the sector, its ecosystem, values and latent and existing demand – and the subsequent ability to target support – is a critical precursor in helping to overcome common barriers to business support usage. Targeting and / or the related need for signposting pertains to the long-term barrier issue that businesses constantly report changing landscapes of supply as complex, confusing, and difficult to navigate. This accentuates the long-term barriers to business engaging with business support structures.

The nature of supply

Barriers to business support usage are accentuated by mismatch with supply. Operationally, and moving beyond barriers, evidence of usage and what works for the sector in terms of supply is as follows:

- Both information and advice is sought, with the strongly preferred channel being face-to-face, using advisors, consultants and specialists such as accountants and solicitors. This may relate, also, to such channels supporting articulation of business need;
- Face-to-face preference is valued based on business advisors who have strong expertise in specific areas and are approachable, adaptable, supportive and trusted;
- In turn, this reflects evidence of what works based on well-matched advisors delivering targeted sector and/or sub-sector support;

- Multiple supply channels are used by businesses however, providing evidence of differentiation (and ‘packages’) in choice of supply by businesses;
- Channels do vary by ‘segment’; for example, zero-employee businesses (such as freelancers) are more likely to use business networks and trade associations;
- Demand is highest for ‘intensive’ support – advice, face-to-face, greater time commitment – and seemingly this is growing;
- The large majority of businesses who use support are willing to pay for advice – ranging from 50% of zero-employee business to almost all medium-sized businesses;
- Opportunities for networking with similar organisations in similar situations/arenas are particularly welcomed; and,
- Reflecting the nature of the sector, initiatives which develop organisations’ appreciation of the commercial and non-commercial value of their existing and prospective offers have been valued previously.

Business support: overcoming complexity; delivering economic and social prosperity

It is generally and widely agreed that the use of external business support improves the performance of organisations and businesses; in a period when targeted business support to the cultural and creative sector has been notable, evidence suggests greater than average uptake by the sector, and that this uptake might be increasing.

Where highly robust evidence on the exact difference that business support makes is lacking²⁵, the recent applicants to the Prosper business support programme who have used business support in the previous two years were shown to have greater (and statistically significant) confidence in areas such as understanding of their business models, business planning skills, finance and operation, and fundraising.

This Review is completing at a time when the sector has been invited to put forward its ideas and asks for a ‘Sector Deal’ as part of the Government’s Industrial Strategy; an “...approach to building a modern industrial strategy, which will deliver an economy that works for everyone...”.

Through the analytical metaphor of the cultural and creative ecosystem, this Review argues that what is reinforced is an understanding of the dynamic interdependencies and contributions of distinctive parts of the ecosystem – an ecosystem that at one and the same time is delivering economic growth and prosperity *and* cultural and social value (social prosperity). By supporting the

²⁵ BEIS (Department for Business Energy and Industrial Strategy), 2017a, 2017b

ability of stakeholders to overcome the complexities of matching demand and supply in business support it is hoped that this Review supports maximisation of the rich contribution to the UK's economic, social and cultural life of the cultural and creative sectors.

1 Introduction

1.1 This Review

This Review forms part of the research and evaluation activity of Creative United's Prosper programme²⁶ funded by Arts Council England (ACE). Prosper offers business support to a range of cultural and creative organisations particularly around commercial development of organisations' activities as a route to future sustainability. The Prosper programme is one of a suite of Arts Council England (ACE) funded Building Resilience business support pilot programmes launched in 2017. Creative Scotland has supported the extension of elements of the research project, such as this Review, to also cover Scotland.

1.2 Why this Review: the 'challenge' facing the cultural and creative sector

A number of documents, reports and statements can be identified that, together, provide a growing consensus on the drivers of the current challenge for cultural and creative organisations and businesses in the UK today²⁷. Main drivers include the following:

- *Austerity:* A substantial proportion of creative and cultural organisations have historically received public funding as a significant share of their income, whether from central government agencies such as ACE (for example, funding to National Portfolio Organisations), Creative Scotland and from local authorities funding local cultural facilities and services. The Coalition's 2010 Spending Review cut the budget for ACE by 29.6% over 4 years and DCMS grants to National Museums were cut by 15%²⁸, though since the 2015 Spending Review there has been some 'protection' of budgets for ACE and various DCMS grants²⁹.

Whilst all arts organisations have, overall, experienced reductions in public funding since 2010, the main funding cuts for cultural and creative organisations are those that receive funding from *local authorities*. Across the *UK*, local authority funding makes up the largest single source of income for the cultural sector – in 2015, the sector received £1.1billion from local authorities, whilst ACE provided £850m to the sector³⁰. However, on average across *England*, there has been a 17% cut (of £236m) in local authority funding to arts and culture between 2009/10 and 2014/15, similar to cuts in local

²⁶ <http://www.creativeunited.org.uk/programme/prosper/>

²⁷ For examples see TBR, 2013; Daniel, 2017; Hathaway and Maggs, 2016; Greffe *et al*, 2017; Mermiri, 2011

²⁸ Alexander, 2014

²⁹ <http://www.bbc.co.uk/news/entertainment-arts-34923955>

³⁰ House of Commons Culture, Media and Sport Committee, 2016

authority budgets as a whole (20% between 2009/10 and 2014/15)³¹. In Scotland, the Scottish Government has cut local authority revenue funding by 11% in real terms between 2010/11 and 2016/17³² and, for Creative Scotland, real terms Grant-in-Aid funding in 2014/15 decreased by 7.4% (£4.1m) compared with 2010/11 and real terms arts expenditure in 2014/15 fell by 11% (£5.5m) compared with 2010/11³³.

It is suggested that such cuts have seen substantial variation in geographical and sub-sectoral outcomes, and have exacerbated the 'north-south divide' in funding to creative and cultural organisations³⁴. Sectorally, high profile closures have occurred and it has been estimated that, for example, at least 343 libraries and at least 64 museums have closed in the UK since 2010³⁵. Thus, austerity articulated as reduced public funding has resulted in an urgent need for creative and cultural organisations and sub-sectors to make critical decisions on sustainability, income generation, future levels of provision, strategic direction and organisational development.

- *Increasing customer expectations:* At the same time, the expectations on many creative and cultural organisations have also expanded³⁶. Customer expectations continue to increase, for example around: access through online media³⁷, 'participation' and interaction in cultural/creative activities³⁸, and demands for memorable or even transformational experiences³⁹ – whilst the latest digital and technological developments are increasingly assumed to be part of an organisation's offer by new generations of customers⁴⁰. Disruptive both artistically and commercially, digital developments invariably require substantial investment, new skillsets and capacity for organisational and business change and there are concerns over the ability of the education system to supply the necessary workforce to meet the demands of change⁴¹.
- *Increasing policy expectations:* The success of the 'creative economy' continues to result in government policy aspirations for cultural and creative organisations, including

³¹ Arts Council England, New Local Government Network and Harvey, 2016

³² Accounts Commission, 2016

³³ House of Commons Library, 2016

³⁴ <https://www.theguardian.com/culture/2017/aug/04/arts-funding-700m-needed-bridge-north-south-divide-study-finds>

³⁵ <http://www.bbc.co.uk/news/uk-england-35707956>; Museums Association, 2017

³⁶ Audience Agency, 2017; Battersea Arts Centre and Gaby Porter Associates, 2017; Woodward, 2012

³⁷ Warwick Commission, 2015

³⁸ Gross and Pitts, 2015

³⁹ Conway and Leighton, 2012

⁴⁰ Golant Media Ventures, 2017

⁴¹ Dass *et al*, 2015

a ‘Sector Deal’ in the forthcoming Industrial Strategy⁴². Such aspirations involve continued innovation and creativity to generate growth – internationally, of employment, of GVA – and mirroring the wider policy drive across the UK business sector, enhanced productivity. Yet the creative sector also has low average productivity given its ‘long-tail’, comprising greater numbers of micro organisations and sole traders, including project based supply chains, substantial freelancing and ‘precarious’ self-employment⁴³, and variable commercial experience. These elements exemplify some substantial challenges to continued development and growth across the sector⁴⁴.

- *Successful examples and increasing competition:* related to policy expectations, there are an increasing number of examples of creative and cultural organisations that have responded successfully to the challenge of significant reductions in public funding. Rich sources for learning, these nevertheless add further weight of scrutiny and expectation on *other* creative and cultural organisations whose environment, assets and capacities offer a much weaker starting position from which to meet the challenge of continued sustainability. More broadly, the growth and internationalisation of the creative and cultural sector continues to provide further opportunities for organisations whilst also resulting in an increasingly competitive environment.

One solution put forward for the sector to meet the challenges of business and organisational development is that of increasing and improving the use of appropriate *business support*; the ‘Building Resilience’ pilot programme is, then, part of the strategic response to these sectoral challenges by ACE and others.

1.3 Review purpose and scope

The purpose of this Review is to identify current understanding around the demand for and supply of business support for the creative and cultural sector, locating this understanding within the broader context of the ‘generic’ system of business support as a whole. The Review aims to identify what is known to work (and not work), providing lessons and reflections on business support for creative and cultural organisations.

⁴² <https://www.gov.uk/government/news/jobs-boom-for-uk-creative-industries>; Creative Industries Council, 2017

⁴³ See, for example, Cambridge Journal of Regions, Economy and Society, 2013; Brighton *et al*, 2016

⁴⁴ Hathaway and Maggs, 2016; <https://www.artsprofessional.co.uk/magazine/article/achieving-productivity-and-mission-boost>

1.3.1 The cultural and creative industries

It is acknowledged that the term ‘cultural and creative sector’ encompasses a substantial array of private, public and not-for-profit organisations involved in a vast range of activities. The sector ranges across design, fashion, gaming, publishing, TV and film to performing arts, galleries, museums, heritage, archaeology, libraries and archives. Notwithstanding the Department for Digital, Culture, Media and Sport (DCMS) definition of creative industries⁴⁵, there remains an ‘uneasy’ consensus on definition of the cultural and creative sector⁴⁶. Across the research literature there remains a focus on ‘creative industries’ only, ‘cultural sector’ only, or specific niches (often sub-sectors like publishing) under these broader umbrella categories, alongside a broader characterisation of ‘creativity across the economy’. It is not the focus of this Review to examine the definition or boundaries of the creative and cultural sector, but the definitional issue must be borne in mind in considering the effectiveness and appropriateness of business support when ‘targeting the sector’⁴⁷.

1.3.2 What is business support?

There remains more minor debate on ‘what is business support’. The Innovation Growth Lab, for example, recently took what they described as a relatively broad definition of “any programme mainly aimed at fostering the growth, performance or productivity of businesses or entrepreneurs”⁴⁸. On this basis they calculated that the UK spent roughly £9.8 billion supporting business in 2013-2014, about 1.3% of UK government spending, across five broad themes. Almost 60% of this spending was on tax relief, followed by grants, then loans, and then what they termed ‘in-kind’, accounting for a mere £245 million. Their example of ‘in-kind’ was a business support programme, the Business Growth Service (now cut). Similarly, EoRPA⁴⁹ identify the broad areas of business support in European regional policy as: tax incentives; grants; financial instruments (a more encompassing and accurate description of ‘loans’, including other financial intervention products); and advice and consultancy. In recent times what is being seen is increasing mixtures of these elements in the design of programmes and projects – such as incubators; accelerators; joint grant, loan and support packages and which, in turn, are understood as elements of support ‘ecosystems’ for businesses and organisations.

⁴⁵ DCMS, 2001

⁴⁶ Hesmondhalgh, 2007; NESTA, 2016; Spilsbury and Taylor, 2013; Brighton *et al*, 2016

⁴⁷ See Brighton *et al*, 2016 section 1.4 for an illustration

⁴⁸ <http://innovationgrowthlab.org/blog/how-much-does-uk-spend-supporting-its-businesses-updated>

⁴⁹ Bachtler, Davies, and Wishlade, 2015

Given the nature of the Prosper programme as an advice and consultancy model, this Review focuses on this type of support. Similarly, in national business surveys it is the use of such business advisory services which is taken as the major focus of investigation of businesses' use of business support⁵⁰, with a key distinction made between information and advice⁵¹. Information is taken as mainly sought on financial matters related to the general running of the business whereas advice is viewed as a more strategic, transformational activity⁵².

Moving beyond informal advice from friends and networks, it is recognised that business support can range from codified, standardised, often transactional information and assistance such as accountancy, legal and HR compliance support, to more challenging operational support such as marketing, digital or talent development and, ultimately, to strategic 'transformational' advice in such areas as vision, mission, business model and investment. Similarly, delivery channels may range from platform-based portals and resources and online engagement, to telephone, walk-in, face-to-face mentoring and peer learning groups. In all cases such support may or may not be paid for and might be sourced through private and/or public sector channels⁵³.

1.3.3 Why use business support?

Whilst the exact relationships between business type, business support and business performance remain the subject of substantial research⁵⁴, the use of business support is widely understood to support overcoming key development areas and barriers such as: internal capacity and capability (for example, skills and innovation processes); dealing with the external environment (access to finance, exports, technological change, etc.) and, often, the vision, ambition, perception and skills of owners and managers given the vast majority of businesses in the economy are sole traders and SMEs⁵⁵. Most recently, for example, as part of the Government's Industrial Strategy and its desire to support businesses to start up and grow, it has been announced that a major policy review of business support will focus on leadership/management skills and SME ambition⁵⁶.

⁵⁰ See Section 2 of this Review

⁵¹ CEEDR and BMG, 2011

⁵² BIS (Department for Business Innovation and Skills), 2013

⁵³ Enterprise Research Centre, 2016; North et al, 2011

⁵⁴ See, for example, the work programme of the Enterprise Research Centre:

<https://www.enterpriseresearch.ac.uk/> and <http://www.innovationgrowthlab.org/innovation-growth-lab>

⁵⁵ BIS (Department for Business Innovation and Skills), 2013

⁵⁶ <https://www.enterprisenation.com/blog/posts/major-government-entrepreneurship-review-to-focus-on-business-owners-leadership-skills-and-ambition-to-grow>

There exists a substantial and diverse (private) market in business support. The case for government intervention in the area of business support is based on evidence of market failure. Put another way, for business support to be targeted at where the market fails to provide at an optimal level the information and advice that businesses need to fully meet their economic potential in an efficient manner – with the economy and society experiencing lost benefits if they do not. Market failures may result from problems associated with the businesses themselves, problems associated with the organisation and delivery of support, and problems with matching business demand with support suppliers⁵⁷. Such market failures have been shown also to vary across business types and sectors.

1.4 Review methodology

This Review draws on a breadth of existing documentation on business support demand and supply, from policy research and programme evaluations to academic articles, alongside newly published data on the use of business support by cultural and creative organisations (accessed through the Prosper programme). A full set of references used is provided at the end of this Review.

The methodology entailed:

- *Web-based searching:* academic databases (EBSCO; Scopus), government websites and their online archives (GOV.UK), grey literature searches and wider Google searches utilising key words such as ‘creative’, ‘cultural’, ‘arts’, ‘business support’, ‘business advice’ and multiple variations of these;
- *Call for Evidence:* In Spring 2017, a Call for Evidence was circulated across relevant networks within the cultural and creative sector. Over 25 individual communication responses were received from a range of organisations within the cultural and creative sector (see Appendix 1). The majority of material received covered business support for the broader creative and cultural sector, although a number of evaluation reports offered individual examples of areas of the sector such as performing arts, the arts, arts and crafts, and music;
- *Prosper Business Support Programme Cohort Analysis:* Analysis of the application data from 259 organisations that completed an application for the Prosper programme and undertook a diagnostic exercise.

⁵⁷ CEEDR and BMG, 2011

1.5 Review structure

Following this Introduction, the Review is structured as follows:

- Section 2 reviews briefly what is known about business support in the UK, including the nature of demand, the supply architecture, what has been learnt about the challenges of matching supply and demand, and how this is reflected in current levels of usage of business support;
- Following the previous overview of business support in the UK, Section 3 considers what is known about the particular experience of the creative and cultural sector with regards to demand for, and usage of, business support in the UK. This experience includes new data from a unique 'organisation database' generated by the launch of the Prosper business support programme in 2017; and;
- Section 4 draws on the Introduction and key findings of Sections 2 and 3 to offer some reflections on business support for the cultural and creative sector in England and Scotland.

2 Business support in England and Scotland

2.1 The demand for business support

There exists a long tradition of the provision of business support both in the UK and internationally⁵⁸. Part of the now established policy arena of enterprise and entrepreneurship, the main policy purpose of business support is to improve business performance, thus contributing to improved economic performance locally, regionally and nationally⁵⁹.

Demand for business support is articulated through the menu of business activities that any organisation undertakes, and for which they may need support. This includes innovation, HR, finance, supply chain, sales, exports, investment, skills, strategy, leadership and so on. Different ‘bundles’ of such activities are carried out by businesses depending on type, life stage, sector, mission or business objectives, etc. (for example, think of a start-up social enterprise in social care as against a family-owned manufacturing SME that exports as against a global multi-national provider of financial services).

Given the breadth of business activities, their changing descriptions, the evolving business population and demands of continuous economic and social change, **defining the detailed character and nature of demand for business support is an ever-present challenge.**

‘Willingness-to-pay’ for business support has been put forward as one measure of ‘demand’. However, this presupposes an awareness of information about, and an understanding of, the value of business support by businesses – something that is frequently not present and an example of a market failure in business support⁶⁰. Indeed in many policy instances those who are ‘unaware’ or ‘poorly informed’ are precisely the target business demographic for business support. Given business performance – such as low productivity in certain business population segments⁶¹ – **there is a need for business support even if this need is not recognised or expressed as a demand from many businesses.** Another example is the recent focus on ‘ambition’, with policymakers seeking to identify the level of ambition of businesses as the basis for articulating potential or existing demand for business support⁶². Identification of such businesses illustrates **the**

⁵⁸ Bennett, 2014; Foord, 2009

⁵⁹ Enterprise Research Centre 2015; HM Government, 2017

⁶⁰ CEEDR and BMG, 2011

⁶¹ UK Commission for Employment and Skills, 2016

⁶² BIS, Scottish Enterprise, Invest NI and Welsh Government, 2012; BEIS, 2016

issue of latent demand whereby potential additional business demand is not currently expressed or articulated in business surveys, consultations and support usage.

Examples of the evidence base for the need for business support can be seen at wider economy level, business level, or related to a particular business activity.

The Longitudinal Small Business Survey, generally undertaken every two years across the UK, asks SME businesses to report their own perceptions of strengths and weaknesses in relation to five key areas of business development. Table 2.1 illustrates how there are important differences across both business development areas and confidence in performance across different business sizes.

Table 2.1 Perceptions of whether businesses are strong or poor in their business activities – by employment size (Adapted from BIS 2016 using 2015 data)

		All SME employers	Micro (1-9)	Small (10-49)	Medium (50-249)
LSBS Y1 (2015) (n=)		11,147	4,102	4,066	2,979
		%	%	%	%
People management	Strong	81	81	82	82
	Poor	2	2	2	2
Operational improvement, e.g. adopting industry best practice	Strong	66	65	72	78
	Poor	5	5	3	2
Developing and implementing a business plan and strategy	Strong	64	62	71	77
	Poor	8	9	5	4
Developing and introducing new products and services	Strong	58	57	61	63
	Poor	9	9	6	6
Accessing external finance	Strong	32	31	40	50
	Poor	19	20	15	10

Focusing in on a particular theme, the annual Education and Skills Survey for example suggests that ‘leadership and management skills’ are likely to increase in importance over the next five years⁶³, and this theme is continuing to increase its profile within business

⁶³ CBI and Pearson, 2014

support activity. Most recently, Government has announced that a major policy review of business support will focus on leadership/management skills and SME ambition⁶⁴.

In summary, the need or demand for business support in the economy is widely accepted, although the identification of such demand in a clear and comprehensive manner remains an on-going challenge.

2.2 The supply of business support

The supply of business support entails a wide-ranging and diverse supply of providers of content and services through myriad delivery channels. Moving beyond friends and networks this ranges across commercial advisors (accountants, lawyers, consultants, etc.), business associations (Chambers of Commerce, sector trade associations, etc.), and public agents (Business Gateway, LEPs, etc.)

The constant challenge for business support policy is to match any (limited) funded provision against the spectrum of demand discussed above to achieve the most effective impact. Impact is generally couched as ‘improved business performance’ but this itself can be measured in numerous ways dependent on policy aim (for example, innovation, turnover, employment, impact outcomes, etc.).

Over time the balancing act of provision through intervention has been described as the choice of mix between *generic* business support as against *targeted or specialist* support such as to specific sectors, (advanced manufacturing, creative, etc.), business segments (start-ups, high growth, etc.) or socio-economic groups (women-owned, family-owned, etc.). Importantly, public provision has also to sit alongside – and not ‘crowd out’ – the private sector provision of Chambers of Commerce, accountants, numerous individual business advisers, etc.

Historically, changing political imperatives and efficiency drives have led to frequent reconfigurations of publicly-funded business support programmes, and most especially in England⁶⁵. Over time, the private sector market for business support provision has also expanded, and with increased state contracting out of delivery to private or third sector delivery agents, the landscape of supply has become more complex for potential users of business support. As such, there have been calls to simplify the broader structures of

⁶⁴ <https://www.enterprisenation.com/blog/posts/major-government-entrepreneurship-review-to-focus-on-business-owners-leadership-skills-and-ambition-to-grow>

⁶⁵ Bennett, 2012; 2014

business support provision for almost as many years as that provision has been available⁶⁶ – the current period being no exception⁶⁷.

The current provision of *publicly funded* generic business support (including grants and loans) in England is⁶⁸:

- National level:
 - National Business Support Helpline;
 - GOV.UK website (and also the ‘Finance and Support Database’ – has three types of support under ‘Start’, ‘Grow’ and ‘Accelerate’ themes⁶⁹);
 - Government national business support programmes (Mentors ME; Overseas Trade Support Service; Innovate UK R&D and Innovation grants; Design Council’s Designing Demand Programme; Intellectual Property Office);
 - Grants (for innovation; energy and environment; training e.g. National Apprenticeship Programme; tax reliefs for R&D); and,
 - British Business Bank provides advice/support on access to finance for small businesses, with finance accessed via a partner business route.

- Local / sub-national level:
 - 39 Local Enterprise Partnership (LEP) local ‘Growth Hubs’ (a partnership model including e.g. FSB, Chamber of Commerce, universities etc.) offering a range of formats of business support to local businesses attuned to the particular needs of the local economy and business base as set out in local Strategic Economic Plans.

For Scotland, alongside the UK-wide offerings noted above, the generic business support landscape is:

- National level:
 - Business Gateway website⁷⁰, including: National Helpline; Workshops and events; Business Information Services;

⁶⁶ BERR (Department for Business Enterprise & Regulatory Reform), 2008); Centre for Cities, 2013; Arshed et al. 2014; BIS (Department for Business Innovation and Skills), 2014 ; House of Commons BIS Committee, 2015

⁶⁷ Federation of Small Businesses, 2016

⁶⁸ <http://www.businesszone.co.uk/deep-dive/leadership/a-guide-to-government-support-for-small-businesses-in-2017>

⁶⁹ See <http://www.greatbusiness.gov.uk/>

⁷⁰ See www.bgateway.com

- Global Scotland Strategy (international trade).
- Local level:
 - The Business Gateway brand is the channel ('first port of call') for national government support of all Scottish local authorities to provide advice and guidance to businesses through a network of 57 local "Business Gateway" offices (and over 300 advisors) for businesses seeking publicly funded business support.

Significantly, in Scotland, at national level, there is in addition a *targeted sector specialist* business support offer to the cultural and creative industries, the Cultural Enterprise Office⁷¹, which offers:

- Online resources;
- Advice;
- Events;
- 'Starter for 6' enterprise training programme;
- 'Flourish' mentoring programme for founders of creative micro-businesses; and,
- Free one-to-one Professional Development Planning sessions (limited number)⁷².

2.3 The use of business support by UK SMEs

The most authoritative gauge of the use of business support in the UK economy is the Longitudinal Small Business Survey undertaken by the Department for Business, Energy and Industrial Strategy (BEIS)⁷³. This is a large-scale telephone survey of UK businesses – no employees and SMEs – undertaken either annually or biennially since 2003 with the survey sample weighted to seek to reflect the UK business population (size, geography, etc.) and new policy questions to be investigated. In 2016 over 15,000 interviews of owners and managers were undertaken, including over half interviewed the previous year, although data cannot always be compared with previous Small Business Surveys.

2.3.1 Seeking business support

Since 2010, there has been a persistent and substantial decline in SME respondents in the UK stating they had sought business support (made up of 'strategic advice' and also basic

⁷¹ <http://www.culturalenterpriseoffice.co.uk/>

⁷² <https://www.bgateway.com/business-guides/first-steps/business-support-and-advice/getting-help-from-cultural-enterprise-office>

⁷³ BEIS (Department for Business Energy and Industrial Strategy), 2017b

‘information’) in the last 12 months. In 2010 49% of SME respondents sought business support in the last 12 months, but by 2015 this had reduced to 33%, and by the 2016 survey it had reduced further to only 26% of SME respondents. This decline has been consistent across all sizes of SMEs, though larger SMEs were more likely to seek support⁷⁴. For example, in 2016, 45% of medium-sized SMEs (employ between 50 and 249) had sought business support compared to only 34% of small enterprises (10-49 employees) and 24% of micros (employ 1 to 9).

In 2016, 32% of SME respondents in Scotland sought information or advice, higher than in England (26%), Wales (29%) and Northern Ireland (22%)⁷⁵.

2.3.2 Type of information or advice sought

In England and Wales⁷⁶, in 2016, choosing from a menu of almost twenty topics, those SME respondents seeking ‘strategic advice’ wanted advice on business growth (31%), improving business efficiency and productivity (18%) and financial advice for running the business (14%). However, overall, only 4% of all SME employers had sought strategic advice on the most popular topic, business growth⁷⁷.

Against the same topic list, 13% sought information on financial matters for running the business, 13% also sought information on employment law, and 12% sought information on tax and national insurance issues. Even with such a substantial topic list to choose from *the largest topic entry* reported by SMEs, at 17%, was ‘other’ and ‘don’t know’ was 13%. This reinforces the points made earlier about the challenges of both labelling different support topics and businesses being able to articulate their business support needs.

2.3.3 Sources of business support

In England and Wales⁷⁸, 33% of SME respondents sought strategic advice from consultants/advisors; and 28% of SME respondents sought this from accountants; 11% from business networks and 9% from solicitors. Local authorities were sourced by 5% of businesses but otherwise all other sources such as government websites, Chambers of Commerce, Local Enterprise Partnerships, banks, universities, etc. were 3% or less⁷⁹.

⁷⁴ BEIS (Department for Business Energy and Industrial Strategy), 2017b Table 10.1

⁷⁵ Ibid, Table 10.3

⁷⁶ No information is available for Scotland in these published results

⁷⁷ Ibid, Table 10.4

⁷⁸ No information is available for Scotland in these published results

⁷⁹ Ibid, Table 10.5

Information was also most likely sought from accountants (27%) and consultants/advisors (17%), but it is notable that 11% used the internet, 10% business networks/trade associations and 6% the government's website (.GOV.UK).

2.3.4 The delivery of business support

In England and Wales⁸⁰, 76% of those receiving strategic advice did so through 'face-to-face' delivery in 2016, compared to 71% in 2015. Around 10% received advice by phone, 7% by email and 3% via a website. There were no major increases in the use of digital formats⁸¹.

For SME respondents obtaining basic information, 57% received this face-to-face, with 17% over the phone, 11% by email and 9% via a website, with little change since the 2015 survey.

A total of 48% of the SMEs in England and Wales that obtained strategic advice received 'more than 3 hours but less than 3 days' of advice, with 36% of SMEs receiving 3 days or more of advice⁸². Another 14% of SMEs received up to 3 hours of advice. Slightly fewer SMEs received advice in 2016 compared to 2015 (14% and 16% respectively), but those that did received more of it in 2016 compared to 2015. Those receiving '3 days or more' increased by 5 percentage points suggesting an intensification of advice.

The larger the SME size, the more likely they were to receive more advice. In total 63% of medium-sized businesses had three days or more of advice, compared with 45% of small businesses and 32% of micros.

In 2016⁸³, 69% of SME respondents receiving 'strategic advice' business support had paid for that support (65% in 2015) – ranging from 66% for micros to 88% for medium size SMEs⁸⁴. The median average fees paid for such business support was £2,500 (up £500 since the 2015 survey). This equates to £2,000 average paid by micros, £5,000 paid by small enterprises, and £10,000 by medium-sized enterprises.

⁸⁰ No information is available for Scotland in these published results

⁸¹ Ibid, Table 10.6

⁸² Ibid, Table 10.7

⁸³ No information is available for Scotland in these published results

⁸⁴ Ibid, Table 10.8

2.3.5 Unmet demand and awareness of business support provision

In 2016⁸⁵, in England and Wales 4% of all SME respondents had needs that they reported they did not get business support for in the previous 12 months ('unmet'). This share was very similar to 2015 and 2014, and regardless of size or sector of SME⁸⁶.

In 2016, 57% of SMEs had heard ('had awareness') of one or more of: 'The Tools for Business' section of the .GOV.UK website; their Local Enterprise Partnership (LEP); and/or their Local Growth Hub (similar to the 2015 survey)⁸⁷; so 43% of SMEs had not heard of any of these business support initiatives. Specifically, 55% had not heard of LEPs, 75% had not heard of 'Tools for Business' and 78% had not heard of Local Growth Hubs.

In total, 10% of SMEs had engaged with such business support sources – 4% had used the local LEP; 6% used 'Tools for Business'; and 3% used their Local Growth Hub. SME size made only a minor difference to awareness or usage. SMEs from the North East had the highest awareness of LEPs and Growth Hubs (61%, 31%), with London the lowest (32%, 15%).

Given not all the questions in the Longitudinal Business Survey are reported for Scotland, there is other business support usage evidence available such as that provided by the Federation for Small Business. One recent FSB (Scotland) research report⁸⁸ states that whilst only a minority of businesses (12% of small firms) used publicly-funded business support in the last 12 months, those which did generally have a positive experience. The research does, however, suggest that this figure could vary depending on the source of support, with over a fifth reporting they had accessed Business Gateway services. The research suggests that firms in Scotland seeking publicly-funded business support do so for: advice/information about a particular aspect of their business (e.g. regulation (57%); advice to grow their business (31%); and advice on getting the business through a difficult patch (12%)⁸⁹. According to a Scottish tourism sector survey cited in this FSB research report, the top five reasons for not taking up business support were: Not worth it based on previous experience (30%); wasn't aware of the support (19%); didn't think it would be relevant (19%); support wasn't right for my business needs (19%); and, didn't have the time (14%)⁹⁰.

⁸⁵ No information is available for Scotland in these published results

⁸⁶ Ibid, Table 10.9

⁸⁷ Ibid, Table 10.10

⁸⁸ Federation of Small Businesses, 2016

⁸⁹ Ibid

⁹⁰ Ibid

2.4 The use of business support by businesses with no employees

Around three-quarters of the UK business population have no employees excluding owners and partners (who do not count as employees), with over two thirds of these businesses being unregistered and under one third being registered companies⁹¹. On the whole, business support up-take was generally lower by unregistered than registered companies. Around 80% of these zero employee SMEs have only one owner and around two-thirds hold a legal status of sole proprietor (sole trader). Given the sole trader nature of much of the cultural and creative sector, information on their usage of business support – and in comparison to SMEs – is informative. The key source of data here is that of **BEIS’s Longitudinal Small Business Survey Year 2 (2016) “Businesses with no employees – cross-sectional report”**⁹² based on 2,324 businesses/organisations.

2.4.1 Seeking business support

Between 2015 and 2016, there has been a decline in zero employee SME respondents in the UK stating they used business support in the last 12 months⁹³, and usage was *lower than the employer SMEs average*. In 2015, 19% of SMEs with no employees had sought business support, but by the 2016 survey it had reduced further to only 14%⁹⁴. This compares with business support being sought by 26% of *employer* SME respondents across the UK (and 33% in 2015).

In terms of the four nations, in 2016 around 16% of zero employee SME respondents in both Scotland and Northern Ireland sought information or advice, higher than in England (14%) and Wales (9%)⁹⁵.

2.4.2 Type of information or advice sought

In England and Wales⁹⁶, in 2016, choosing from a menu of almost twenty topics, those zero employee SME respondents seeking ‘strategic advice’ wanted advice on business growth (26%), improving business efficiency and productivity (17%) and financial advice for running the business (18%), and marketing (17%)⁹⁷.

⁹¹ BEIS (Department for Business Energy and Industrial Strategy), 2017a

⁹² Ibid

⁹³ No data was available for use of business support since 2010 for zero employee SMEs

⁹⁴ Ibid, Table 9.1

⁹⁵ Ibid, p.54

⁹⁶ No information is available for Scotland in these published results

⁹⁷ Ibid, Table 9.2

Against the same topic list, 19% sought 'information' on tax and national insurance issues, 13% sought information on financial matters for running the business, and 12% sought information on business growth (only 1% sought information on employment law). Despite a lengthy topic list to choose from, the *second* largest entry for information, at 21%, was 'other', and 'don't know' was 5% (for strategic advice this was 16% for 'other' and 1% for 'don't know')⁹⁸. Again, this reinforces previous points on the challenges of both labelling different support topics and businesses being able to articulate their business support needs.

2.4.3 Sources of business support

In England and Wales⁹⁹, 31% of zero employee SME respondents sought strategic advice from accountants; with 25% of respondents sought this from consultants/advisors; 19% from business networks, 9% from internet searches, and 5% from solicitors. As with *employer* SME respondents, local authorities were sourced by 5% of zero employee SMEs and all other sources such as government websites, Chambers of Commerce, Local Enterprise Partnerships, banks, universities, etc. were 3% or less¹⁰⁰.

Information was also most likely sought from accountants (24%) then business networks/trade associations (15%), and then the internet (11%). The government's website (.GOV.UK) was used by 10%. Consultants/advisors were also used by only 10% of zero employee SMEs. Interestingly, 'other' sources of support represented 21% for strategic advice and 19% for information.

2.4.4 The delivery of business support

In England and Wales¹⁰¹, 70% of those zero employee SMEs receiving strategic advice did so through 'face-to-face' delivery in 2015¹⁰², slightly lower than *employer* SMEs (76%).

Around 10% received advice by email, 7% by phone and 7% via a website¹⁰³. Email and websites were used more by zero employee SMEs than employer SMEs.

For zero employee SME respondents obtaining basic information, 34% received this face-to-face (57% for employer SMEs), with 22% by email, 22% via a website, and 20% over the

⁹⁸ Ibid

⁹⁹ No information is available for Scotland in these published results

¹⁰⁰ Ibid, Table 9.3

¹⁰¹ No information is available for Scotland in these published results

¹⁰² Data only available for 'Year 1' survey sample (2015)

¹⁰³ Ibid, Table 9.4

phone. Again, email and websites were used more by zero employee SMEs than employer SMEs.

53% of zero employee SME respondents in England and Wales¹⁰⁴ obtaining strategic advice received ‘more than 3 hours but less than 3 days’ of advice, with 25% receiving ‘3 days or more’ of advice, whilst another 21% received ‘up to 3 hours’ of advice¹⁰⁵. For comparison, in 2015, fewer respondents had received ‘more than 3 hours but less than 3 days’ of advice’ (at 45%), slightly fewer respondents had ‘3 days or more’ (23%), and substantially more respondents received ‘up to 3 hours’ of advice (at 31%), suggesting the amount of advice that respondents received had become less substantive between 2015 and 2016.

In 2016¹⁰⁶, 51% of zero employee SME respondents receiving ‘strategic advice’ business support had paid for that support (47% in 2015) – a 4% increase in willingness to pay for advice. The median average fees paid for such business support was £1,000 (up £250 since the 2015 survey at £750). This compares to £2,500 (£2,000 in 2015) for employer SME respondents¹⁰⁷.

2.4.5 Unmet demand and awareness of business support provision

In 2016¹⁰⁸, in England and Wales 3% of zero-employee SME respondents had needs that they reported they did not get business support for in the previous 12 months (‘unmet’ needs), compared to 4% for employer SME respondents. This share was very similar to 2015 when 4% of zero employees had ‘unmet needs’ (5% for employer SME respondents)¹⁰⁹.

In 2016 in England¹¹⁰, 51% of zero employee SMEs had heard (‘had awareness’) of one or more of: ‘The Tools for Business’ section of the .GOV.UK website; their Local Enterprise Partnership (LEP); and/or their Local Growth Hub (similar to the 2015 survey); so 49% of SMEs had not heard of any of these business support initiatives. Specifically, 58% had not heard of LEPs, 82% had not heard of ‘Tools for Business’ and 80% had not heard of Local

¹⁰⁴ No information is available for Scotland in these published results

¹⁰⁵ Ibid, Table 9.5

¹⁰⁶ No information is available for Scotland in these published results

¹⁰⁷ Ibid, Table 9.6

¹⁰⁸ No information is available for Scotland in these published results

¹⁰⁹ Ibid, Table 9.7

¹¹⁰ England only (not England and Wales) – no information is available for Scotland in these published results

Growth Hubs¹¹¹. Essentially, awareness was lower, on average, than that of employer SMEs.

In total, 5% of zero employee SMEs in England had used or engaged with these business support sources – 2% had used their local LEP, 3% had used ‘Tools for Business’ and 2% had used their Local Growth Hub. Again, usage or engagement was lower than that of employer SMEs.

2.5 Successfully matching demand and supply

2.5.1 ‘What works in business support’

Fundamentally, and despite many years of business support, this remains an area where there is little conclusive evidence¹¹².

An initial question is, of course, ‘works for who?’: for the individual owner / manager who does actually engage; for the business which they own or manage and against what performance criteria; for the policy maker’s aims and objectives (engagement, of under-represented or new business types, to achieve survival or growth, GVA and /or employment and / or productivity); and ‘works’ over what time and space (‘impacts’)?

In 2016, the What Works Centre for Local Economic Growth reported on a systematic review of 700 policy evaluations and evidence reviews from the UK and other OECD countries on the impacts of business support interventions (regardless of firm size). It identified 23 impact evaluations that met the minimum standards of research design determined by the Centre¹¹³.

From these 23 impact evaluations, it found that, generally, business support interventions had a more positive impact on improving sales and turnover than on improving productivity or increasing employment. The review found no clear evidence on whether particular scales of intervention (national, local, hybrid) were more or less effective, or whether particular characteristics or formats of support provided were more or less effective, and no evidence that sector-specific interventions were more or less effective than generic interventions.

¹¹¹ Ibid, Table 9.8

¹¹² WWCLEG (What Works Centre for Local Economic Growth), 2016; Drews and Hart, 2015; BIS (Department for Business Innovation and Skills), 2016b; Innovation Growth Lab <http://www.innovationgrowthlab.org/innovation-growth-lab>; BIS (Department for Business Innovation and Skills), 2016a;

¹¹³ <http://www.whatworksgrowth.org/policy-reviews/business-advice/evidence-review/>

The weak evidence base was identified as a major issue, with understanding what works in business advice made harder by frequent changes in policy.

The review did concur with what has been learnt recently across business support programmes (if on different forms of evidence base) that: “programmes which used a hands-on, ‘managed brokerage’ approach may perform better than those using a light touch approach...this suggests that a strong relationship and a high level of trust between advisor and client may be important to the delivery of positive programme outcomes.”

A recent high quality impact assessment of a business support programme reflecting the direction of this approach is that of the Goldman Sachs 10,000 Small Businesses¹¹⁴, which found enhanced turnover growth against equivalent benchmarks based on participation in the support programme. Provision is intensive and substantial (100 hours) and includes elements such as facilitated learning techniques, peer mentoring and building supportive group learning sets.

Similarly, a recent international review of support to develop entrepreneurial skills within SME populations¹¹⁵ concluded that, notwithstanding the limited evidence base available, key elements of support included:

- Entrepreneurs tend to learn less effectively from conventional didactic approaches;
- Compared with successful experiential learning, including learning through interaction with peers, and task-oriented development focused on real business problems;
- Involvement of both the individual and the enterprise;
- Delivery as part of wider business support programmes, rather than as stand-alone training courses; and
- Encouraging some degree of commitment from participants, for example in the form of (partial) charge.

2.5.2 Barriers to use of business support

An alternative approach to the elusive concept of what works is to note ‘what doesn’t work’ – or barriers. There is a more substantial and relatively consistent evidence base over a number of years that has identified issues that lead to reduced usage of business support¹¹⁶, including:

¹¹⁴ [Goldman Sachs, 2016](#)

¹¹⁵ BIS, 2015

¹¹⁶ CEEDR, 2011; BIS (Department for Business Innovation and Skills), 2011; 2013; House of Commons BIS Committee, 2015; Federation of Small Businesses, 2016

- Businesses' own lack of understanding, identification or articulation of their business support needs;
- The lack of awareness of business support provision by business (see Section 2 above);
- The complexity and navigability of the business support supply 'landscape' – or what has been described as 'alphabet soup'¹¹⁷- with a recent Select Committee report on government business support leading with the headline 'Government support for business is too vague and complex'¹¹⁸;
- This complexity deters businesses, and heightens businesses experiencing difficulties in who to trust, and how to assess competence, especially when there is greater variety in support available;
- This merely accentuates the issue that businesses can often find it difficult to place a value on the benefits of formal assistance, especially before engaging such support¹¹⁹;
- Given such complexity, in turn this can lead to a greater likelihood of mismatch between supply and demand which can, and has, resulted in variable levels of satisfaction expressed by businesses about their experience of business support¹²⁰;
- Similarly, the suggestion by FSB amongst others that supply often lacks a user-focused approach¹²¹;
- With all of the above accentuating the issue of 'latent demand'; in other words, the expanded demand and usage that could be brought forward with a simple and accessible supply infrastructure that gained business understanding and trust.

¹¹⁷ House of Commons BIS Committee, 2015

¹¹⁸ <http://www.parliament.uk/business/committees/committees-a-z/commons-select/business-innovation-and-skills/news/report-govt-support-for-business/>

¹¹⁹ BIS (Department for Business Innovation and Skills), 2014

¹²⁰ Arshed and Carter 2012; Bennett 2012; Federation of Small Businesses, 2016

¹²¹ Federation of Small Businesses, 2016

2.6 Summary

In 2013, researchers noted a ‘lack of consensus’ concerning the range of research evidence on the business and personal characteristics that influence whether or not SMEs seek external assistance¹²². This is further complicated by the potential relationship to the nature of assistance sought (for example, information /advice / transactional / transformational/ topic) and the further relationship variable of the supply infrastructure on offer (source, delivery model, cost, etc.).

What is known is that over this decade, the Small Business Survey 2016¹²³ demonstrates a substantial and consistent decline in the use of business support over time and across all sizes of businesses. Whilst larger businesses use support the most, since 2010 their usage has dropped from 68 to 45% of respondents and, overall, only 26% of SMEs in 2016 reported using business support in the previous twelve months compared to 49% in 2010¹²⁴. Where businesses do use business support, it remains a challenge to agree a common typology that articulates the perceived need of the business against the information and advice topics or ‘fields’ of providers.

A consistently small percentage of SMEs (fewer than 5%) report that their business support needs have been unmet. Generally, awareness of the new business support infrastructure in England is patchy and usage is low.

Notwithstanding the drop in usage, and despite the rise of web-based platform resources, the overwhelming choice of delivery mode by firms in the last two years has been face-to-face, especially for advice. This accounts for three-quarters of strategic advice delivery and still over half for sourcing information support (where information sourced by telephone comes second at 17% of delivery channels used). Those businesses that use business support are willing to pay, especially for advisors and consultants, and do so for at least 3 hours of advice and often considerably more.

For those organisations with no employees, as against ‘employer’ SMEs, business support usage was even lower, at 14%. Unmet demand was the same as for employer SMEs.

Whilst face-to-face is still the most popular channel, accessing business support was somewhat more likely to occur through email and website channels compared to employer

¹²² Mole et al., 2013

¹²³ BEIS (Department for Business Energy and Industrial Strategy), 2017a, 2017b

¹²⁴ BEIS (Department for Business Energy and Industrial Strategy), 2017b Table 10.1

SMEs. Zero employee SMEs were equally willing to pay for business support, but at lower amounts.

Substantial evidence of ‘what works’ in business support is scant but more intensive ‘hands-on’ programmes invoking strong and trustful relationships between advisors and clients suggest better outcomes – and are in-line with the recent evidence on usage choices made by businesses.

Evidence on barriers to usage of business support is much clearer – complex, confusing, difficult to navigate and constantly changing landscapes of supply accentuate the usage barrier issues for businesses. These barriers include: awareness of support and the ability of businesses to articulate need; businesses needing to make a choice amongst many, including achieving value for money; and the heightened potential for mismatching of businesses to support and subsequent poor experiences leading to future non-usage.

3 Business support and the cultural and creative sector

3.1 Introduction: seeking evidence

Section 2 has set out the evidence that does exist to describe the demand for, supply of, and usage of business support, and the challenges faced in matching both sides to achieve enhanced levels of business performance and economic development.

This following section seeks to use this understanding to assess the particular experience of the cultural and creative sector with regards to business support in the UK. It does so drawing on three particular forms of evidence for demand and usage: sectoral reporting within the Longitudinal Small Business Survey; an analysis of new data derived from the cultural and creative applicants to the Prosper programme; and, documentary evidence including that generated from a Call for Evidence.

Of course, demand is only one side of the ‘usage coin’ – it needs to be matched with supply. Section 2.2 above set out the generic provision of business support to the business population for England and Scotland, this section starts by briefly noting the current supply context of targeted business support to the cultural and creative sector.

3.2 The supply of targeted business support to the UK cultural and creative sector: a Compendium

The supply of business support needs to be set within the current context of devolution; as set out in Section 2.2 above this includes the distinctive national systems across the Devolved Administrations alongside national versus sub-regional or local provision. In England such provision is bedding down after several rapid reformulations in the last few years.

In England, the national offer includes the National Business Support Helpline and GOV.UK website, which sit alongside a set of 39 Local Growth Hubs. In Scotland, the national Business Gateway sits alongside 57 local Business Gateway offices.

Notably, Scotland also has a targeted business support offer to the cultural and creative sector, the Cultural Enterprise Office¹²⁵, and which offers: Online resources; Advice; Events; ‘Starter for 6’ enterprise training programme; ‘Flourish’ mentoring programme for founders

¹²⁵ <http://www.culturalenterpriseoffice.co.uk/>

of creative micro-businesses; and, free one-to-one Professional Development Planning sessions (limited number)¹²⁶.

In early 2017, a process was undertaken to seek to identify specialist business support targeted at the cultural and creative sector.

The Compendium sets out details of eligible area and/or organisation, type of support and delivery mode and cost to user for around 80 identified programmes, projects and schemes across the UK, including advice and consultancy but also grants and loans. The Compendium identified a handful of Local Enterprise Partnerships in England where the cultural and creative industries were identified to the extent that specialist provision, most likely through the newly formed Growth Hubs, was existing or potentially emergent¹²⁷.

3.3 Demand for, and use of, business support by cultural and creative industries

3.3.1 Evidence from the Longitudinal Small Business Survey

The Longitudinal Small Business Survey uses the Standard Industrial Classification in its analysis of sectors. The business population is split across sectors from A – S, from primary land-based industries through manufacturing to a number of different services groupings. Arts and Entertainment (R) has its own sector, although at 2% it is one of the smallest sectors by employment size; the largest is Retail and Wholesale (G) at 18% and Professional and Scientific (M) at 14% by employment size¹²⁸. This share of employment by the sector rises to 5% by employment size for businesses with no employees, where all sectors bar Construction (20%) and Professional and Scientific (M) at 15%, hold an 8% or under employment share¹²⁹.

Arts and Entertainment does not map directly on to the cultural and creative sector and / or the DCMS definition of the creative industries but given our specific interest in business support usage the survey is important as it covers this topic directly – and provides at least some measurement for cultural and creative businesses as against other sectors of the economy.

¹²⁶ <https://www.bgateway.com/business-guides/first-steps/business-support-and-advice/getting-help-from-cultural-enterprise-office>

¹²⁷ For a copy of the Compendium, please contact Creative United: info@creativeunited.org.uk

¹²⁸ BEIS (Department for Business Energy and Industrial Strategy), 2017b Table 3.1

¹²⁹ BEIS (Department for Business Energy and Industrial Strategy), 2017a Table 3.1

Reviewing the small level of published survey results for sector-based reporting, for SME employers:

- **In 2016, Arts and Entertainment employers are more likely than the average to have sought business support in the last 12 months**, 35% compared to 26%. The sectoral range spans from a high of 44% (Primary) to a low of 14% (Transport)¹³⁰;
- Between 2015 - 2016 when usage dropped across all businesses, Arts and Entertainment were one of only two sectors to see an increase in usage of business support;
- The support sought was less likely than average to be advice and more likely than average to be information, which was generally sourced from accountants, solicitors/lawyers, and consultants, and more so than the average for all sectors. Where advice was sought, this was less likely than average to be received through face-to-face channels¹³¹;
- The sector was less likely than average to source more than 3 days of business support in a year;
- The sector's unmet demand for business support is no different to the business population as a whole (around 4%). The sector reported the highest awareness of LEPs of any sector, and the second highest level of engagement with LEPs.

3.4 The Prosper Applicant Cohort: headline findings¹³²

This section provides an analysis of data from applicants to the Prosper programme. A total of 416 organisations *registered their interest* in the Prosper programme, following its official online launch on 27 March 2017. Of the 416 organisations that registered, 259 *completed and submitted the online Application Form* with key information, including a question on their recent use of business support.

To be selected for Prosper, applicant organisations needed to *complete a further online Diagnostic Tool* including greater information about their organisation's business activities, performance, and business support needs. A total of 231 businesses and organisations completed both the application and diagnostic tool¹³³.

¹³⁰ BEIS (Department for Business Energy and Industrial Strategy), 2017b Table 10.2

¹³¹ BEIS (Department for Business Energy and Industrial Strategy), 2017b p.108-120

¹³² See Annex 3 of this Review for a full set of data tables and figures

¹³³ Methodological notes are provided in Annex 3 of this Review

The analyses provide:

- An assessment of the characteristics of the Prosper applicant cohort (n=259), including an analysis of their use of business support; and
- A comparison of applicant organisations' characteristics split between those organisations that have previously used business support in the last 2 years and those that have not used business support.

3.4.1 Organisational and Financial Characteristics

In summary, of the 259 applicants:

- 70% were from 'the arts' (primarily 'performing arts' or 'visual arts / photography'), 20% from the creative industries; 6% from museums (fully accredited¹³⁴) and 4% from libraries (publicly funded). This contrasts substantially to the sectoral spread reported by Frontier Economics¹³⁵ which sees almost half of the sector by business counts accounted for by IT, software and computer services;
- 53% were from the three regions of London, the South East and South West. This compares to NESTA's mapping of 'Creative Businesses'¹³⁶ in England which is substantially weighted to London and the South East, with an estimated 66% of all Creative Businesses in the three southern regions. Prosper's applicant profile is less dominated by these southern regions, with higher shares of organisations across almost all other Regions (see Table 3.1 below);

¹³⁴ Fully accredited museums in the UK are members of the Museum Accreditation Scheme, which sets nationally agreed standards for museums in the UK. It defines good practice and identifies agreed standards, thereby encouraging development. It is a baseline quality standard that helps guide museums to be the best they can be, for current and future users. See: <http://www.artscouncil.org.uk/accreditation-scheme/about-accreditation>

¹³⁵ Hathaway and Maggs, 2016, Exhibit 5

¹³⁶ Mateos-Garcia and Bakhshi, 2016

Table 3.1 The Geography of the Cultural and Creative Sector

Region	Prosper Applicants (%)	NESTA – Creative Business Population (%)
East Midlands	5.4	4.2
East of England	7.7	9.3
London	24.3	40.3
North East	5.0	1.7
North West	10.8	7.4
South East	14.7	17.9
South West	13.9	8.2
West Midlands	8.1	5.6
Yorkshire & Humber	10.0	5.1
Total	100.0	100.0

- The median age of organisations across the cohort was 7 years old and, overall, the cohort is younger than for the Arts and Entertainment sector as reported in SBS¹³⁷;
- Nearly two-thirds (64%) of Prosper applicants employ between zero and five employees. A further 13% employ between six and ten employees, 11% between eleven and twenty-five employees, and 12% even more employees. The cohort has larger businesses by employment than that reported by Frontier Economics for the sector, but is closer to resembling the employment spread for Arts and Entertainment reported in SBS¹³⁸;
- 62% described themselves as ‘not-for-profit’ and a further 9% as ‘social enterprises’. This was reflected in legal form with 32% being charities – several times more than the national average in the business population - and 10% community interest companies.

¹³⁷ BIS (Department for Business Innovation and Skills), 2016b;

¹³⁸ BIS (Department for Business Innovation and Skills), 2016b;

Sole traders were 15% of the applicants – similar to across the whole businesses population but low for the sector (36%,¹³⁹);

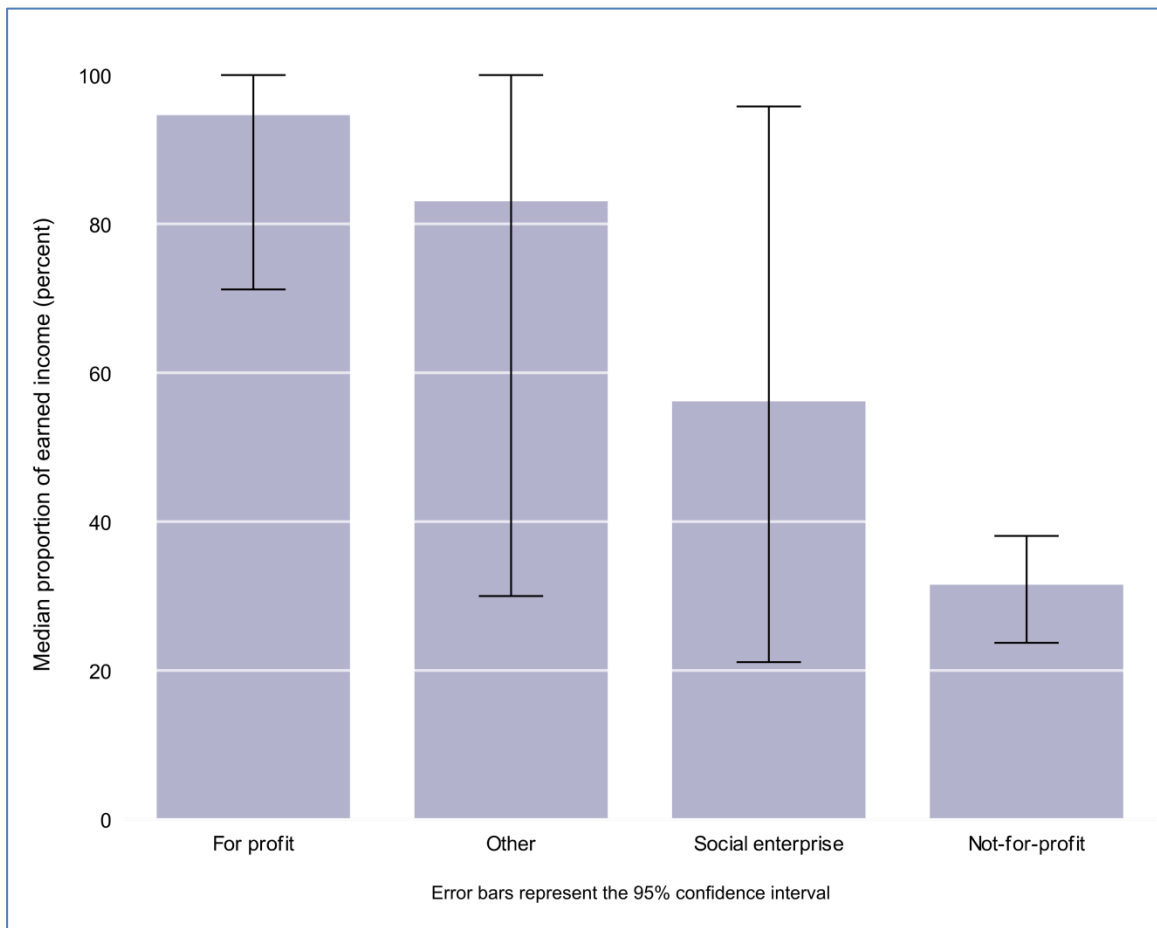
- 43% had an annual turnover of less than £50,000 per year, and 54% of less than £100,000 – compared to 47% less than £100,000 annual turnover for Arts and Entertainment¹⁴⁰;
- Overall, 65% of applicants providing data were able to forecast some level of turnover growth in the forthcoming Financial Year, whilst 35% expected contraction. A quarter (25%) of applicants forecast growth between 0 and 10%, with 40% forecasting growth of over 10%. The median growth forecast was 5.3%;
- The most common sources of income reported were ‘earned income and sales’ (84% of respondents), ‘grants, trusts and foundations’ (63%) and ‘donations’ (41%);
- 59% had received ACE grant funding within the last 3 years, with just over a third of these from Grants for the Arts and a fifth as National Portfolio Organisations;
- It was rare for any other sources to make up a major share of an organisation’s income – loans (10 counts), investors (2), crowd funding (12) and family and friends (10).

¹³⁹ BIS (Department for Business Innovation and Skills), 2016b

¹⁴⁰ BIS (Department for Business Innovation and Skills), 2016b

- The proportion of total income made up of ‘earned income and sales’ varied significantly between ‘organisational types’ (see Figure 3.1 with error bars¹⁴¹), with ‘for profit’ organisations having almost all income from this source. Not-for-profit organisations had the lowest share of total income from this source.

Figure 3.1 Earned Income & Sales as share of Total Income, by Organisation Type



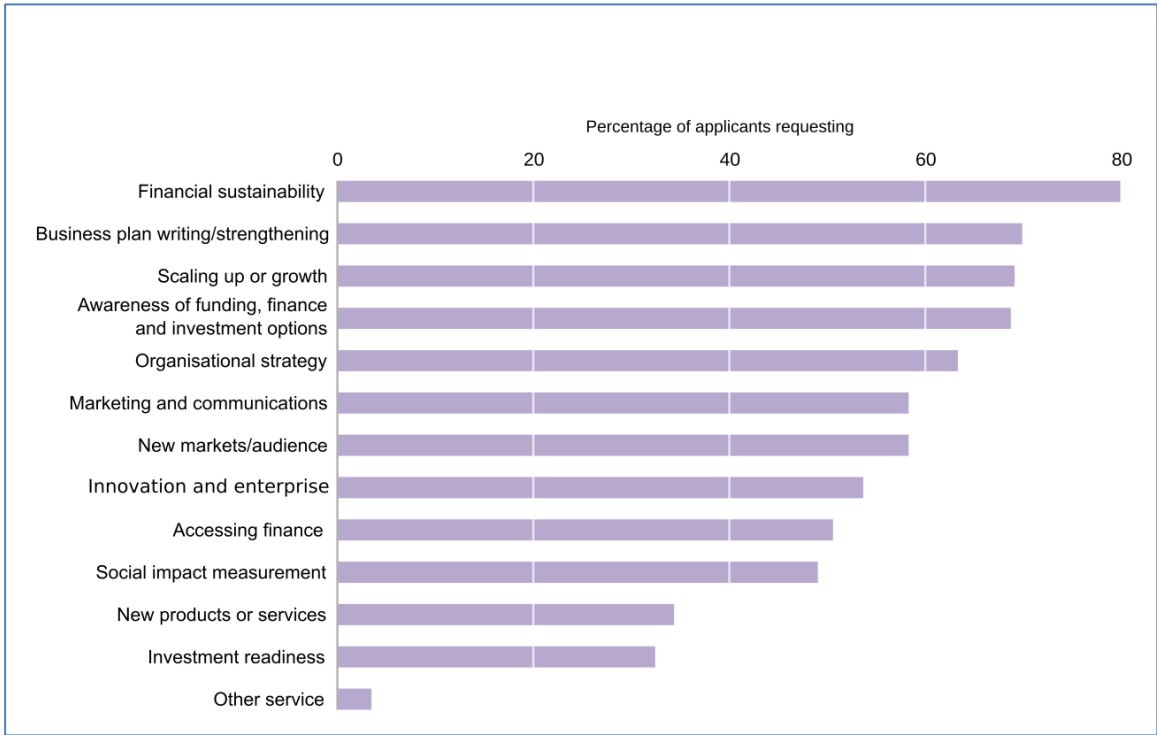
- The proportion of total income made up of ‘earned income and sales’ also varied significantly between ‘industry sector / sub-sector’ – in particular, the broader “Creative Industries” sub-sector organisations have a much higher earned income proportion (96% median) than the median average for all responding organisations (43% median).

¹⁴¹ Error bars indicate the 95% confidence interval for the median. A median calculated for a sample differs from the actual median of the whole population. If medians were calculated for multiple samples then the sample median would fall within this range 95% of the time. So error bars give an indication of the range in which the population median is likely to lie.

3.4.2 Business Needs

When presented with a list of business support needs and asked to identify those with the most potential benefit (see Figure 3.2), respondents stated the top business support need as ‘financial sustainability’ (80%), followed by ‘business plan writing/strengthening’ (70%), ‘scaling up growth’ (69%) and ‘awareness of funding/finance and investment’ options (69%).

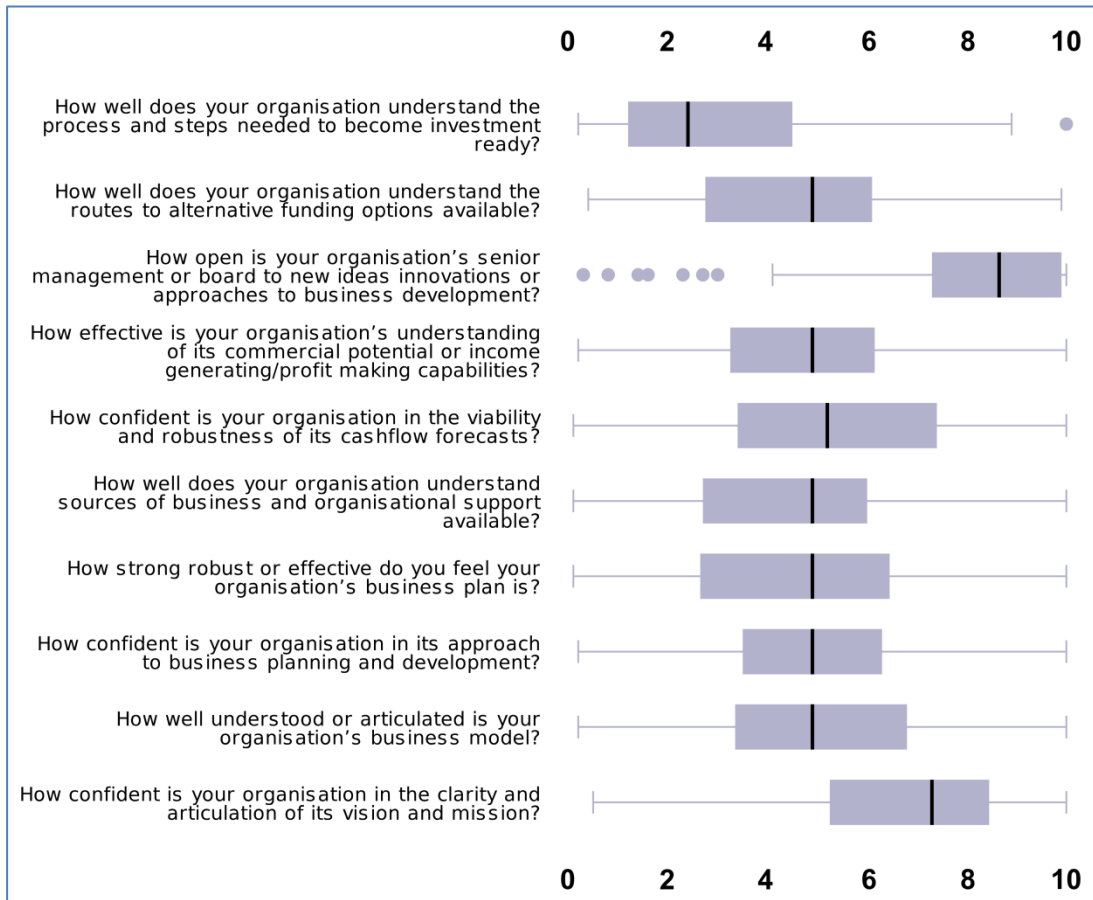
Figure 3.2 Business Support: Stated Areas of Most Potential Benefit



It was notable that the lowest rated support need required by organisations was ‘investment readiness’ support (32%, Figure 3.2), given that Prosper applicants stated they were least confident about understanding the process of becoming ‘investment ready’ (see Figure 3.3 below). Applicants were asked to score (out of 10) their organisation’s strengths across a number of business planning and organisational development topics (see ‘box and whisker plot’¹⁴²).

¹⁴² ‘Box and whisker’ plots provide an indication of the distribution of data. The black bar within the purple box represents the median, i.e. half the values are to the right of this line, and half to the left. The ends of the box represent the first and third quartiles, i.e. 50% of cases fall within the box, with 25% to the right and 25% to the left. The ‘whiskers’ extend for 1.5 times the length of the box (i.e. 1.5 times the interquartile range), or to the edge of distribution if that is less. Points beyond the whiskers represent individual outliers in the data. Where they are present, ‘extreme outliers’ (over three times the interquartile range beyond the box) are represented by asterisks.

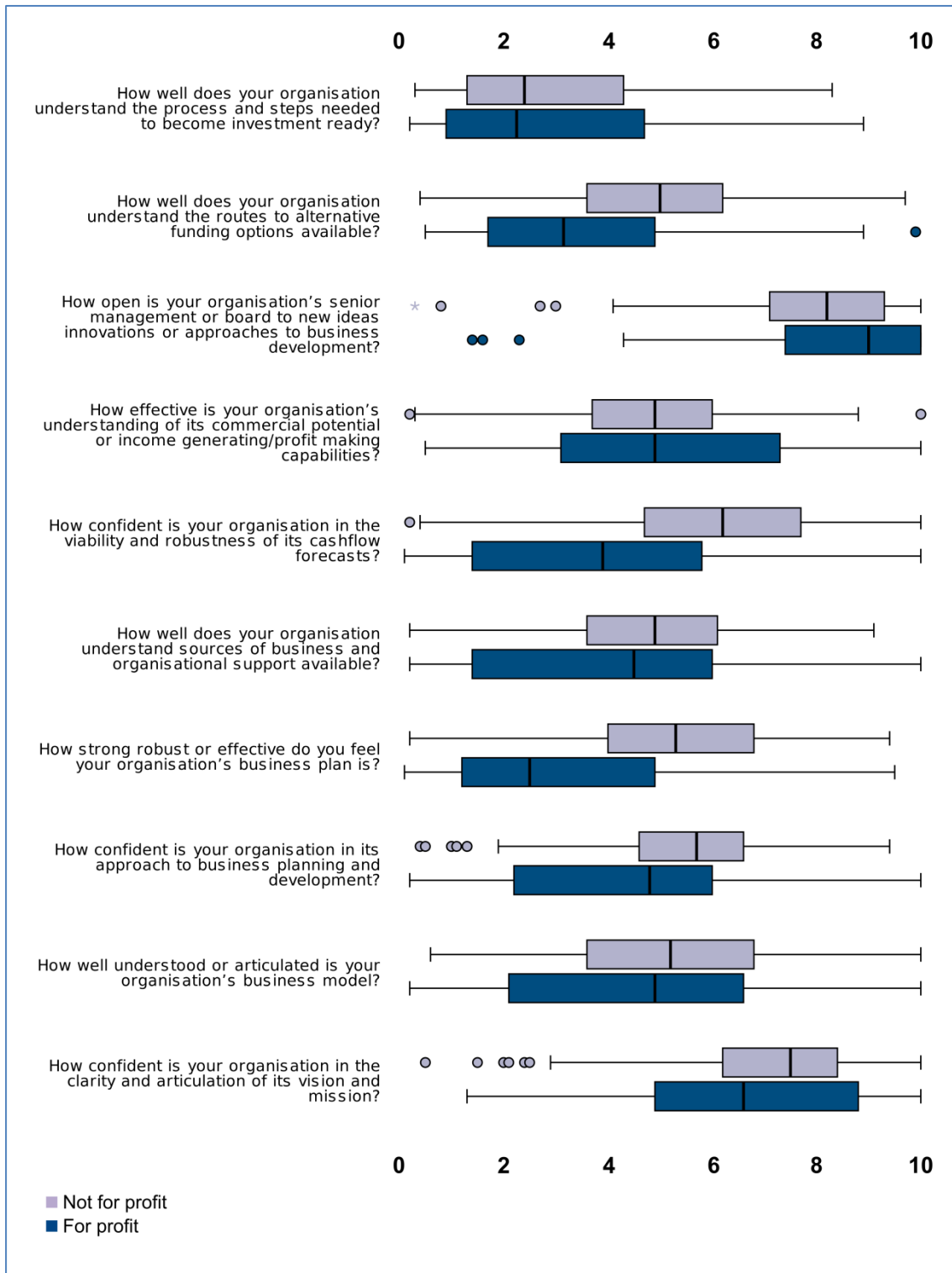
Figure 3.3 Business Planning and Development



Organisations were most confident about ‘openness of management to new ideas, innovations or approaches to business development’ and ‘articulation of their vision and mission’, but least confident about the ‘steps needed to become investment ready’.

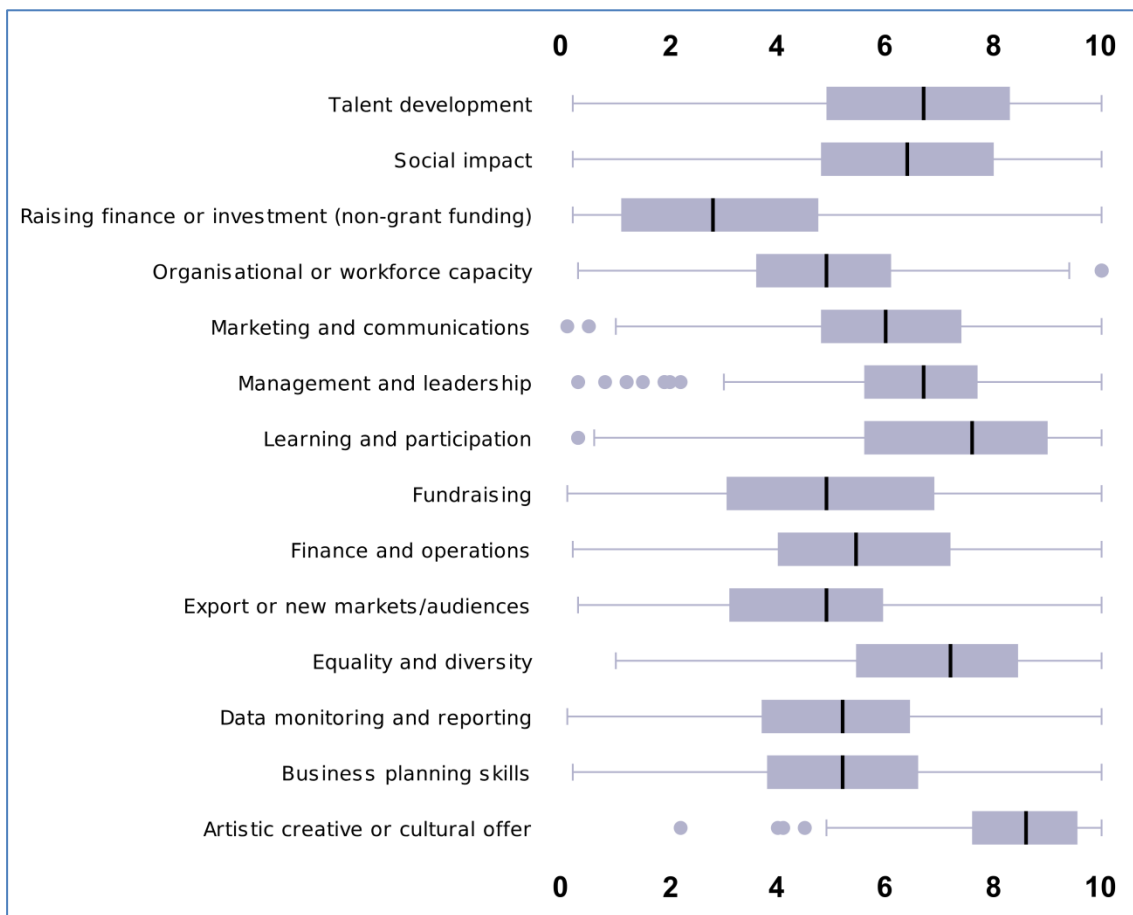
‘Not-for-profit’ organisations tended to score themselves more highly than ‘for profit’ organisations (see Figure 3.4) and this was statistically significant for seven of the ten questions.

Figure 3.4 Business Planning and Development, by Organisation Type



Applicants were asked to score (out of 10) their organisation’s business skill sets (see Figure 3.5). Organisations rank their ‘artistic, creative or cultural offer’ and their ‘learning and participation’ offer highly, along with ‘talent development’ and ‘social impact’. Organisations rank their ability to ‘raise finance or investment (non-grant funding)’, ‘fundraising’, ‘organisational and workforce capacity’, and ‘export or new markets/audiences’ much lower.

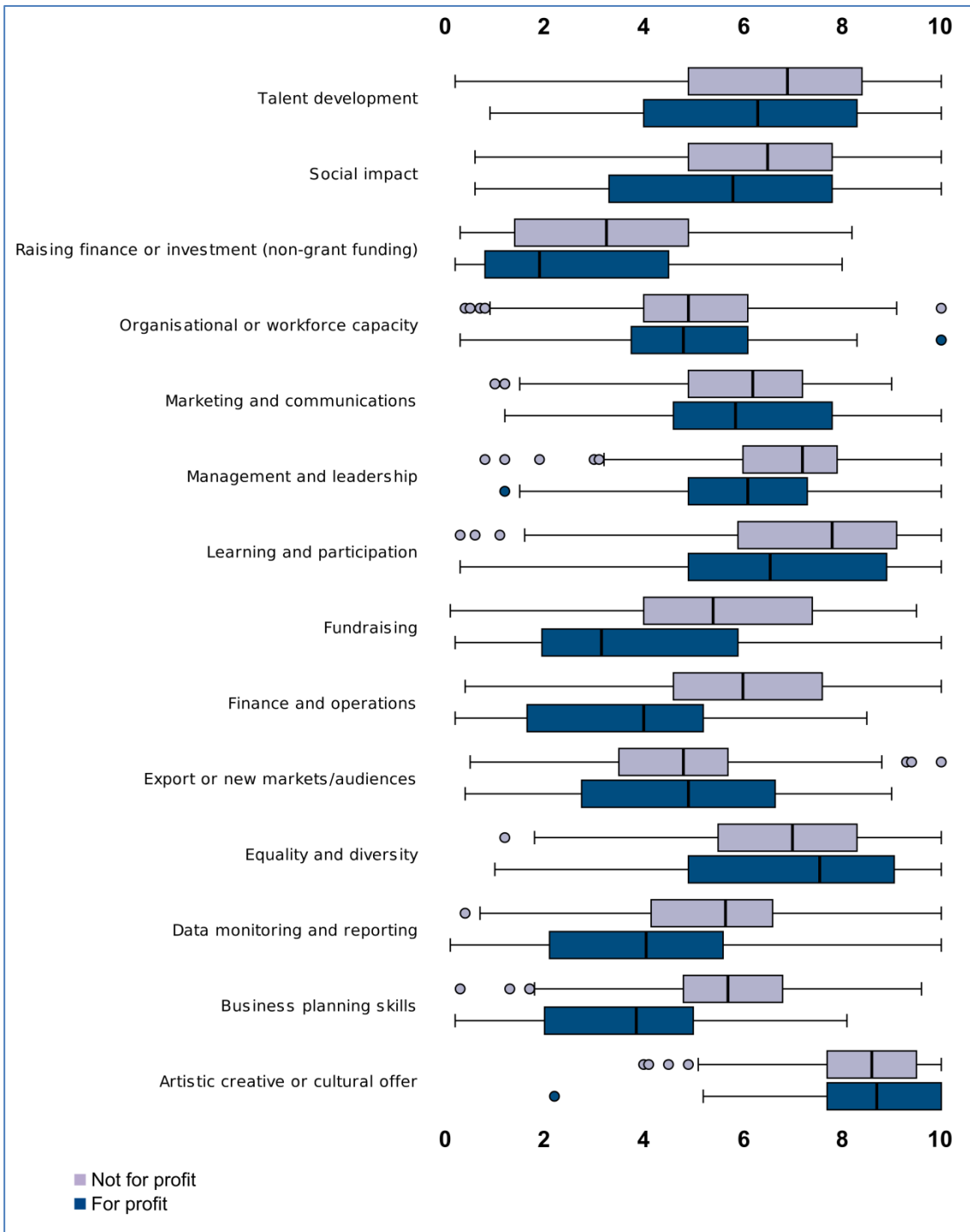
Figure 3.5 Business Skill Sets



‘Not-for-profit’ organisations tended to score themselves more highly than ‘for profit’ organisations (see Figure 3.6 below) and this was statistically significant for:

- Data monitoring and reporting;
- Business planning skills;
- Finance and operations;
- Fundraising;
- Management and leadership; and
- Raising finance.

Figure 3.6 Business Skill Sets, by Organisation Type



3.5 The Prosper Applicant Cohort: previous use of business support

Of the 259 organisations that applied to Prosper, 35% (90) had received previous support, whilst 65% (169) had not received business support in the last two years.

Those previously using business support were:

- Neither more likely or less likely to be from any particular sub-sector (except in the case of ‘Digital media and the web’, where less business support was used);
- Somewhat more likely to be from regions other than London;
- More likely to have received Arts Council funding in the previous three years, although there was no significant relationship between any particular scheme and use of support;
- More likely to be a ‘not-for-profit’ or ‘social enterprise’, rather than ‘for profit’;
- More likely to be a ‘company limited by guarantee’ (which might include incorporated charities), in terms of legal status;
- More likely to be a little older (11 year median rather than 7 year median); a large number of younger organisations had not used business support in the last two years;
- Most likely to have 6 to 25 employees, rather than smaller than this;
- More likely to have a mid-range (or very top range) turnover (£101k and upwards);
- Just as likely to ask for business support as non-users of previous business support; and,
- Neither more likely nor less likely to offer a positive growth forecast.

There were statistically significant differences between organisations receiving past business support and those which did not regarding business planning and development.

Those that had received previous support reported greater ability regarding:

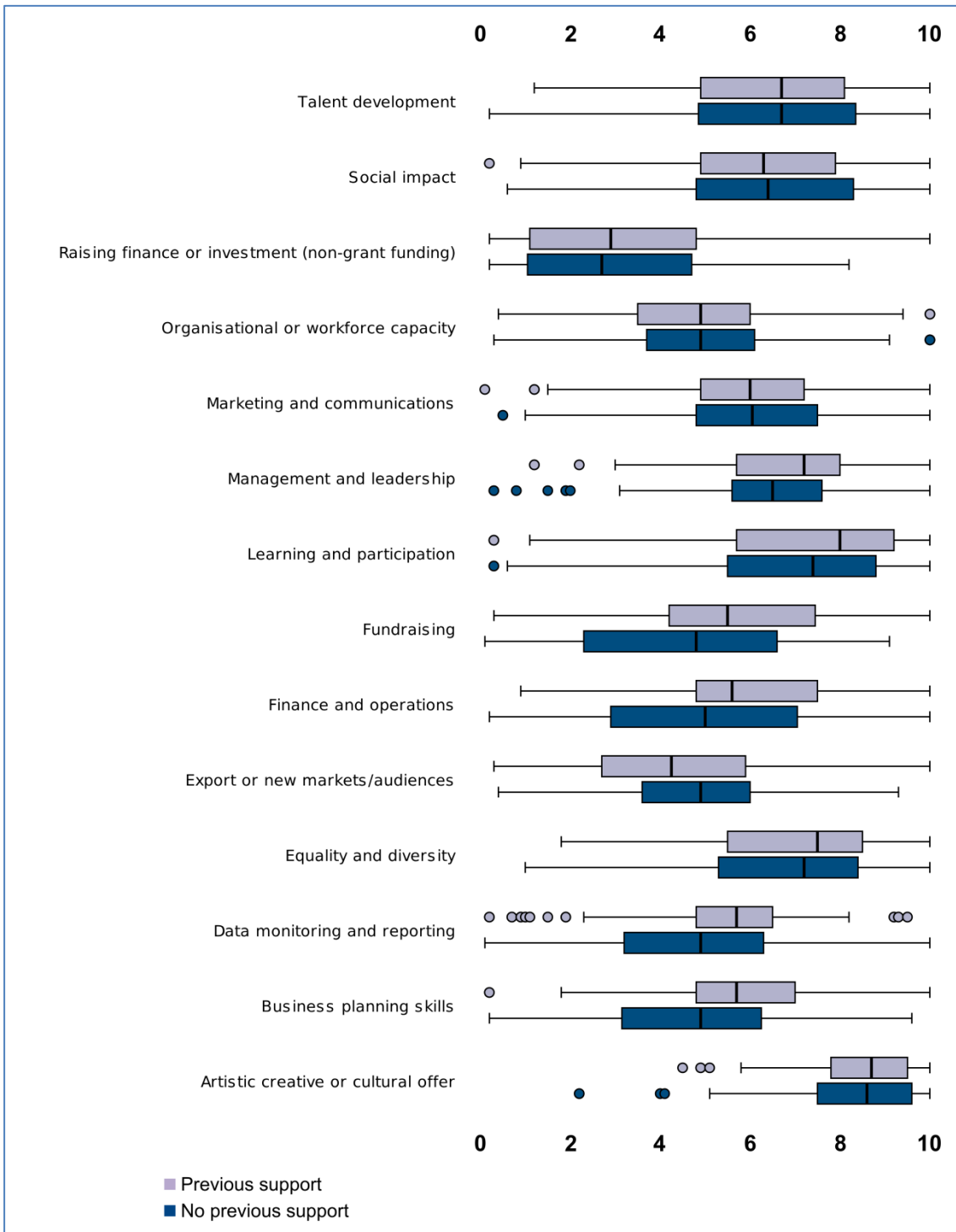
- Understanding their business model;
- Sources of business and organisational support;
- Data monitoring and reporting;
- Finance and operations; and,
- Fundraising.

There were also statistically significant differences between organisations receiving past business support and those which did not concerning business skill sets (see Figure 3.7 below). Those that had received support reported greater ability regarding:

- Business planning skills;

- Data monitoring and reporting;
- Finance and operations; and
- Fundraising.

Figure 3.7 Business Skill Sets, by Previous Business Support



3.6 ‘What works’ – successfully matching demand and supply for the cultural/creative sector

3.6.1 ‘What works’ for the cultural and creative sector– previous research by DCMS

In 2006, as part of the DCMS Creative Economy Programme: **Introducing the Creative Grid: Connecting Creative Places for Global Competitiveness Final Report, a Working Group was created on ‘Access to Finance and Business Support’**¹⁴³. Over more than fifty pages, utilising what written evidence existed alongside bespoke consultations, the Working Group set out a substantial review and statement on the position of creative businesses vis-à-vis “appropriate forms of advice, support and investment”. The Report, its conclusions and recommendations were ‘of its time’ politically, but did rehearse debates about the sectors’ engagement with, and need for, either or both generic and specialist business support – as a precursor or stepping stone to attaining (what the Group believed to be more than adequate) potential sources of investment for creative businesses.

Given the supply infrastructure of a national Business Link ‘generic and brokerage’ support system, Regional Development Agencies, specialist business support, and a range of offerings from trade associations and statutory bodies, the Working Group’s conclusion on supply was that there was a ready availability of a wide range of sector-specific and non-sector-specific support. The Working Group concluded that there was no evidence of barriers to generic business support for creative businesses – whilst noting the need for signposting, integration, coherence and clarity given a landscape of substantial provision.

Rather, recognising poor productivity across the sector, and large numbers of micro-businesses that did not grow, the Working Group concluded that the main issue was with ‘demand’; in other words, the capacity and skills of creative businesses:

“...there exist many different sources of business support for creative businesses; but it is the limited ability of many of these firms to make full use of the advice and expertise that inhibits increased productivity and growth in the creative industries. This is related to the skills and ambitions for growth in many creative businesses”¹⁴⁴

¹⁴³ DCMS (Department for Culture Media and Sport) 2006, <http://webarchive.nationalarchives.gov.uk/http://www.culture.gov.uk/images/publications/cepworkinggroupreports.pdf>

¹⁴⁴ DCMS (Department for Culture Media and Sport) 2006, p243

The Working Group drew on a range of sub-sector and sectoral evidence to illustrate limits in skills and ambitions within the sector. This evidence was incorporated with work on the economy at that time, which highlighted that within the business population there was a small percentage (later identified as 6%) of ‘high growth firms’ that account for a high proportion of any employment and GVA growth in an economy.

Given this, the Working Group’s conclusion was essentially a ‘braided’ solution – to create quality, tailored business advice provision (‘mentoring’) to develop “high growth creative businesses” alongside “approximately 95% of creative businesses [that] have relatively basic advisory needs that are best served by existing generic Business Link-type provision”.¹⁴⁵

Today, ten years on, and after a global financial crisis, a renewed impetus around growth and productivity within the sector is to the fore once again¹⁴⁶. Yet, if anything, there may be less substantial evidence to understand the demand for, usage, and experience of business support by the cultural and creative sector than there was in the previous decade.

3.6.2 ‘What works’ for the cultural and creative sector – the Call for Evidence

The Call for Evidence (see Table 3.2), from across the UK, provides some insight into the recent experience of segments of the sector with a range of targeted business support programmes/projects.

Table 3.2 Call for Evidence 2017 on Business Support to the Cultural and Creative Industries: Responses received

ORGANISATION	SECTOR	MATERIAL RECEIVED
Museum Development Network Committee (various reps)	Museums	Signposted to Museum Development Network website and all regional websites offering info on business support for Museums
Creative England	Creative / cultural sector broadly	Document of key examples of range of support offered
Charles Freeman Projects	‘Dyslexia / Neuro Divergence Aware’ business support for creative organisations	“SEEDS programme” – dyslexia / Neuro Divergence aware business support in the creative sector

¹⁴⁵ DCMS (Department for Culture Media and Sport), 2006, p2

¹⁴⁶ Hathaway and Maggs, 2016

ORGANISATION	SECTOR	MATERIAL RECEIVED
Mackerel Sky Events	Creative / cultural sector broadly	"Thrive Bath" – 3yr Training / Support Programme to cultural and voluntary sector in Bath / N.E. Somerset
Cockpit Arts (and Ellen O'Hara)	Arts and Crafts	Annual Report of Cockpit Arts on annual achievements / provision
New Art Exchange	The Arts	Background information on a business support programme and support programme for creative and digital enterprises (part funded by ERDF).
Cultural Enterprise Office (Scotland)	Creative / cultural sector broadly	Working Paper booklet "Connecting Creativity, Value and Money"; Creative Enterprise Office Performance and Impact Report 2013/14; "Curators of Cultural Enterprise" book
Ellen O'Hara	Creative / cultural sector broadly	Evaluation of Developing Culture Sector Resilience Programme (ACE funded); Impact case studies of organisations benefitting from support of ACE funded Catalyst support programme; Background information on successful applicants to ACE's Creative Local Growth Fund; Pending evaluation report on NESTA's "Digital Arts and Culture Accelerator"
Goodwin Trust	Creative / cultural sector broadly	Background information on "Creative ENRG" (a specialist business support programme for the arts & culture sectors)
Guildhall School of Music & Drama	Creative / cultural sector broadly	Background information on "Guildhall Creative Entrepreneurs" 12 month part-time training programme
Norwich Theatre Royal	Performing Arts, but also Creative / cultural sector broadly	Background info on 3yr creative business leadership development programme; Evaluation Report on Theatre Access Project (schools inclusion/engagement)
Remi Harris Consulting	Music Micro-Businesses	MBA Dissertation on "Music Micro-Businesses in the UK: problems of conceptualisation, and implications for business support services"
DCMS (Libraries Taskforce)	Libraries	Strategy Report on the Future of Libraries in England 2016 to 2021
CEIS (Community Enterprise in Scotland)	Creative / cultural sector broadly	Background information on the "Just Enterprise" business support programme in Scotland
Design Council	Design sector	Evaluation Report of "Designing Demand" business support programme (2012); Evaluation / Summary of Evidence Report of the Design Leadership Programme
ICAEW (Institute of Chartered Accountants of England and Wales)	Creative / cultural sector broadly	Report: 'Creative Industries – Routes to Finance: a guide to sources of funding and investment'; background info on ICAEW partnership with a range of creative sector organisations; background info on Enterprise Europe Network;

ORGANISATION	SECTOR	MATERIAL RECEIVED
		Report “UK Television in Focus: creativity, transformation and international opportunities”
Golant Media Ventures (innovation agency / consultancy for creative, cultural, digital, public sectors)	Creative / cultural sector broadly, including ‘digital’.	Evidence review of ‘digital’; latest thinking on theatre futures; case studies of broadening audiences for contemporary art; new business models for theatres widening engagement; case studies of funding/finance; case studies of maximising creative assets
Tom Fleming Creative Consultancy	Creative / cultural sector broadly	Evaluation reports on a range of innovative cases / initiatives on a range of creative and cultural activities
Rinova Consultancy	Creative / cultural sector broadly	‘Break in the desk / Creative Project Canvas’ support tool; background info on creative enterprises support

Looking across the documentation provided in response to the Call for Evidence outlined above, the following are suggestions for ‘what works’ in business support for the cultural and creative sector:

- A number of documents highlight how the cultural and creative sector perceives itself as ‘different’ from other sectors of the economy, as their bottom line is not only profit-driven, but aims to balance commercial considerations with creative imperatives, the ‘public good’ (social objectives), and/or environmental goals¹⁴⁷. According to Tom Fleming Creative Consultancy: *“In the creative industries, it has long been recognised that support and investment has to be shaped to embrace rather than ‘correct’ the distinctive characteristics of the sector”*¹⁴⁸. This appears to chime with recent research commissioned by NESTA which stated that *“...creative businesses do not, in general, access regular business support and generic business networks – due to creative enterprises viewing themselves as a group apart from other business sectors, with different motivations, cultures and business models”*¹⁴⁹. According to this evidence ‘what works’ for the cultural and creative sector needs to be specifically designed for the sector;

¹⁴⁷ Tom Fleming Creative Consultancy, 2014; Cockpit Arts, 2017; Charles Freeman Projects, 2017

¹⁴⁸ Tom Fleming Creative Consultancy, 2014, p6

¹⁴⁹ NESTA, 2014, p13

- Yet even sectoral specificity in business support may not be sufficient for effective outcomes – *sub-sector* specificity may be required, according to the evidence in some of the documentation outlined above. Business support that is tailored specifically to particular sub-sectors of the cultural and creative sector (performing arts¹⁵⁰, music¹⁵¹, museums¹⁵² and so on) is also considered to be ‘what works best’ for experiential learning and application: *“Despite the creative sector specialisms among the advisors, some business still felt misunderstood by their advisors and that they didn’t have sector-specific insight required”*¹⁵³;
- In terms of format of delivery of business support, as with business support more broadly, the ‘gold’ standard of delivery was face-to-face advice and information from individual business advisors or business mentors. As highlighted above, such advisors or mentors often need to have very specific experience and characteristics if they are to be effective, such as: the ability to be flexible and adaptable to the organisation at hand¹⁵⁴; supportive and approachable characteristics in order to develop a good ‘match’ or relationship of trust between advisor and client¹⁵⁵; and a strong track record of expertise and experience in the particular sub-sector arena of the client¹⁵⁶;
- Business support that inspires and boosts confidence more broadly, as well as improving a range of business skills (particularly PR, marketing and social media), was noted as being well-received by organisations / clients¹⁵⁷. This was especially prized where it assisted cultural and creative sector organisations in developing their appreciation of the worth of their offer, assets, services, products and data¹⁵⁸.

¹⁵⁰ For example: ‘Guildhall Creative Entrepreneurs’: https://www.gsmd.ac.uk/youth_adult_learning/guildhall_creative_entrepreneurs/;

¹⁵¹ Harris, 2007

¹⁵² BOP Consulting, 2016

¹⁵³ Tom Fleming Creative Consultancy, 2014, p24

¹⁵⁴ Mackerel Sky, 2017

¹⁵⁵ Ibid

¹⁵⁶ Tom Fleming Creative Consultancy, 2014

¹⁵⁷ Golant Media Ventures: <http://golantmediaventures.com/projects/g39-communicating-with-audiences-for-contemporary-art> and <http://golantmediaventures.com/interesting/speech-at-arts-council-theatre-futures-event-on-resilience>; Creative England, 2017; Design Council, 2012; ICAEW, 2015; Mackerel Sky, 2017

¹⁵⁸ Golant Media Ventures: <http://golantmediaventures.com/projects/g39-communicating-with-audiences-for-contemporary-art> and <http://golantmediaventures.com/interesting/speech-at-arts-council-theatre-futures-event-on-resilience>; Mackerel Sky, 2017; Creative England, 2017

- Networking opportunities for organisations with similar support needs in similar sectoral arenas were also well-received by clients¹⁵⁹, as they enabled organisations to share knowledge and innovation that applied to their specific activities and missions;
- Programmes which demonstrated the potential commercial and non-commercial value of both existing and prospective offers from organisations enabled them to imagine new directions in sustainability; and,
- Support programmes which raised awareness, understanding and skills in digitisation appropriately were also very well-received by cultural and creative organisations – digital development was often the forerunner to development of internationalisation agendas for such organisations, as online development enabled opportunities to engage with global audiences¹⁶⁰.

3.7 Summary

At a moment of reformulation of business support supply in England, including a small scale and diverse patchwork of sector specific projects, there remains on-going debate on the use of support by the cultural and creative sectors, and how this compares to the business population as a whole. Evidence on the business support system across the economy is limited and inconclusive, and this is replicated for the sector.

Tentative evidence from the Longitudinal Small Business Survey 2016 shows that Arts and Entertainment SMEs are more likely than the average to have sought business support in the last 12 months – including potentially increasing usage in comparison to virtually all other sectors¹⁶¹. The sector reports no greater unmet demand than for any other sector, which remains low across the board.

Usage characteristics are that this support is more likely than average to be sourced from accountants, advisors, and consultants although less likely to be intensive.

¹⁵⁹ Creative England, 2017; Tom Fleming Creative Consultancy, 2014

¹⁶⁰ Golant Media Ventures: <http://golantmediaventures.com/projects/g39-communicating-with-audiences-for-contemporary-art> and <http://golantmediaventures.com/interesting/speech-at-arts-council-theatre-futures-event-on-resilience>;

¹⁶¹ BEIS (Department for Business Energy and Industrial Strategy), 2017b

The cultural and creative applicants to Prosper provide further insight, although account needs to be taken of the diversity of business/organisational population represented¹⁶².

The database has much greater numbers of arts organisations than IT/software, greater regional distribution than the usually mapped creative economy, and one third are charities. Numbers of sole traders is lower than sector norms, but reflects economy-wide patterns, as does the representation of social enterprises.

In total, 35% of Prosper applicants reported previous use of business support in the last two years (mirroring the higher than average usage for the sector in the past year in national statistics). The cohort was most likely to be 6 to 25 employees, turnover greater than £101k, established for a few years, received Arts Council funding, and 'not-for-profit' or a social enterprise. The least likely organisational type to have used business support were recently-established 'for profit' organisations (which were often 'micros').

Prosper applicants were most confident about their skills concerning 'artistic, creative or cultural offer' and 'learning and participation' and least confident about 'raising finance'. Relatedly, they were most confident about their strengths in 'articulating their vision and mission' and 'being open to ideas/innovations in business development' and least confident about understanding 'the steps to being investment ready'.

Not-for-profits were statistically significant in consistently reporting higher confidence concerning their organisations' strengths and skills across a large range of business functions.

Overall, concerning business support needs the following needs were rated most highly by applicants (69% and above): financial sustainability; business plan writing; scaling up growth; awareness of funding/finance/investment. **The following needs were rated lowest (34% and lower):** new products and services; investment readiness.

Where applicants had previously received business support in the last two years, they reported statistically significant greater confidence in the following skills sets - business planning skills; data monitoring and reporting; finance and operations; and fundraising – **and the following business development functions –** understanding their business model; and sources of business and organisational support.

¹⁶² Nevertheless, with almost 250 businesses/organisations, the Prosper database holds a greater number of businesses than that in the Arts and Entertainment sample of the weighted Small Business Survey

In the past a DCMS Creative Economy Programme ‘Access to Finance and Business Support’ Working Group¹⁶³ concluded on a mix of generic and specialist support for the cultural and creative sector driven by the need to overcome the limited skills and ambitions for growth in many creative businesses.

Looking across evidence from recent support programmes and projects for the cultural and creative sector the following aspects of ‘what works’ are reported:

- Targeted cultural and creative sector specific business support, but which extends to ‘sub-sector specific’ business support where appropriate, for experiential learning and application;
- Business support delivered face-to-face by business advisors who have strong expertise in specific areas and are approachable, adaptable, supportive and trusted;
- Support that inspires and boosts confidence as well as particular business skills;
- Opportunities for networking with similar organisations in similar situations/arenas;
- Initiatives which develop organisations’ appreciation of the commercial and non-commercial value of their existing and prospective offers; and,
- Business support which appropriately develops ‘digitisation’ given its process of unlocking further opportunities.

¹⁶³ DCMS (Department for Culture Media and Sport), 2006

4 Some reflections and lessons

4.1 Cultural and creative sectors and business support: ‘journeys through the ecosystem’

Drawing on the evidence and findings of earlier sections, this final part of the Review seeks to draw some reflections and lessons on business support for the cultural and creative sector. This section is framed by two notions often seen in discussions of business support today: the ‘ecosystem’ and the ‘journey’.

Recently, the terms ecology and ecosystem have been used in business, cultural policy and economic cluster debates to describe a particular view of how modern sectors and production systems increasingly feature substantial ranges of connected actors, networks, inputs and systems.

It is argued that the concept of ‘industry’ has become outdated, constraining the description of the production system and unable to acknowledge the important context of how businesses operate¹⁶⁴. Moore’s ‘ecosystem’ and Hearn and Pace’s ‘value ecology’ approach¹⁶⁵ highlight the importance of the interactions between varied component parts of the system. These interactions may be between organisations and customers, suppliers or competitors, but also between elements previously excluded from formal definitions of the economy. Unsurprisingly, such an ecosystem approach has subsequently been drawn upon to understand small business relationships and strategies leading to the development of concepts such as the ‘entrepreneurial ecosystem’¹⁶⁶. Capturing the complexity and fluidity of economic systems and their interconnections, including diversity around value creation and its inputs, a number of major sectoral reports have developed these metaphors to deepen understanding of the creative and cultural industries in particular and their contribution to economic and social life¹⁶⁷.

Sitting alongside more ‘productivist’ accounts of the creative and cultural sectors, these reports have utilised ecology and ecosystem to reflect a broader sense of ‘what are the cultural and creative sectors and their dynamism?’: for example, making connections between the publicly-funded arts ecology as an R&D function for the creative

¹⁶⁴ Moore, 1996; see also Lash and Urry, 1994; KEA, 2015

¹⁶⁵ Hearn and Pace, 2006

¹⁶⁶ Isenberg 2011; Mack and Mayer, 2015; Mason and Brown; 2014, Drexler et al. 2014

¹⁶⁷ Fleming and Erskine, 2011; Holden 2015, Markusen et al, 2011; Warwick Commission on the Future of Cultural Value 2015; see also Barker and Henry, 2016

economy¹⁶⁸; the continued ‘back-and-forth’ of highly skilled portfolio workers across different parts of the ecosystem¹⁶⁹, and the inherent intertwined value systems of the cultural and commercial in business models.

In turn, such an approach brings greater diversity to an understanding of the freelancers, micros, businesses, anchor institutions, organisations, social enterprises and intermediaries that make up the sector ecosystem in its entirety – their varied drivers, missions and business models and the development and growth ‘journeys’ that they are on – within and across the ecosystem.

***A priori*, it is to supporting these business journeys – both as part, and in support of, the ecosystem – that business support is directed.** Furthermore, it is through such an ‘ecosystem and journeys’ approach that reflections and lessons can be drawn on business support for the cultural and creative sector.

4.2 The cultural and creative ecosystem in today’s economic climate

There exists clear economic evidence for the long run growth of the UK’s cultural and creative industries. In its recent response to the Government’s Green Paper on Industrial Strategy, the Creative Industries Council details how the sector generates around £90bn per annum and over 5% of the UK’s economy¹⁷⁰. It directly employs almost 2 million people, and has a growth rate that has consistently outperformed that of the economy as a whole for over a decade¹⁷¹. However, in the face of concerns about the ‘productivity puzzle’ of the UK economy¹⁷², it has been identified that there is substantial variation across the business and sub-sectoral base (or segments) of the creative economy with its ‘long tail’ of small micro-businesses identified as of particular concern regarding the productivity performance of the sector¹⁷³.

This long tail reflects that, even within a national economy with a famed start-up and micro enterprise record, creative businesses are on average smaller – 90% of creative businesses have no more than five employees, 80% have no more than two, and 60% have

¹⁶⁸ See, for example, Erikson et al. 2015 and the value of the public domain

¹⁶⁹ Grabher, 2004; Brighton et al, 2016

¹⁷⁰ Creative Industries Council, 2017

¹⁷¹ Creative Industries Council, 2017

¹⁷² <http://www.bankofengland.co.uk/publications/Pages/speeches/2017/968.aspx>

¹⁷³ Hathaway and Maggs, 2016; Brighton et al. 2016;

<https://www.artspromotional.co.uk/magazine/article/achieving-productivity-and-mission-boost>

just one. Moreover, they have a higher death rate¹⁷⁴. Furthermore, to this may be added the high proportion of freelancers, portfolio (or precariously) working within the network-based, project-orientated, and transitory nature of much cultural and creative production¹⁷⁵. Finally, in thinking about different business population segments, there has long been recognition of the cultural sole trader whose main aspiration is individual and cultural development and contribution.

Given an ecosystem approach which reflects fully the range of inputs and value generation activity, to this sectoral segment mix should be added the historically grant-funded ecology, infrastructure and institutions of cultural and creative value, and who are currently facing some of the toughest challenges in their history to survive, sustain, grow, and attain ‘resilience’¹⁷⁶. This includes a new breed but also existing varieties of impact-orientated social enterprises (start-ups, spin-outs, trading arms, etc.). Similarly, there is the growth of critical ‘intermediaries’ within production and ecosystem networks, in Holden’s (2015)¹⁷⁷ language the ‘connectors’ and reflected, for example, in the new ACE label of Sector Support Organisations.

This is the nature and characteristics of the cultural and creative ecosystem and its businesses and organisations – and that is the starting point of demand for, and usage of, business support.

4.3 Key points of intervention in the business support journey

A number of key moments or phases can be identified in the business support journey and the process of matching demand and supply.

4.3.1 Engagement: understanding the sector and the ‘need’ for business support

There remains a common-held view of the ‘issue of demand’ within the sector, and its lack of ‘commercial mindset’¹⁷⁸. Yet taking an ecosystem approach as outlined (and segmented) above improves perspective. It adds greater analytical weight and exemplification to the mix of cultural and commercial values that are distinctive to these sectors, and how these blend to define varied missions, goals and objectives – whether described as profitability,

¹⁷⁴ Brighton et al. 2016

¹⁷⁵ Schlesinger et al. 2015

¹⁷⁶ <http://www.artscouncil.org.uk/how-we-make-impact/resilience-and-sustainability-0>;
<http://www.artscouncil.org.uk/funding/building-resilience>

¹⁷⁷ Holden, 2015

¹⁷⁸ Hathaway and Maggs, 2016

resilience, participation, employment, growth, artistic contribution, lifestyle, diversification, impact, sustainability, and so on.

The evidence in this report suggests that the different motivations, cultures and business models of the cultural and creative sectors are increasingly aware of the need for business support and engaging substantially – and more so than sector averages – where appropriate support exists and has capacity. But it is also clear, for example, that a business support system directed at (the language of) ‘growth’ or ‘investment readiness’ has limited traction or cadence with the missions of much of the sector. For example: employment growth within the sector has been mainly driven by self-employment, not growth businesses; social enterprise has previously reported a sense of ‘not being understood’¹⁷⁹ by business support structures; and BIS noted that “...there is some concern that focusing solely on growth businesses can overlook the needs of more established businesses or those that perhaps need more support due to their limited potential for growth”¹⁸⁰.

This is not to say that a growth agenda is not pertinent to the sector but that it plays to only part of the ecosystem – and this point is significant when recognising that it is the interdependences and contributions that individual parts make to the whole ecosystem that provide its dynamism, growth and resilience¹⁸¹. Thus it is vital that support programmes such as ACE’s Building Resilience do exist and sit alongside other currently ‘mainstream’ business support agendas if the ecosystem and its moving parts, as a whole, are to be supported.

In the largest evaluation of business support to date¹⁸², a key finding amongst generally inconclusive results was the need for fewer and clearer business support programme objectives. Set within an understanding of the cultural and creative sectors as an ecosystem this suggests clarity of goals and design targeted at clear ecosystem ‘segments’ (and their internally common mindsets, missions, languages and capacities)¹⁸³.

Furthermore, this is not to suggest that cultural change towards commercial and sustainable models is not a key challenge for the cultural and creative sectors – but that

¹⁷⁹ BIS (Department for Business Innovation and Skills), 2011, p.9

¹⁸⁰ BIS (Department for Business Innovation and Skills), 2014, p.17

¹⁸¹ Holden, 2007; Warwick Commission on the Future of Cultural Value, 2015

¹⁸² WWCLEG (What Works Centre for Local Economic Growth), 2016

¹⁸³ For example, if micro growth businesses are the target then the greater freelance nature of the sector suggests much greater thought to achieving the ability to engage with and undertake business support given support usage rates reduce with business size (across all sectors)

such cultural change itself may be a precursor or early stage business support activity within the organisational / business journey if (subsequent) engagement with growth-orientated industrial policy is to be achieved¹⁸⁴.

In Scotland, the Cultural Enterprise Office exhibits elements of a segmented approach to and within the sector; in England it remains to be seen what approach and provision materialises within local Growth Hubs.

4.3.2 Articulating and identifying common demand across the ecosystem

The ability of businesses to articulate their support needs and demands, especially micro-businesses, is a well-recognised barrier to usage. Alongside the call for segmentation against organisational and business mission, it is clear that a number of ‘strategic horizontal or platform’ themes exist which are highly pertinent or specialist to the health of the cultural and creative sectors. Recent times have seen such themes as digitisation, audience development, IPR and copyright, investing in intangibles, etc. and the ability to identify and offer such strategic ecosystem themes to support development remains on-going. Furthermore, the introduction of such themes is key in bringing forward latent demand for business support within the sector, as businesses are supported to recognise their needs and translate these into (the common language of) demand. These strategic themes need to be seen as sitting alongside generic business themes and topics such as vision and mission, business planning, HR, finance, marketing, etc.

4.3.3 Common barriers to use of business support systems

Understanding the sector, its ecosystem, values and latent and existing demand – and the subsequent ability to target support – is a critical precursor in helping to overcome common barriers to business support usage.

Targeting and / or the related need for signposting pertains to the long-term barrier issue that businesses constantly report changing landscapes of supply as complex, confusing, and difficult to navigate. This accentuates the long-term barriers to business engaging with business support structures: business awareness and the ability to articulate need; businesses needing to make a choice amongst many, including seeking to achieve value for money; and the heightened potential for mismatching of businesses to forms of support leading to poor experiences and even greater barriers to usage in the future.

¹⁸⁴ See, for example, Stanziola and Mendez-Carbajo, 2011; Museums Association, 2013

4.3.4 The nature of supply

Barriers to business support usage are accentuated by mismatch with supply. Earlier reflections have noted the need to understand the sector (as an ecosystem) and its consequent demand structure in order to target and signpost support appropriately.

Operationally, and moving beyond barriers, evidence of usage and what works for the sector in terms of supply is as follows:

- Both information and advice is sought, with the strongly preferred channel being face-to-face, using advisors, consultants and specialists such as accountants and solicitors. This may relate, also, to such channels supporting articulation of business need;
- Face-to-face preference is valued based on business advisors who have strong expertise in specific areas and are approachable, adaptable, supportive and trusted;
- In turn, this reflects evidence of what works based on well-matched advisors delivering targeted sector and/or sub-sector support;
- Multiple supply channels are used by businesses however, providing evidence of differentiation (and ‘packages’) in choice of supply by businesses;
- Channels do vary by ‘segment’; for example, zero-employee businesses (such as freelancers) are more likely to use business networks and trade associations;
- Demand is highest for ‘intensive’ support – advice, face-to-face, greater time commitment – and seemingly this is growing;
- The large majority of businesses who use support are willing to pay for advice – ranging from 50% of zero-employee business to almost all medium-sized businesses;
- Opportunities for networking with similar organisations in similar situations/arenas are particularly welcomed; and,
- Reflecting the nature of the sector, initiatives which develop organisations’ appreciation of the commercial and non-commercial value of their existing and prospective offers have been valued previously.

4.4 Business support for the cultural and creative sectors: overcoming complexity; delivering economic and social prosperity

It is generally and widely agreed that the use of external business support improves the performance of organisations and businesses. Despite this, national statistics show that a minority of businesses report using business support and that usage has been declining markedly in recent years. This may reflect recent ‘turbulence’ (and straightforward

reduction) in the publicly-funded provision of business support in recent years – but in a period when targeted business support to the cultural and creative sector has been notable, evidence suggests greater than average uptake by the sector, and that this uptake might be increasing.

Furthermore, where highly robust evidence on the exact difference that business support makes is lacking¹⁸⁵, the recent applicants to the Prosper business support programme who have used business support in the previous two years were shown to have greater (and statistically significant) confidence in areas such as understanding of their business models, business planning skills, finance and operation, and fundraising.

This Review is completing at a time when the sector has been invited to put forward its ideas and asks for a ‘Sector Deal’ as part of the Government’s Industrial Strategy; an

“...approach to building a modern industrial strategy, which will deliver an economy that works for everyone... Our aim is to improve living standards and economic growth by increasing productivity and driving growth across the whole country.”¹⁸⁶ Furthermore, this strategy making is occurring in a policy environment which is asking renewed questions about how the economy works to support society, encapsulated in the general rubric of ‘inclusive capitalism’¹⁸⁷.

Through the analytical metaphor of the cultural and creative ecosystem, this Review argues that what is reinforced is an understanding of the dynamic interdependencies and contributions of distinctive parts of the ecosystem – an ecosystem that at one and the same time is delivering economic growth and prosperity *and* cultural and social value (social prosperity).

It has been the aim of this Review to support the ability of stakeholders to overcome the complexities of matching demand and supply in business support to the cultural and creative sectors and, in so doing, to maximise their rich contribution to the UK’s economic, social and cultural life.

¹⁸⁵ BEIS (Department for Business Energy and Industrial Strategy), 2017a, 2017b

¹⁸⁶ <https://www.gov.uk/government/consultations/building-our-industrial-strategy>

¹⁸⁷ See, for example, Carney, 2014; Coalition for Inclusive Capitalism, <https://www.inc-cap.com/>; Joseph Rowntree Foundation, <https://www.jrf.org.uk/cities-towns-and-neighbourhoods/inclusive-growth>

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Access – The Foundation for Social Investment, London

Arts Council England, London

Arts Marketing Association

Cockpit Arts, London

Charles Freeman Projects Ltd, High Wycombe

Creative England, Bristol

Creative Scotland, Edinburgh

Creative United, London

Cultural Enterprise Office, Glasgow

CEIS, Glasgow

Ellen O’Hara, Freelance Consultant, London

Fiona Mitchell-Innes, Culture Business

Golant Media Ventures, London

Goodwin Development Trust, Hull

Guildhall School of Music and Drama, London

ICAEW, London

Mackerel Sky Events, Truro

Museum Development Network

New Art Exchange, Nottingham

Norwich Theatre Royal, Norwich

Remi Harris Consulting, London

Rinova Ltd, London

Tom Fleming Creative Consultancy, London

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Annex 3 An Analysis of the Prosper Applicants: their demand for and use of business support

The Prosper Applicant Cohort

Analysis of application and diagnostic data

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I Introduction

This report provides an analysis of applicants to the Prosper programme. Applicants in effect represent a self selecting sample of organisations operating in the arts and cultural sector. During the initial application process headline data about each applicant were gathered, including organisation type, structure, size (by both employees and turnover), past use of business support, and current business support needs. Most applicants then went on to complete a diagnostic tool which looked at present and anticipated funding sources, and asked for a self-assessment of the organisations' business skills. This report is based on an analysis of these two separate datasets. Section 2 of the report focuses on data from the application process, whilst section 3 deals principally with data from the diagnostic tool. A matching process was undertaken to 'join' the two datasets to facilitate comparison and segmentation. Section 4 contains notes on some of the methodological considerations, including the approach used to match the two sets of data (see section 4.1).

2 Application data

416 organisations initially registered, of which 259 completed the application process. This section is based on analysis of the application data from these 259 organisations. Analysis of each application question includes segmenting the answers according to whether or not the respondent has previously had business support. Of the 259 organisations, 90 (34.7%) had received business support in the past, whilst 169 (65.3%) had not.

2.1 Regions

Highlights

- ☑ Applications were concentrated in the south, although less so than previous estimates of the distribution of the arts and creative industries
- ☑ The proportion of applicants from London was very much lower amongst those that have previously received business support

Applications were concentrated in the South East and London, with the South West also important. 52.9% of applications came from these three southern regions. This compares to 42.2% of population living in these regions (2016 mid year estimate). NESTA estimate that as of 2014 around 66% of all creative businesses were based in the three southern regions (Mateos-Garcia and Bakhshi 2016). A comparison of the regional distribution of applicants to that from NESTA's analysis is shown in [Table 1](#). The distribution is illustrated in [Figure 1](#).

	Count	Percent	Creative business popn. % ¹	Resident popn. % ²	Change rel. Nesta
East Midlands	14	5.4	4.2	8.5	1.2
East of England	20	7.7	9.3	11.1	-1.6
London	63	24.3	40.3	15.9	-16
North East	13	5.0	1.7	4.8	3.3
North West	28	10.8	7.4	13.1	3.4
South East	38	14.7	17.9	16.3	-3.2
South West	36	13.9	8.2	10.0	5.7
West Midlands	21	8.1	5.6	10.5	2.5
Yorkshire and the Humber	26	10.0	5.1	9.8	4.9
Total	259	100.0			

Table 1: Regional distribution of applicants, with comparison to NESTA data

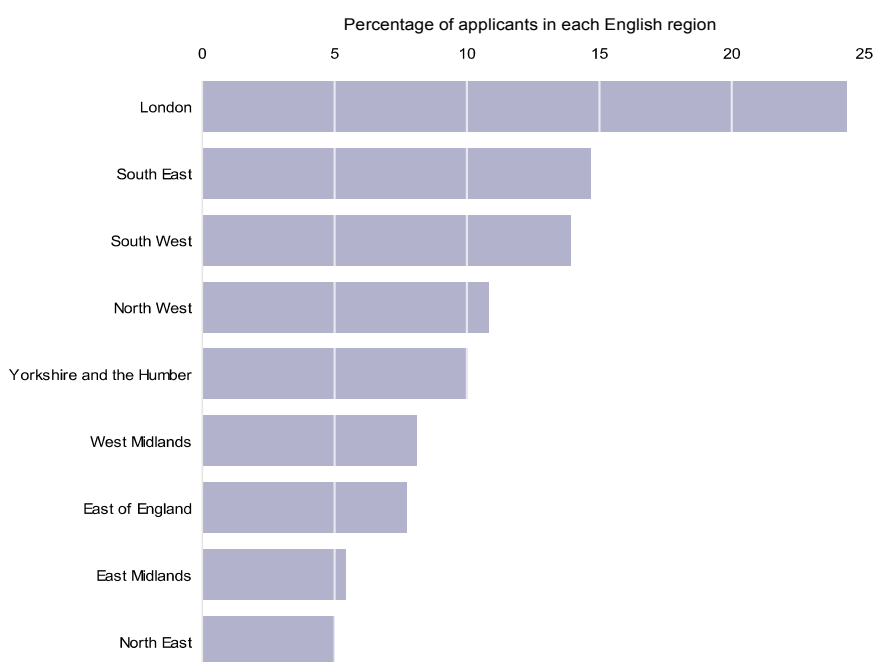


Figure 1: Regional distribution of applicants

2.1.1 Segmented by previous business support

Segmenting by whether or not the business has previously received business support, London stands out as being very different. 76.2% of applicants based in London have not had previous support, compared to 65.3% nationally. The effect of this is to make the distribution of businesses

¹ Numbers of creative businesses in 2014 as percentage of total in England, estimated from Mateos-Gacia and Bakhshi (2016)

² Percentage of population of England, 2016 mid year estimate (Office for National Statistics 2017).

that have had support much more even, with London’s dominance considerably reduced (Figure 2).

	Received business support					
	Yes			No		
	Count	% by region	% by support	Count	% by region	% by support
East Midlands	6	6.7	42.9	8	4.7	57.1
East of England	7	7.8	35.0	13	7.7	65.0
London	15	16.7	23.8	48	28.4	76.2
North East	4	4.4	30.8	9	5.3	69.2
North West	12	13.3	42.9	16	9.5	57.1
South East	14	15.6	36.8	24	14.2	63.2
South West	13	14.4	36.1	23	13.6	63.9
West Midlands	9	10.0	42.9	12	7.1	57.1
Yorkshire and the Humber	10	11.1	38.5	16	9.5	61.5
Total	90	100.0	34.7	169	100.0	65.3

Table 2: Regional distribution of applicants by past business support

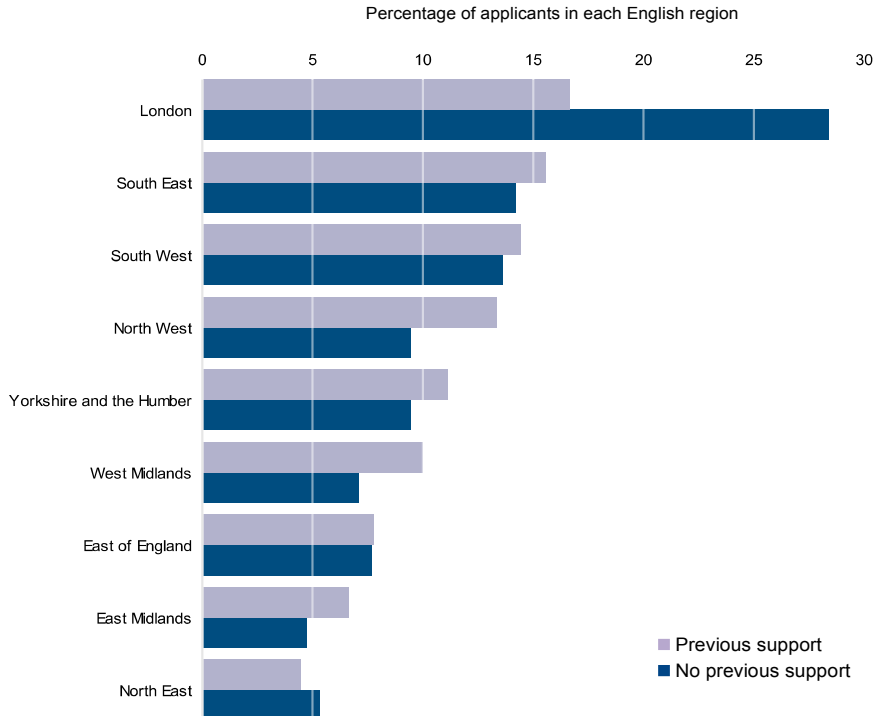


Figure 2: Regional distribution, segmented by past business support

2.2 Industry sector

Highlights

- ☑ Applications were dominated by the broad category of ‘the arts’
- ☑ ‘Performing arts’ and ‘visual arts and photography’ were the main detailed sector choices
- ☑ The spread of sector is very different to that reported by Frontier Economics, which found digital industries dominant

Two questions were asked relating to industry sector. The first asked applicants to choose one of four broad sectors. The second used a larger number of more refined sub-sectors, and allowed choosing of up to two. Of the broad sectors, 70.2% of those answering were in ‘the arts’. There was no significant difference between those who have received business support and those who have not (Table 3, Figure 3).

		Number	Percent	Valid Percent
Valid	Creative industries	49	18.9	19.8
	Libraries: Publicly funded	11	4.2	4.4
	Museums: Fully accredited	14	5.4	5.6
	The arts	174	67.2	70.2
	Total	248	95.8	100.0
Missing		11	4.2	
Total		259	100.0	

Table 3: Broad industry sectors

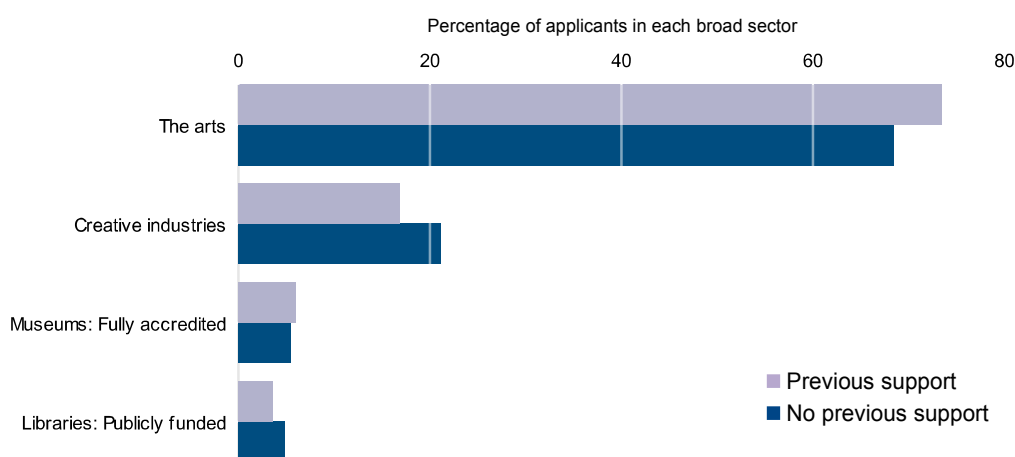


Figure 3: Distribution of applicants in broad industry sectors

The dominant sector chosen in the more specific question was performing arts, with 45.6% (118) selecting this, followed by visual arts and photography (23.9%, 62) and Music (18.1%, 47). Only in

the case of digital media and the web was there a significant difference between those that had or had not had previous business support ($\chi^2(1)=4.2, p=0.040$) (Figure 4).

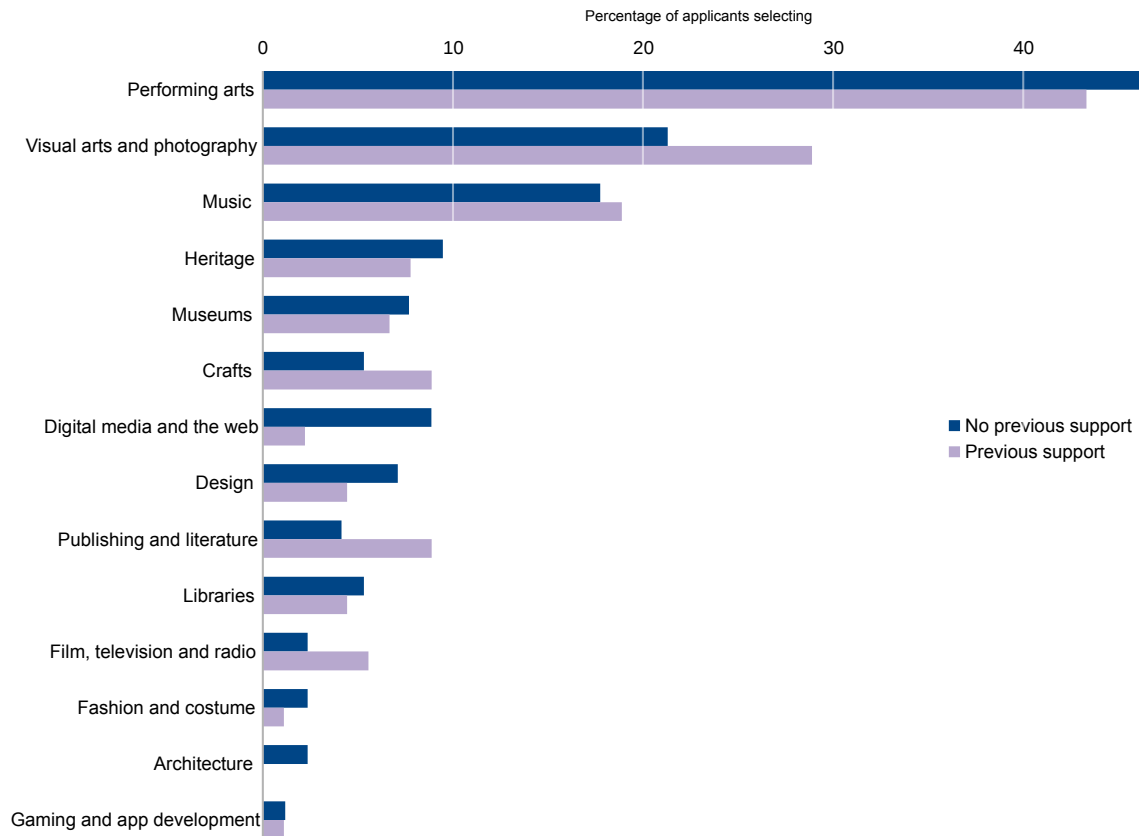


Figure 4: Industry sub sector, segmented by previous business support

This distribution is very different to that described by Frontier Economics (2016) (FE), which places 'IT, software and computer services' at the top (appx. 48%). FE group music, performing arts and visual arts together, suggesting they represent about 12% of the total number of creative businesses (Frontier Economics 2016: Exhibit 5), compared to 87.6% of applications received by Prosper. The third highest rank by count of businesses in Frontier Economics' study is 'Film, TV, video, radio and photography' at around 11%, compared to 'Film, TV and radio' representing 3.5% of Prosper applicants.

2.3 Grant funding

Highlights

- ☑ Nearly 60% of applicants have received some form of Arts Council England grant funding
- ☑ This figure is significantly higher (71%) for those that have previously had business support
- ☑ There is no significant relationship between past business support and any of the individual funding schemes

59.1% (153) of businesses had received Arts Council England funding in the past three years. This figure is significantly higher for those that have previously had business support (71.1%, 64 out of 90) and lower for those that have not (52.7%, 89 out of 169) ($\chi^2(1)=8.3, p=0.004$) (Table 4).

	Received business support							
	Count	Yes		Count	No		All	
		% by support	% by funding		% by support	% by funding	Count	%
No arts funding	26	28.9	24.5	80	47.3	75.5	106	40.9
Arts funding	64	71.1	41.8	89	52.7	58.2	153	59.1
Total	90	100.0	34.7	169	100.0	65.3	259	100.0

Table 4: Receipt of previous arts funding, segmented by past business support

The two most common types of funding received were Grants for the Arts (37.1%) and National Portfolio Organisation (20.5% of organisations). Although for most types of funding a higher proportion of companies receiving previous business support had received that funding, the relationship is not statistically significant. This may be because of the small sample size when looking at individual schemes. In the case of National Portfolio Organisation, however, the relationship does border on significant ($\chi^2(1)=3.3, p=0.071$). These findings are shown in Table 5, Figure 5 and Figure 6.

	Received business support					
	Yes		No		All	
	Count	% (n=90)	Count	% (n=169)	Count	% (n=259)
National Portfolio Organisation	24	26.7	29	17.2	53	20.5
Grants for the Arts	38	42.2	58	34.3	96	37.1
Strategic Funds	8	8.9	8	4.7	16	6.2
Ambition for Excellence	2	2.2	1	0.6	3	1.2
International Artist Development fund	1	1.1	3	1.8	4	1.5
Touring Fund	2	2.2	3	1.8	5	1.9
Catalyst Arts	4	4.4	5	3.0	9	3.5
Catalyst Evolve	5	5.6	7	4.1	12	4.6
Other funding	10	11.1	5	3.0	15	5.8

Table 5: Sources of past arts funding, segmented by previous business support

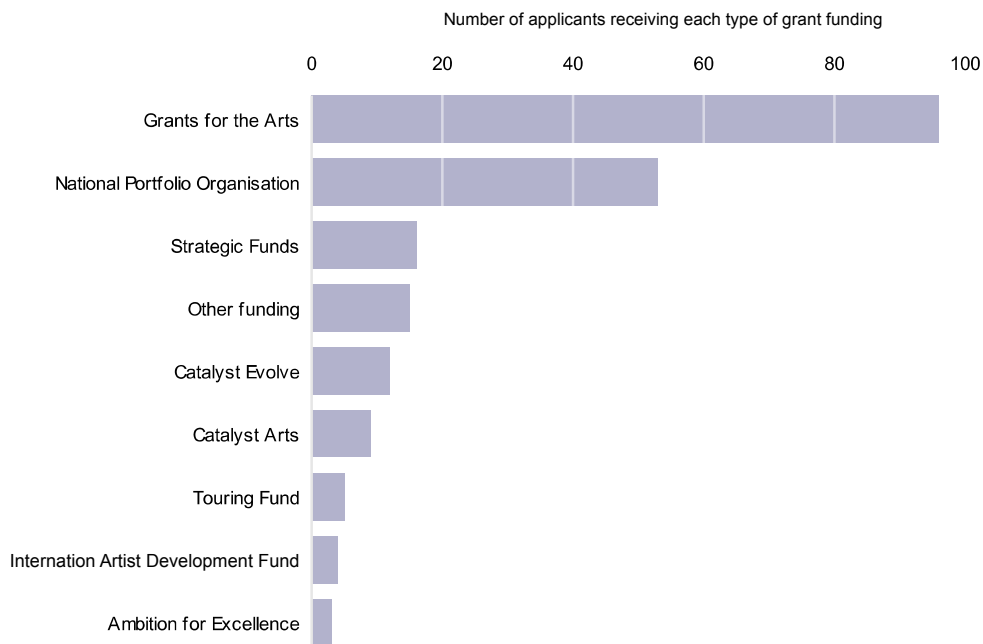


Figure 5: Previous sources of grant funding

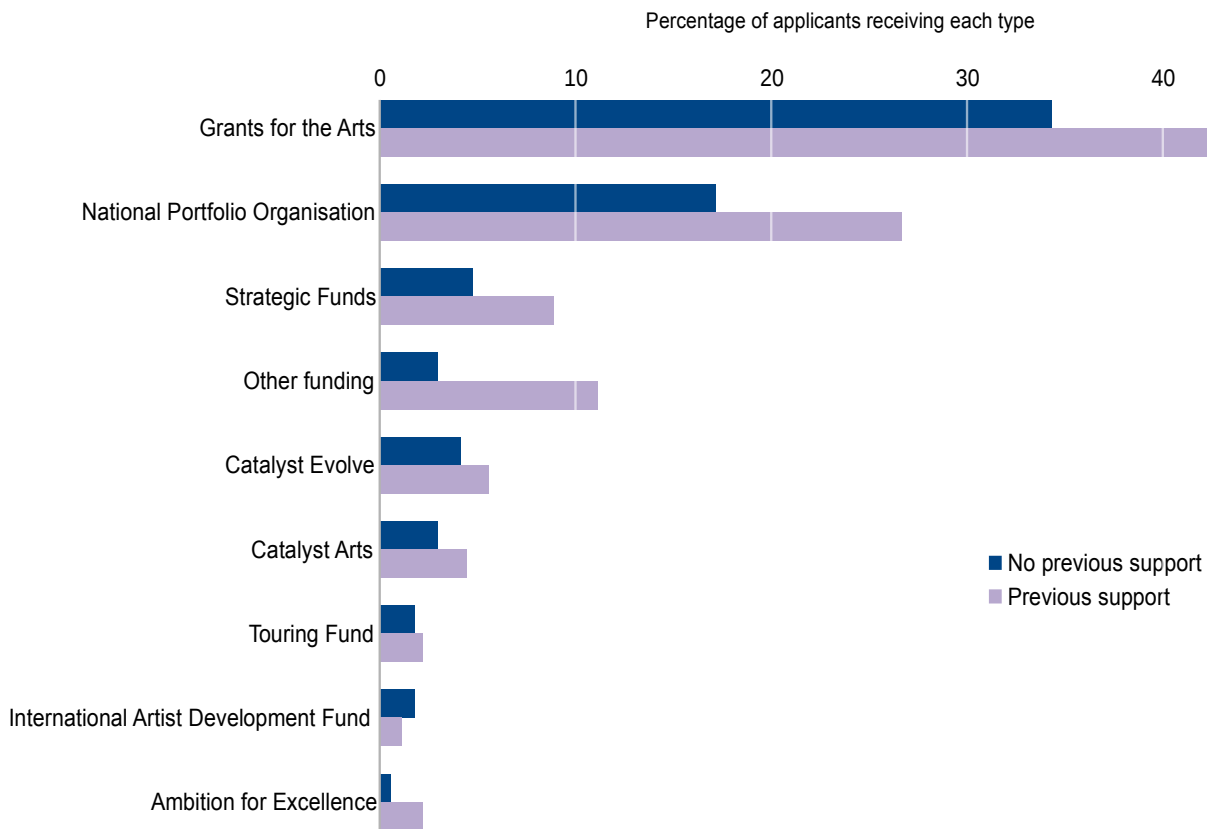


Figure 6: Previous grant funding, segmented by past business support

2.4 Organisation type and structure

Highlights

- ☑ Over 60% of applicants described themselves as not-for-profit
- ☑ Nearly one third of applicants were charities, compared to about 8% nationally
- ☑ There is a significant relationship between business structure and prior experience of business support
- ☑ For-profit organisations were significantly less likely to have had business support in the past

Questions were asked about business type (i.e. for-profit, not-for-profit, social enterprise) and organisation structure. There is some evidence that these two questions may have caused some confusion. For example, 26 applicants listed their structure as Community Interest Company (CIC), a structure specifically intended for social enterprises, but only 23 gave their type as social enterprise. In fact, only 11 declared themselves to be both a CIC and a social enterprise, with 14 CICs describing themselves as 'not-for-profit'. Amongst applicants describing themselves as social enterprises, structures given included several sole traders and one charity.

There is also evidence of confusion in the answers to the question regarding organisation structure. The options for organisation structure, from which only one could be selected, included both ‘Charity’ and ‘Company limited by guarantee’. It is common, however, for a charity to also be a company limited by guarantee. As a precaution, each of the 44 organisations selecting ‘Company limited by guarantee’ was checked against the Charity Commission’s website. 10 of these organisations were found listed as charities.

62.2% of companies described themselves as not-for-profit. A further 8.9% were social enterprises. 22.8% said they were ‘for profit’ (Table 6, Figure 7). There is a significant association between organisation type and previous business support ($\chi^2(3)=11.9, p=0.008$), with for-profit organisations much less likely to have received business support (18.6% had) compared to not-for-profit (39.1%) and social enterprises (52.2%) (Figure 8).

	Received business support								
	All		Yes			No			
	Count	%	Count	% by support	% by type	Count	% by support	% by type	
Social enterprise	23	8.9	12	13.3	52.2	11	6.5	47.8	
For-profit	59	22.8	11	12.2	18.6	48	28.4	81.4	
Not-for-profit	161	62.2	63	70.0	39.1	98	58.0	60.9	
Other	16	6.2	4	4.4	25.0	12	7.1	75.0	
Total	259	100.0	90	100.0	34.7	169	100.0	65.3	

Table 6: Business type, segmented by previous business support

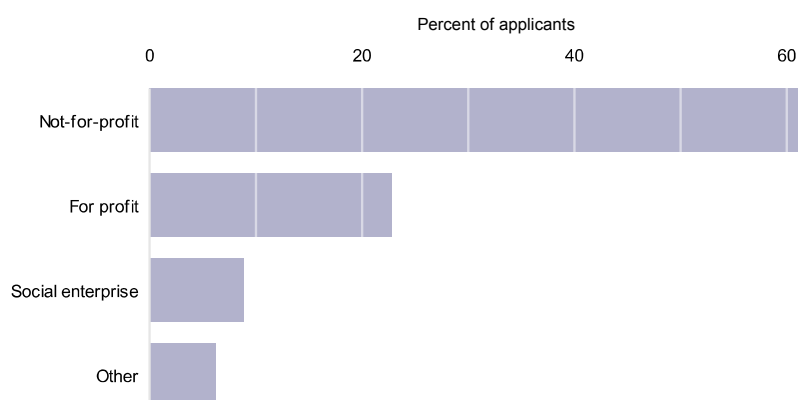


Figure 7: Distribution of organisation types

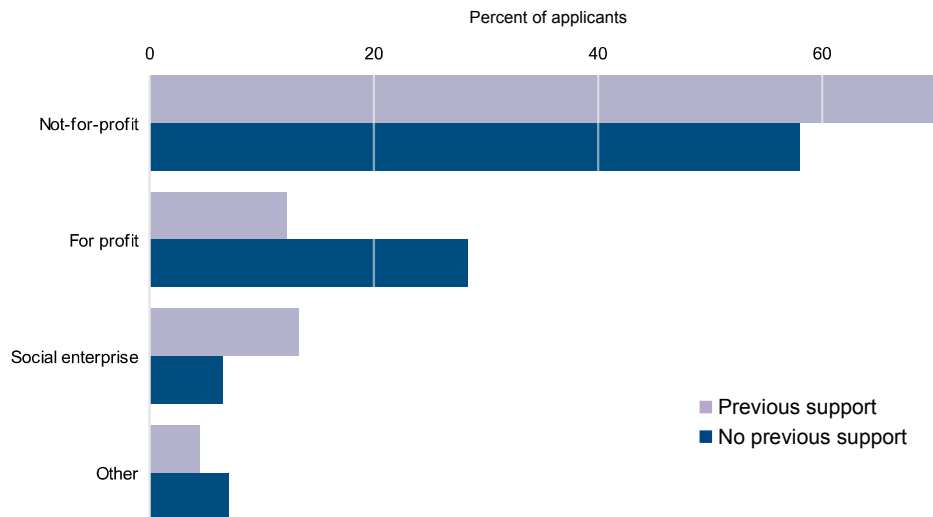


Figure 8: Organisation types, segmented by past business support

‘Charity’ was the most common organisation structure, with 31.7% (82) of organisations selecting this option. When the additional 10 charities are accounted for (see note above) this figure rises to 35.5%. The next most common structures were Company limited by guarantee (17.0%) and sole trader (14.7%) (Table 7, Figure 9). Nationally, the Longitudinal Small Business Survey estimates that 7.9% of small businesses are charities (Department For Business, Innovation and Skills 2016). There is a significant association between organisation structure and previous business support ($\chi^2(7)=16.9, p=0.018$). Companies limited by guarantee were more likely than not to have had business support (52.3%) (Table 7, Figure 10).

	Received business support							
	All		Yes			No		
	Count	%	Count	% by support	% by struct.	Count	% by support	% by struct..
Charity	82	31.7	35	38.9	42.7	47	27.8	57.3
Community Interest Company	26	10.0	7	7.8	26.9	19	11.2	73.1
Company limited by guarantee	44	17.0	23	25.6	52.3	21	12.4	47.7
Company limited by shares	25	9.7	4	4.4	16.0	21	12.4	84.0
Limited partnership	5	1.9	1	1.1	20.0	4	2.4	80.0
Local Authority	14	5.4	2	2.2	14.3	12	7.1	85.7
Other	25	9.7	7	7.8	28.0	18	10.7	72.0
Sole trader	38	14.7	11	12.2	28.9	27	16.0	71.1
Total	259	100.0	90	100.0	34.7	169	100.0	65.3

Table 7: Organisation structure, segmented by previous business support

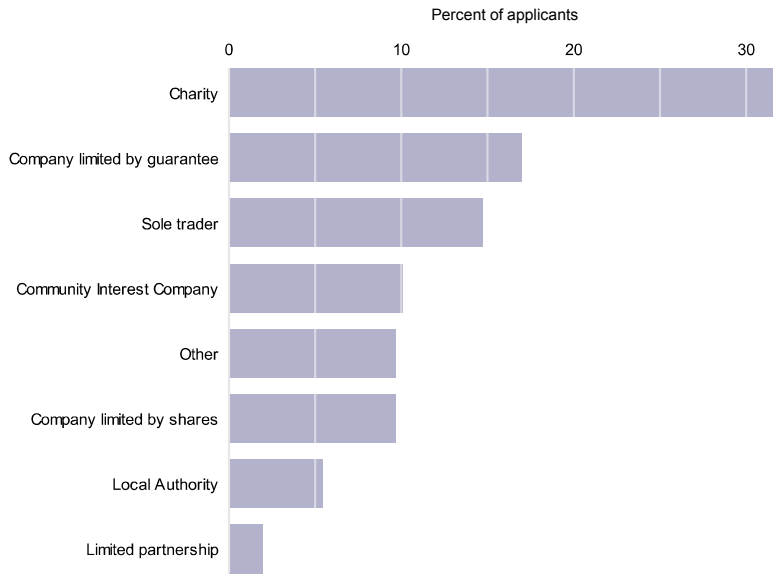


Figure 9: Distribution of organisation structure

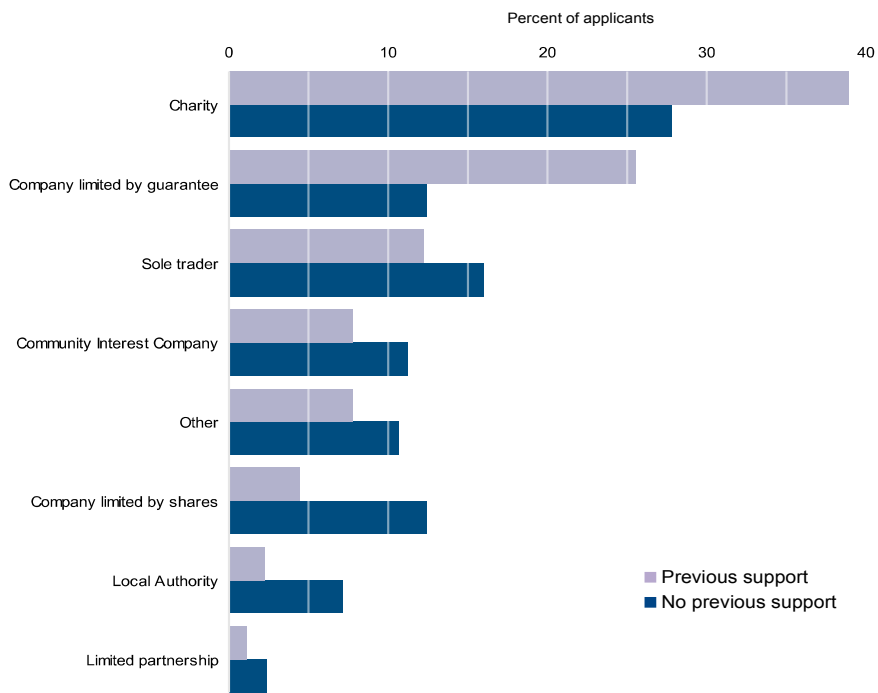


Figure 10: Organisation structure segmented by past business support

2.5 Organisation age

Highlights

- ☑ Median age is 7 years
- ☑ Businesses that have previously had business support are significantly older, with a median age of 11 years

The median age for the full set is 7 years. Business that have received business support are older with a median age of 11 (Table 8). Non-parametric³ tests suggest both the median and distribution differs significantly depending on previous support (median, $p=0.003$; distribution, $p=0.011$). The distribution shows a large number of younger businesses in the group that have not previously had business support (Figure 12).

		Received business support		
		All	Yes	No
Years Trading	Median	7	11	6
	Minimum	0	0	0
	Percentile 05	1	1	1
	Percentile 25	3	4	3
	Percentile 75	19	22	13
	Percentile 95	43	38	43
	Maximum	138	80	138

Table 8: Descriptive statistics of organisation age

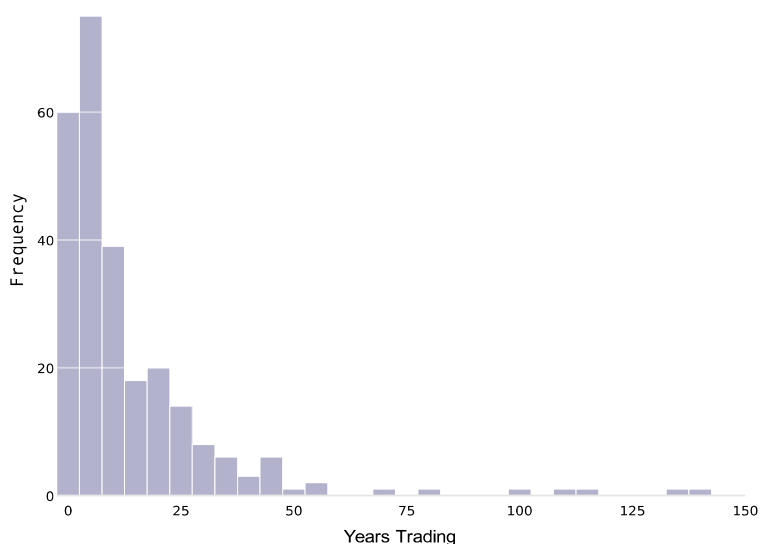


Figure 11: Histogram of organisation age

3 Mann-Whitney U test for the distribution, Median test for the median

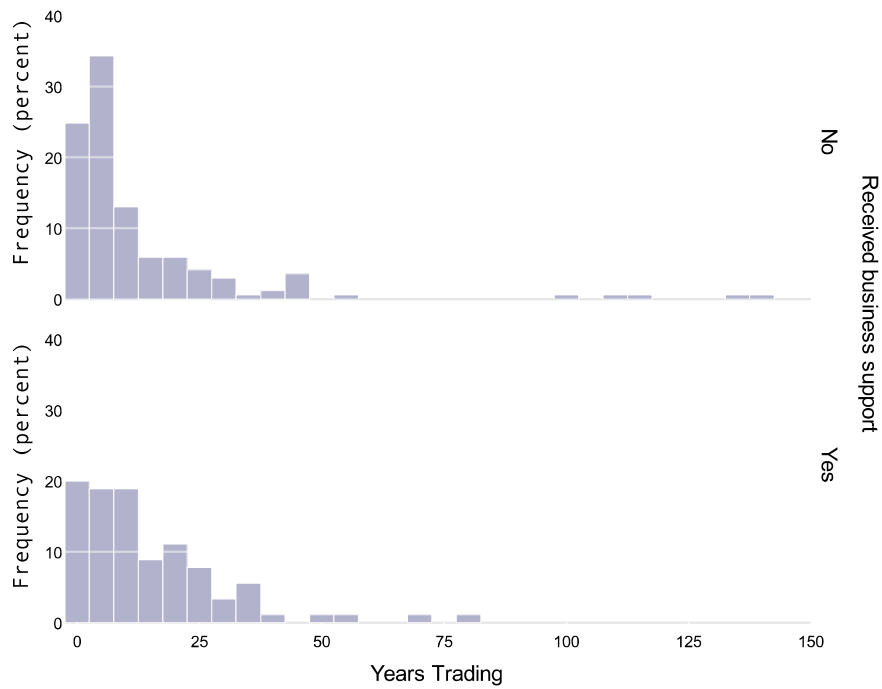


Figure 12: Organisation age comparing with and without previous business support

2.5.1 Excluding local authorities

These figures may be somewhat distorted by the inclusion of local authorities, some of which were established in the 19th century. Excluding local authorities tends to bring in the long tail towards high values (Table 9, Figure 13).

		Received business support		
		All	Yes	No
Years Trading	Median	7	11	5
	Minimum	0	0	0
	Percentile 05	1	1	1
	Percentile 25	3	4	2
	Percentile 75	16	22	12
	Percentile 95	33	38	30
	Maximum	80	80	54

Table 9: Descriptive statistics of organisation age, excluding local authorities

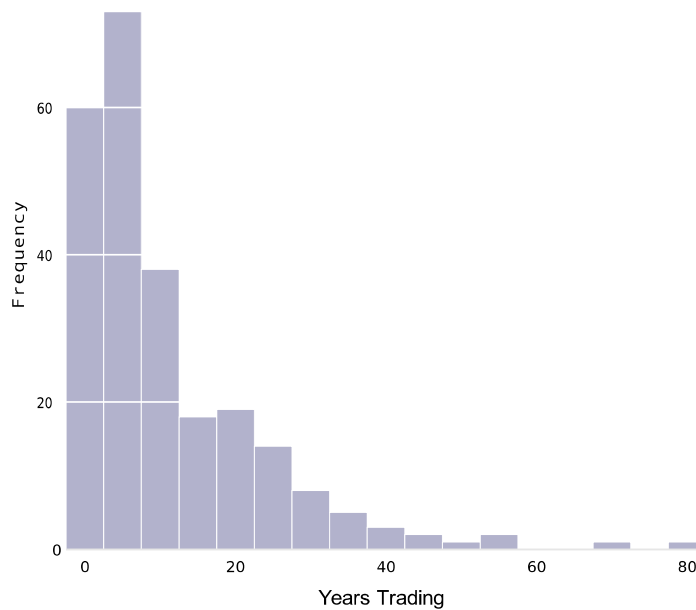


Figure 13: Histogram of organisation age (local authorities excluded)

2.6 Employees

Highlights

- ☑ Nearly two-thirds of applicants employ five or fewer people
- ☑ There is some evidence of a relationship between number of employees and having had business support in the past, with those in the range of 6-25 employees most likely to have had support

64% (165) of applicants employ five or fewer people. A chi squared test suggests that there is a significant relationship between the category of employee number and having had previous business support ($\chi^2(4)=10.3$, $p=0.036$), although this is not seen in a Mann-Whitney U test ($p=0.158$). Applicants with between 6 and 25 employees are the most likely to have received business support in the past. Of this group 50.8% (32 of 63) have received support, compared to an overall rate of 34.7% (Table 10, Figure 14, Figure 15).

		Received business support								
		All		Yes			No			
		Count	%	Count	% by support	% by size	Count	% by support	% by size	
Employees	0-5	165	64	50	56	30.3	115	68	69.7	
	6-10	34	13	18	20	52.9	16	9	47.1	
	11-25	29	11	14	16	48.3	15	9	51.7	
	26-50	15	6	3	3	20.0	12	7	80.0	
	51+	16	6	5	6	31.3	11	7	68.8	
	Not entered	0	0	0	0	0.0	0	0	0.0	
Total		259	100	90	100	34.7	169	100	65.3	

Table 10: Number of employees, segmented by previous business support

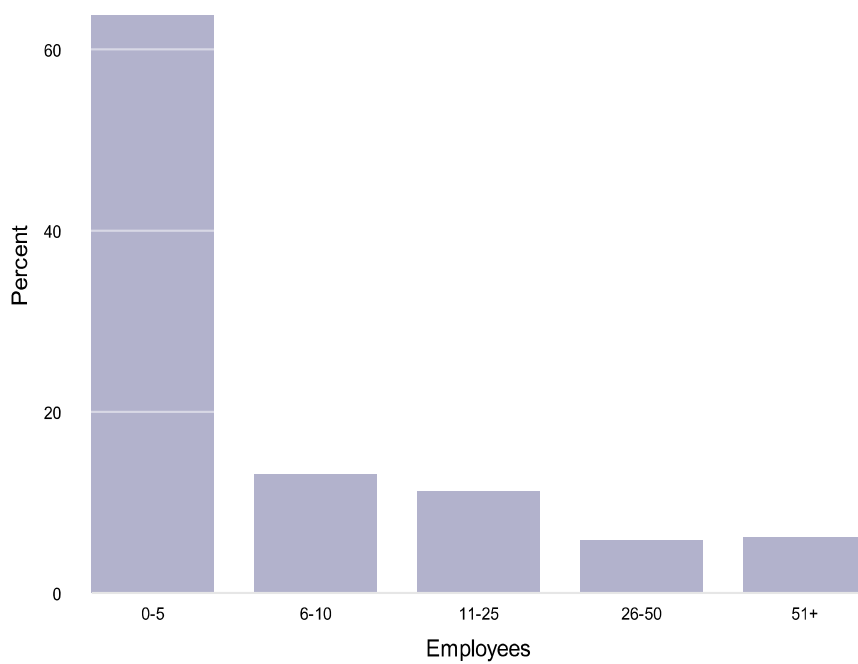


Figure 14: Number of employees

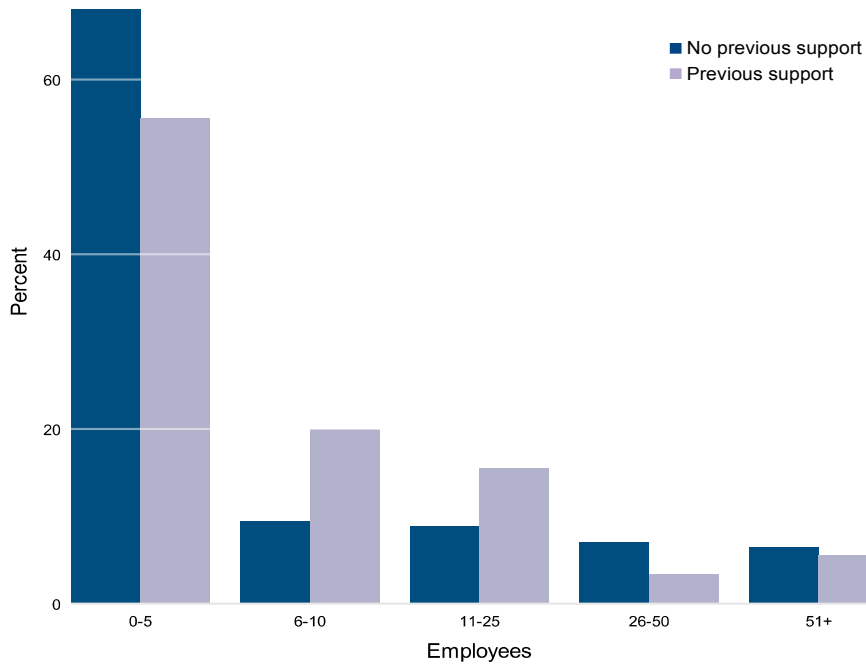


Figure 15: Number of employees, segmented by previous business support

2.7 Turnover

Highlights

- ☑ Over 40% of applicants have a turnover of under £50k
- ☑ Companies with mid-range turnover are more likely to have had prior business support

Smaller organisations dominate, with 42.5% having a turnover of under £50k. There is significant relationship between turnover category and previous business support ($\chi^2(6)=16.4$, $p=0.012$; Mann-Whitney U $p=0.006$). As with number of employees, companies with a midrange turnover were more likely to have had previous business support, with those in the £101k - £250k and £251k - £500k ranges both more likely than not to have had support. The very top band (over £50m) were also likely to have received support (Table 11, Figure 16, Figure 17).

	Received business support							
	All		No			Yes		
	Count	%	Count	% by support	% by size	Count	% by support	% by size
< £50k	110	42.5	84	49.7	76.4	26	28.9	23.6
£51k - £100k	27	10.4	18	10.7	66.7	9	10.0	33.3
£101k - £250k	36	13.9	17	10.1	47.2	19	21.1	52.8
£251k - £500k	33	12.7	16	9.5	48.5	17	18.9	51.5
£501k - £1M	16	6.2	11	6.5	68.8	5	5.6	31.3
£1M - £5M	27	10.4	18	10.7	66.7	9	10.0	33.3
> £5M	10	3.9	5	3.0	50.0	5	5.6	50.0
Not entered	0	0.0	0	0.0	0.0	0	0.0	0.0
All	259	100.0	169	100.0	65.3	90	100.0	34.7

Table 11: Turnover, segmented by previous business support

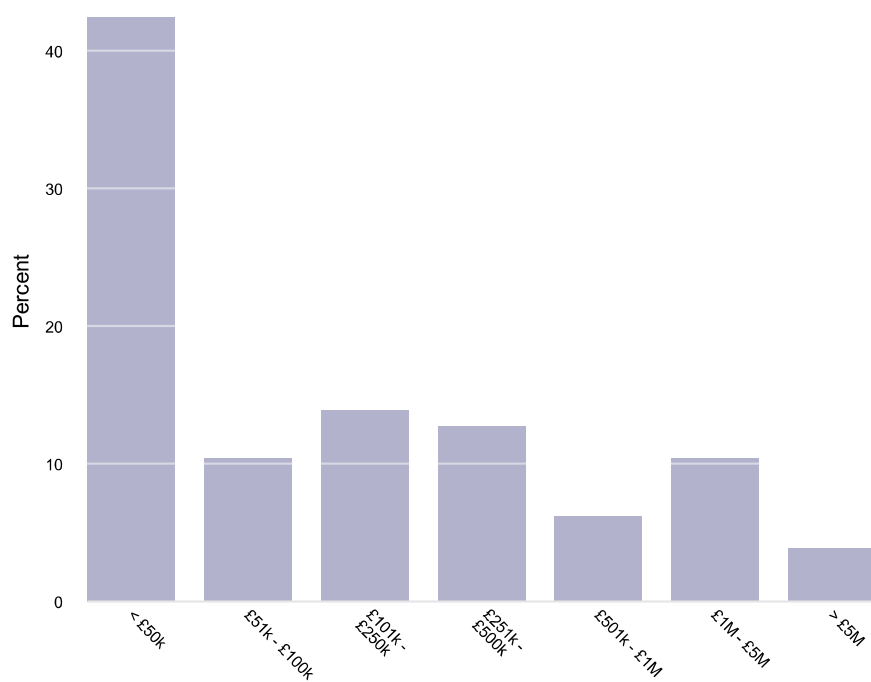


Figure 16: Turnover

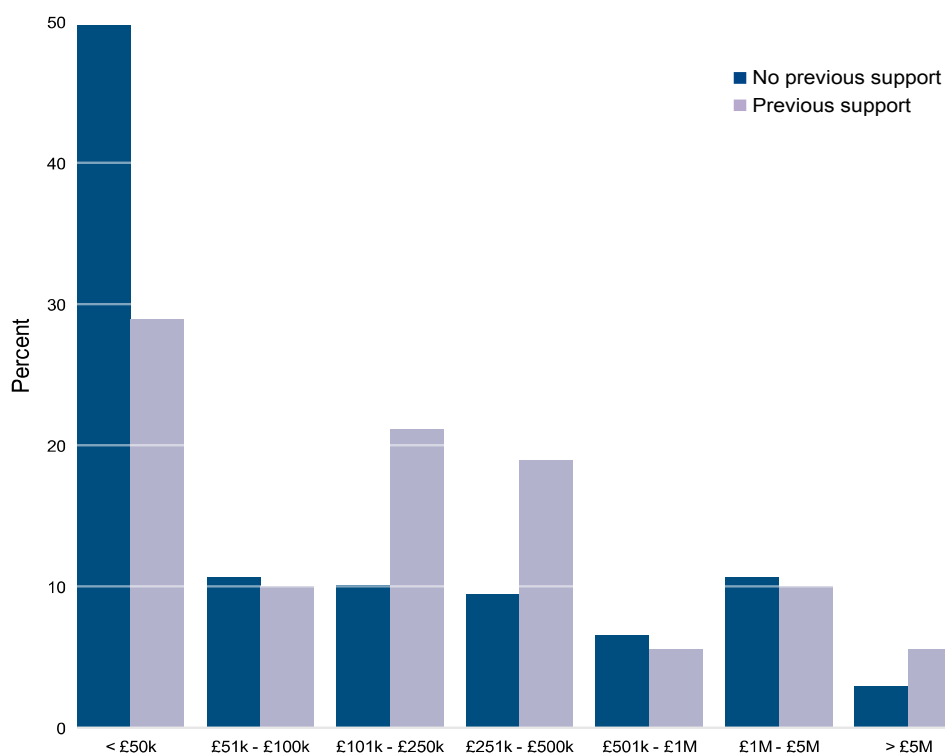


Figure 17: Turnover, segmented by previous business support

2.8 Support needs

Highlights

- ☑ The most commonly requested support need was around financial sustainability
- ☑ Prior business support generally has little influence over support requested
- ☑ The exception is business plan writing, which those without prior business support are significantly more likely to request

Financial sustainability was the most requested support function. There is a slight tendency for those that have not had previous support to request it more, but this is significant only in the case of business plan writing/strengthening ($\chi^2(1) = 15.6, p < 0.001$) (Table 12, Figure 18, Figure 19).

	Received business support					
	All		No		Yes	
	Count	% (n=259)	Count	% (n=169)	Count	% (n=90)
Financial sustainability	207	79.9	134	79.3	73	81.1
Business plan writing/strengthening	181	69.9	132	78.1	49	54.4
Scaling up or growth	179	69.1	121	71.6	58	64.4
Awareness of funding, finance and investment options	178	68.7	122	72.2	56	62.2
Organisational strategy	164	63.3	110	65.1	54	60.0
Marketing and communications	151	58.3	102	60.4	49	54.4
New markets/audience	151	58.3	101	59.8	50	55.6
Innovation and enterprise	139	53.7	87	51.5	52	57.8
Accessing finance	131	50.6	88	52.1	43	47.8
Social impact measurement	127	49.0	86	50.9	41	45.6
New products or services	89	34.4	58	34.3	31	34.4
Investment readiness	84	32.4	58	34.3	26	28.9
Other service	9	3.5	5	3.0	4	4.4

Table 12: Business support needs, segmented by previous business support

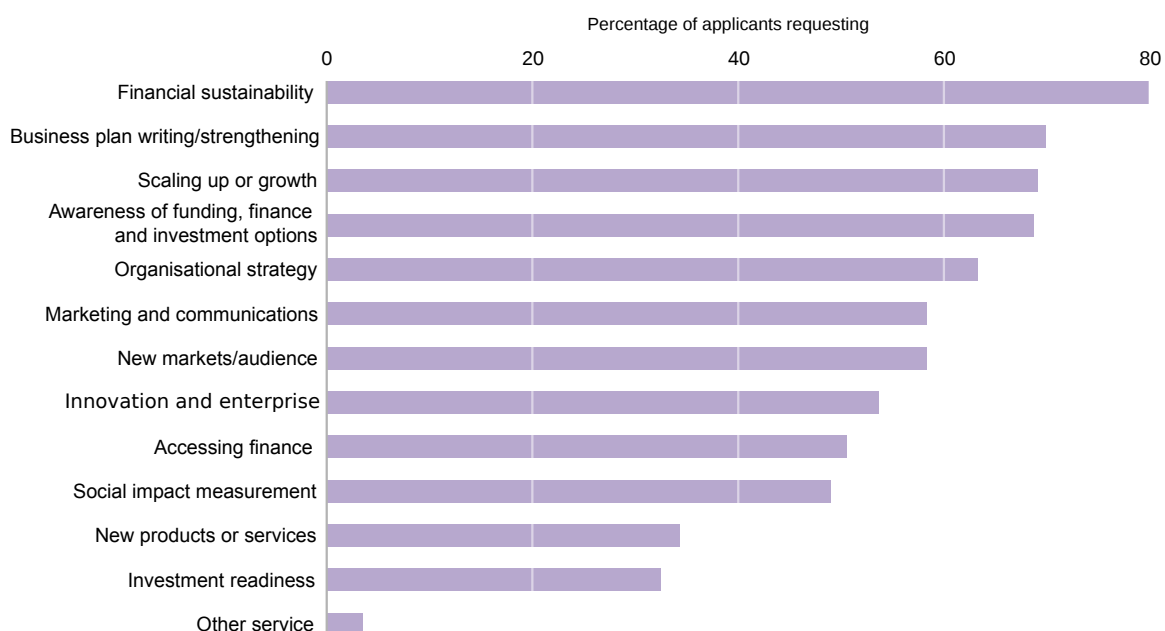


Figure 18: Reported business support needs

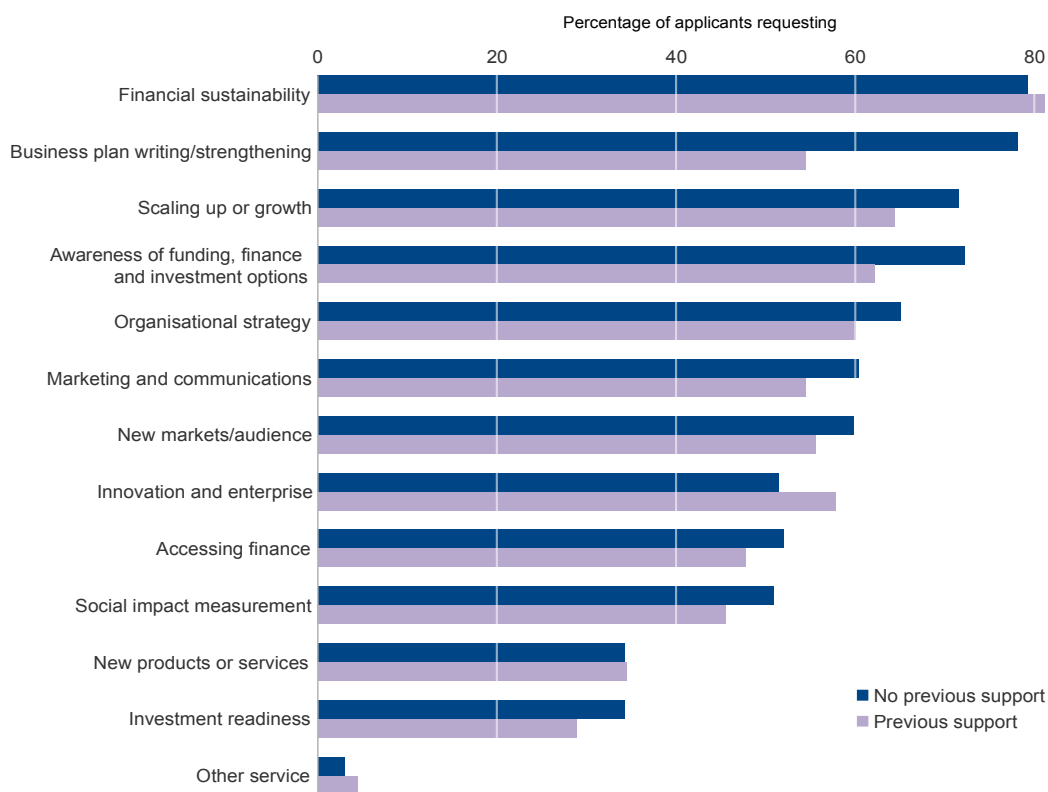


Figure 19: Reported business support needs, segmented by previous support

3 Diagnostic data

Diagnostic data was analysed on a cohort of 231 organisations that both completed the application process and the diagnostic test, and which could be matched in some way. Details of the matching process are given in section 4.1.

3.1 Turnover and income sources

Highlights

- ☑ The most common sources of income seen were earned income and sales; and grants, trusts and foundations. It is rare for any other source to make up a significant proportion of an organisation's income
- ☑ For-profit organisations were much less likely to receive grant income than others
- ☑ Organisations that have received business support in the past were also more likely to have grant income
- ☑ The proportion of total income made up of earned income and sales varies significantly between organisational types and industry sector

Much of the analysis described in this section relies on a derived turnover figure which was calculated from the supplied answers. For details of how and why this figure was established see section 4.2.

3.1.1 Frequency of income sources

This section looks at how often each type of income was reported with a value above zero.

Loans (count of 10), investors (2), crowd funding (12) and family and friends (10) were all recorded as a source of income too infrequently for meaningful analysis.

The most commonly recorded sources of income were earned income and sales (195, 84.4%); grants, trusts or foundations (146, 63.2%); and donations (94, 40.7%).

Organisation type has a significant effect on whether or not there is income from grants, trust or foundations ($\chi^2(3)= 75.6, p<0.001$), with grants, trusts or foundations considerably less common amongst for-profit organisations. Only 15.4% of for-profits reported having some income from this source, compared to 63.2% overall (Table 13).

		Organisation Type				
		All	Social enterprise	For profit	Not-for-profit	Other
No grant income	Count	85	9	44	26	6
	% in type	36.8	47.4	84.6	17.7	46.2
Grant income	Count	146	10	8	121	7
	% in type	63.2	52.6	15.4	82.3	53.8
Total	Count	231	19	52	147	13

Table 13: Grant income, segmented by organisation type

When breaking this down by organisational structure a surprise is that ‘Company limited by guarantee’ has a relatively high likelihood of grant income (70.7%), whilst companies limited by shares (19.0%) and sole traders (27.3%) are the structures least likely to be grant funded. This is likely to reflect the number of charities that are included in the ‘Companies limited by guarantee’ category. Of the ten charities identified within this category (see page A9, section 2.4) all had received grant funding.

Organisations that have received business support were also significantly more likely to report some income from grants, foundations and trusts (76.5%) compared to those that have not (56.0%) ($\chi^2(1)= 9.544, p=0.002$) (Table 14).

		Received business support		
		All	No	Yes
No grant income	Count	85	66	19
	% in support cat.	36.8	44.0	23.5
Grant income	Count	146	84	62
	% in support cat.	63.2	56.0	76.5
Total	Count	231	150	81

Table 14: Grant income, segmented by previous business support

Region does not affect the likelihood of having grant income.

For earned income and sales, organisational type made no significant difference. Whilst there is some initial evidence of organisational structure affecting likelihood of having earned income ($\chi^2(7)= 25.242, p=0.001$) more detailed examination suggests that this is because of the low number of cases for some structures.

Having received business support does not affect the likelihood of having earned income, nor does region.

3.1.2 Proportion of income from different source

Because of difficulties with some of the financial figures for local authorities they have been excluded from the analysis in this section. It is therefore based on a sample of 218 organisations, for which valid turnover data is available for 190. Please see section 4.2 for more details.

The proportion of income coming from grants, trusts or foundations was relatively evenly spread (Figure 20). There was also a relatively even spread for earned income and sales, but with a cluster of organisations for which earned income was close to being their sole source (Figure 21). Other sources of income rarely made up more than a small proportion of the total. The example of sponsorship is illustrated in Figure 22.

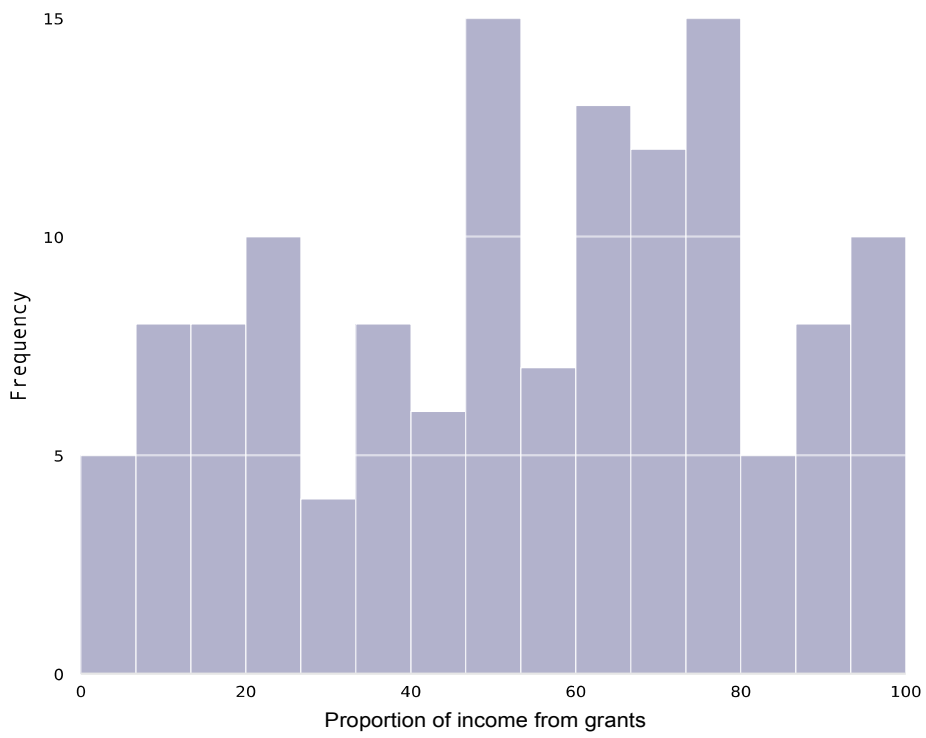


Figure 20: Histogram of proportion of income from grants

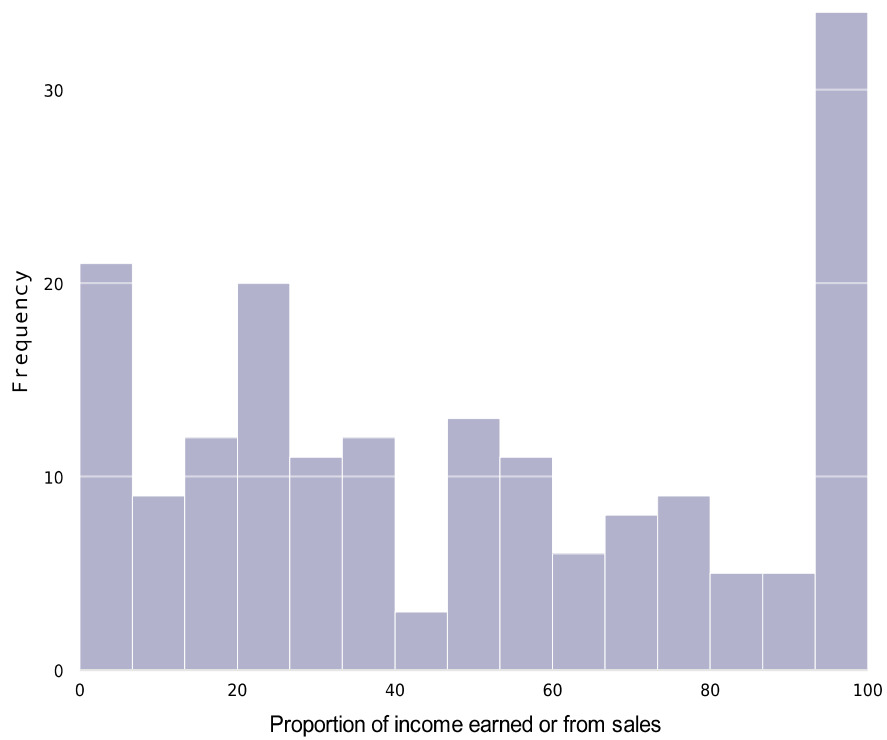


Figure 21: Histogram of proportion of income earned or from sales

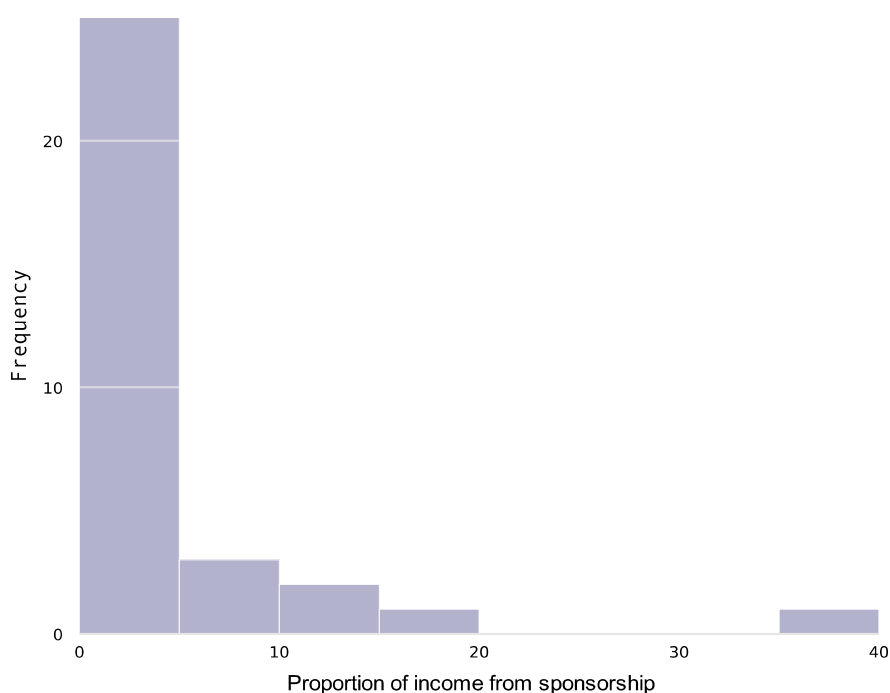


Figure 22: Histogram of proportion of income from sponsorship

Using a non-parametric test of medians, no significant influence over income from grants, trust and foundations was found when testing against region, broad industry sector, organisation type, organisation structure or having had previous business support. For earned income and sales there were significant differences for broad sector ($p=0.011$), organisation type ($p<0.001$) and organisation structure ($p<0.001$).

Not surprisingly, there was a significant difference in median income proportions for earned income and sales between not-for-profit and for profit companies. The wide error bars for the 'social enterprise' and 'other' categories seen in Figure 23 are likely to reflect the small numbers of these organisation types and highlight that the difference between these categories is not significant.

A difference is also seen when comparing charities to the various structures found amongst for-profit organisations, particularly sole traders and limited partnerships (Figure 24). There is no significant difference between limited companies, partnerships and sole traders.

In terms of broad industry sector the main difference is that Creative industries have a very much higher proportion of earned income than other sectors (mean=76.5, median=95.8, compared to mean=48.4, median=42.9 for all cases).

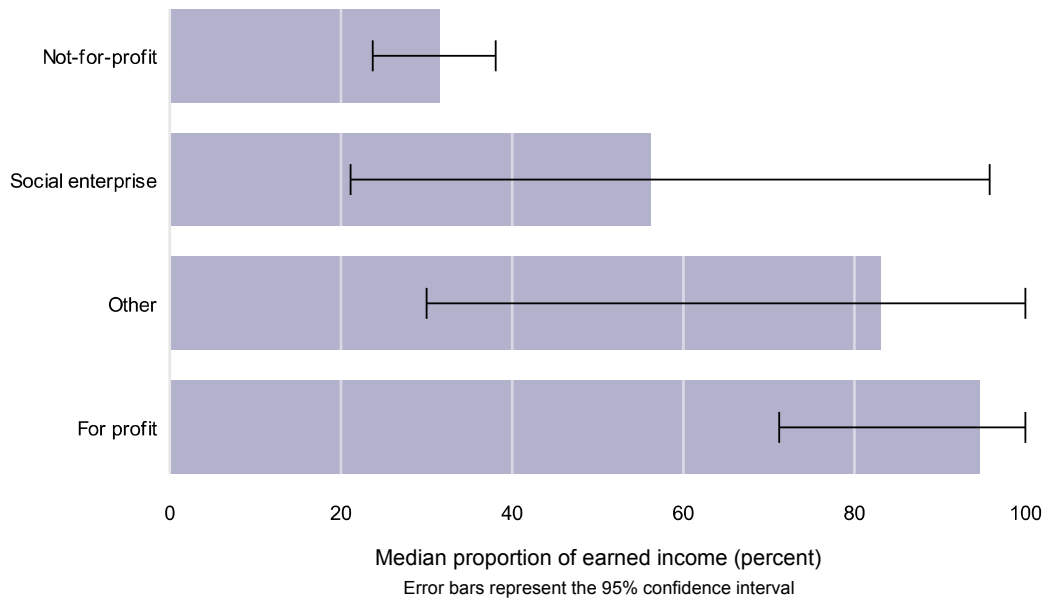


Figure 23: Proportion of earned income by organisation type

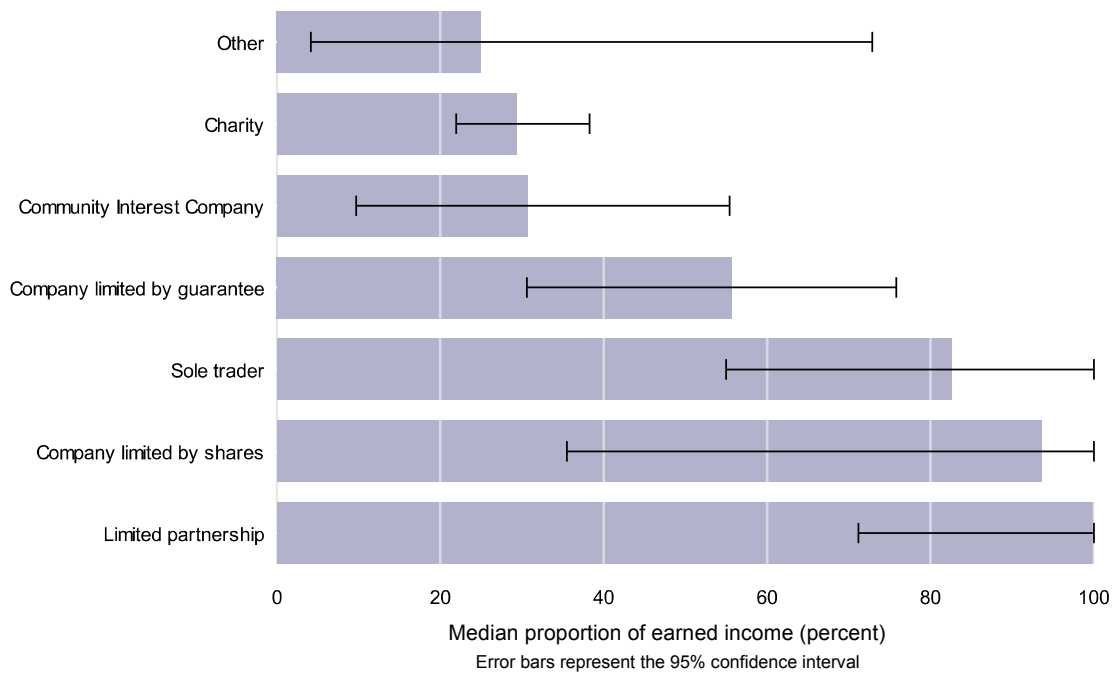


Figure 24: Proportion of earned income by organisation structure

3.2 Forecast growth

Highlights

- ☑ Around two-thirds of organisations for which data were available forecast some growth
- ☑ Around one quarter forecast growth of less than 10%
- ☑ Median forecast growth was 5.3%
- ☑ Past business support is not associated with forecast growth

Forecast growth has been calculated on the basis of derived turnover (see section 4.2) because of the unreliability of reported turnover. This is expressed as a percentage of current (derived) turnover. Growth is for a single year, being based on applicants' estimate of turnover for the current year. 189 companies had enough information to calculate growth forecasts for the next financial year. Once local authorities were excluded this figure reduced to 180. Some extreme outliers were present, including one forecast of 13,400% growth from an organisation that had been trading for only a couple of months. Because of the outliers analysis was conducted using a set which excluded extremes, defined here as cases with a forecast growth more than three times the interquartile range (IQR) beyond the first and third quartiles. First quartile was -3.9 and third quartile 33.1, giving an IQR of 37. Cases were therefore excluded that were less than -114.9 (0 excluded) or greater than 144.1 (15 excluded). The resulting set contained 165 valid cases, and approximates to a normal distribution (Figure 25).

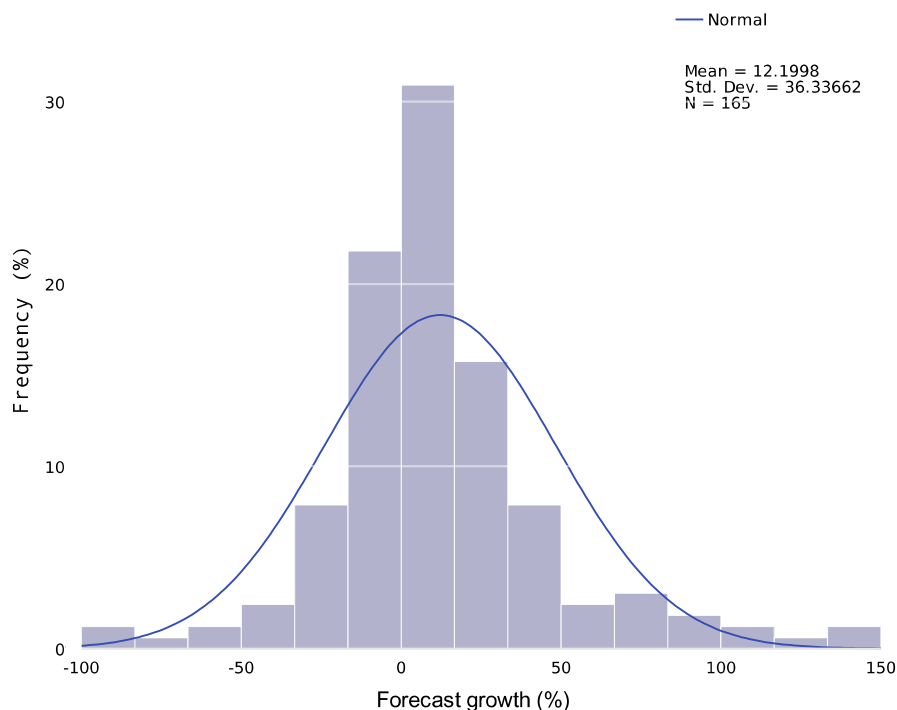


Figure 25: Forecast growth (with normal curve superimposed)

The spike just above 0 is considerable. Nearly a quarter (24.8%, 41) of cases forecast growth of between 0 and 10%, with a further 15.8% (26) forecasting growth between 0 and -10%. 57.6% (95) forecast growth of between -20 and 20%. The median is 5.3%, with the quartiles at -5.3% and 27.7%. Overall, 64.8% (107) expect some growth, 35.2% (58) expect contraction.

There is no significant difference between cases that have or have not received business support in the past, regions, or organisational type.

3.3 Business planning and development

Highlights

- ☑ Organisations are most confident about the articulation of their mission and the openness of management to innovation.
- ☑ They are least confident about being investment ready
- ☑ Having had business support in the past makes little difference to answers, except to understanding of business support, and confidence in the business model
- ☑ Not-for-profit organisations tend to score themselves higher than for-profits on many of the questions

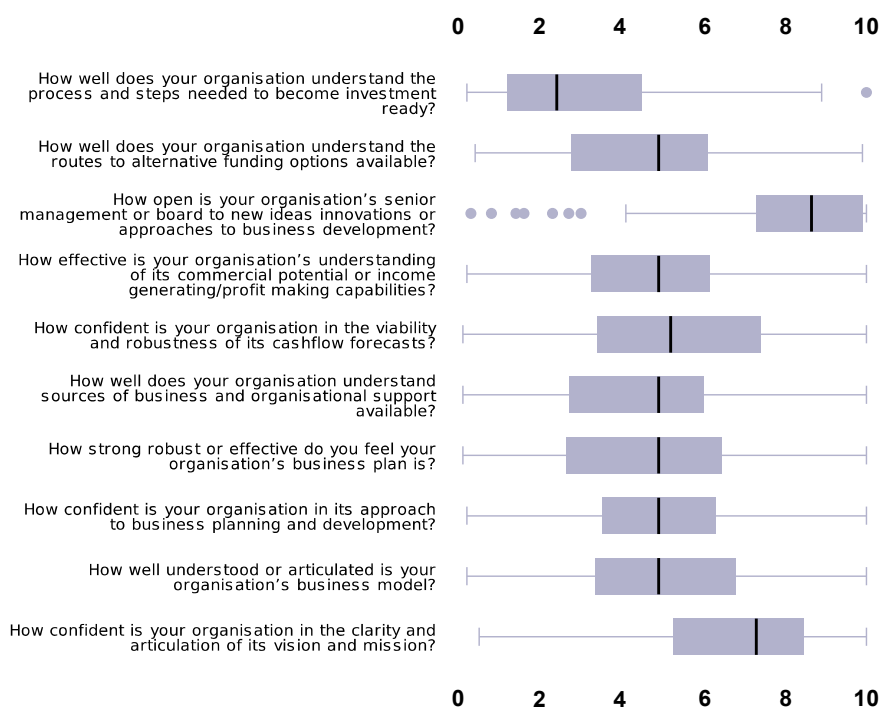


Figure 26: Distribution of responses to business planning and development questions

Answers to the business planning and development self assessment questions are summarised in Figure 26 in the form of box and whisker plots. These provide an indication of the distribution of data within a population. The bar in the middle of the box represents the median, i.e. half the values are to the right of this line, and half to the left. The ends of the box represent the first and

third quartiles, i.e. 50% of cases fall within the box, with 25% to the right and 25% to the left. The whiskers extend for 1.5 times the length of the box (i.e. 1.5 times the interquartile range), or to the edge of distribution if that is less. Points beyond the whiskers represent individual outliers in the data. Extreme outliers (more than the three times the IQR beyond the box) are represented by asterisks.

Notably, the questions “How confident is your organisation in the clarity and articulation of its vision and mission?” and “How open is your organisation’s senior management or board to new ideas, innovations or approaches to business development?” tend to score more highly than most,

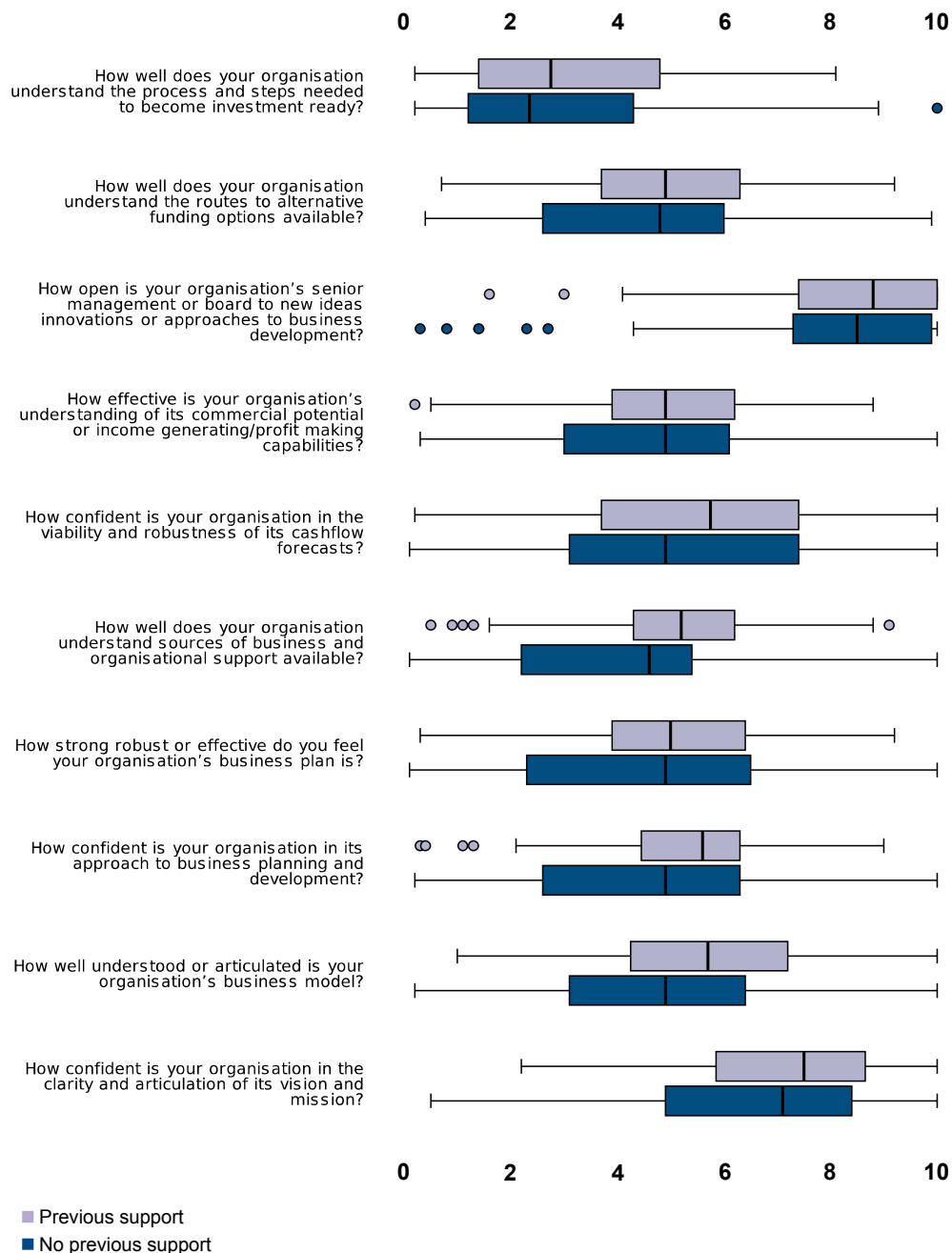


Figure 27: Business planning and development questions by previous business support

whilst “How well does your organisation understand the process and steps needed to become investment ready?” tends to score poorly.

3.3.1 Segmented by previous business support

A comparison based on previous receipt of business support shows only some slight differences (Figure 27). Non-parametric tests⁴ indicate that there are significant differences in both median and distribution for the following questions:

- How well does your organisation understand sources of business and organisational support? (median, $p=0.002$; distribution, $p<0.001$).
- How well understood or articulated is your organisation’s business model? (median, $p=0.020$; distribution, $p=0.012$)

3.3.2 Segmented by for-profit / not-for-profit

There is evidence that several responses are significantly different across organisational types. It is difficult to represent these differences across all four types, but the analysis suggests that the main differences are between for-profit and not-for-profit organisations. These are also the two biggest groups, representing 86% (199) of all cases between them. An analysis was therefore done on these 199 cases.

Significant differences were found in the following questions. In each case where there is a significant difference in median, not-for-profits tended to report higher scores (see Figure 28).

- How well does your organisation understand the routes to alternative funding options available? (median, $p=0.001$; distribution, $p=0.001$)
- How open is your organisation’s senior management or board to new ideas, innovations or approaches to business development? (distribution only) (median, $p=0.053$; distribution, $p=0.007$)
- How confident is your organisation in the viability and robustness of its cashflow forecasts? (median, $p=0.001$; distribution, $p<0.001$)
- How well does your organisation understand sources of business and organisational support? (distribution only) (median, $p=0.071$; distribution, $p=0.009$)
- How strong, robust or effective do you feel your organisation’s business plan is? (median, $p<0.001$; distribution, $p<0.001$)
- How confident is your organisation in its approach to business planning and development? (median, $p=0.002$; distribution, $p=0.001$)

4 Mann-Whitney U test for the distribution, Median test for the median

- How confident is your organisation in the clarity and articulation of its vision and mission? (median only) (median, $p=0.025$; distribution, $p=0.084$)

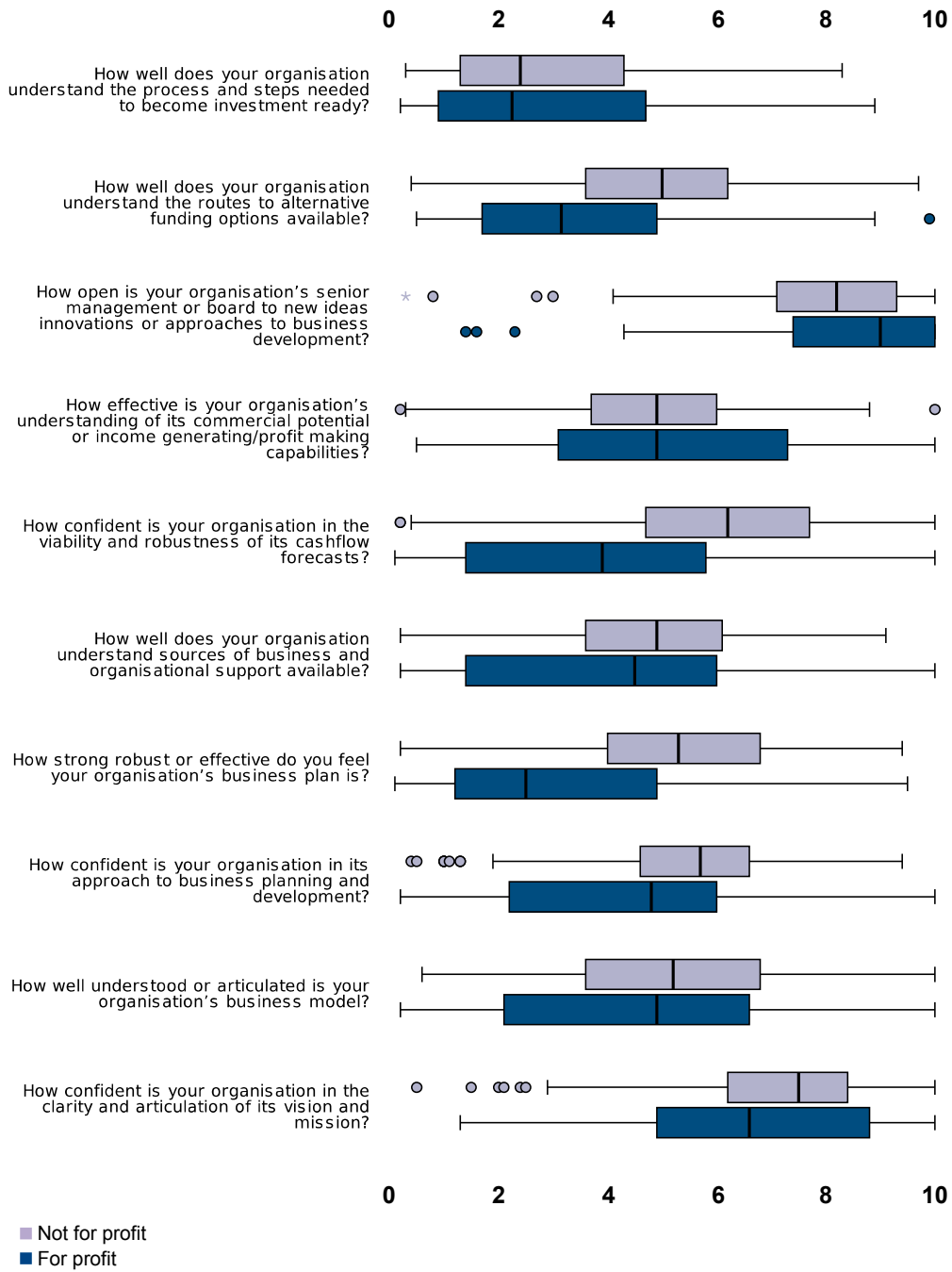


Figure 28: Business planning and development: not-for-profit / for-profit compared

3.4 Business skill sets

Highlights

- ☑ Businesses rank their artistic contribution and their learning and participation highly
- ☑ They rank their ability to raise finance poorly
- ☑ There are significant differences between those that have had business support in the past and those that have not, particularly around areas of planning, monitoring, and finance
- ☑ Not-for-profits have a tendency to report higher ability across a range of areas

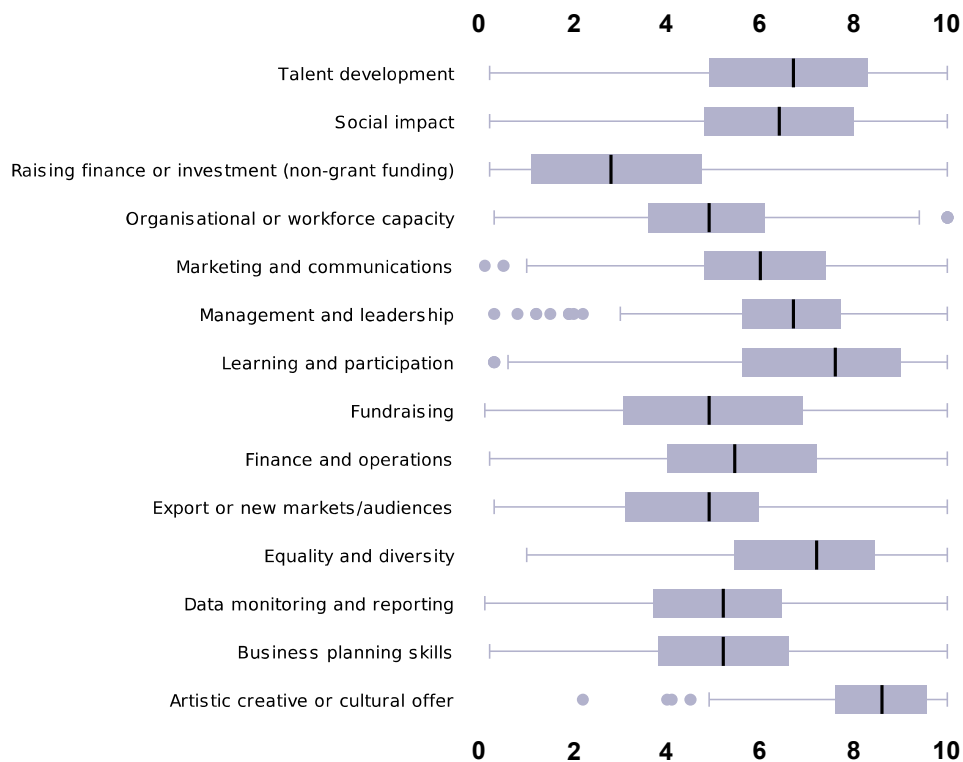


Figure 29: Distribution of responses to business skills questions

In questions relating to business skill sets a greater variation is seen. ‘Artistic, creative or cultural offer’ tends to score highly, as do ‘Learning and participation’ and ‘Equality and diversity’. ‘Raising finance or investment’ scores poorly, as seen in Figure 29.

3.4.1 Segmented by previous support

Questions with significant differences between cases receiving previous business support and those not are shown below (see Figure 30):

- Fundraising (distribution only) (median, $p=0.054$; distribution, $p=0.004$)
- Finance and operation (median, $p=0.048$; distribution, $p=0.033$)
- Data monitoring and reporting (median, $p<0.001$; distribution, $p=0.033$)

- Business planning skills (median, $p=0.010$; distribution, $p=0.002$)

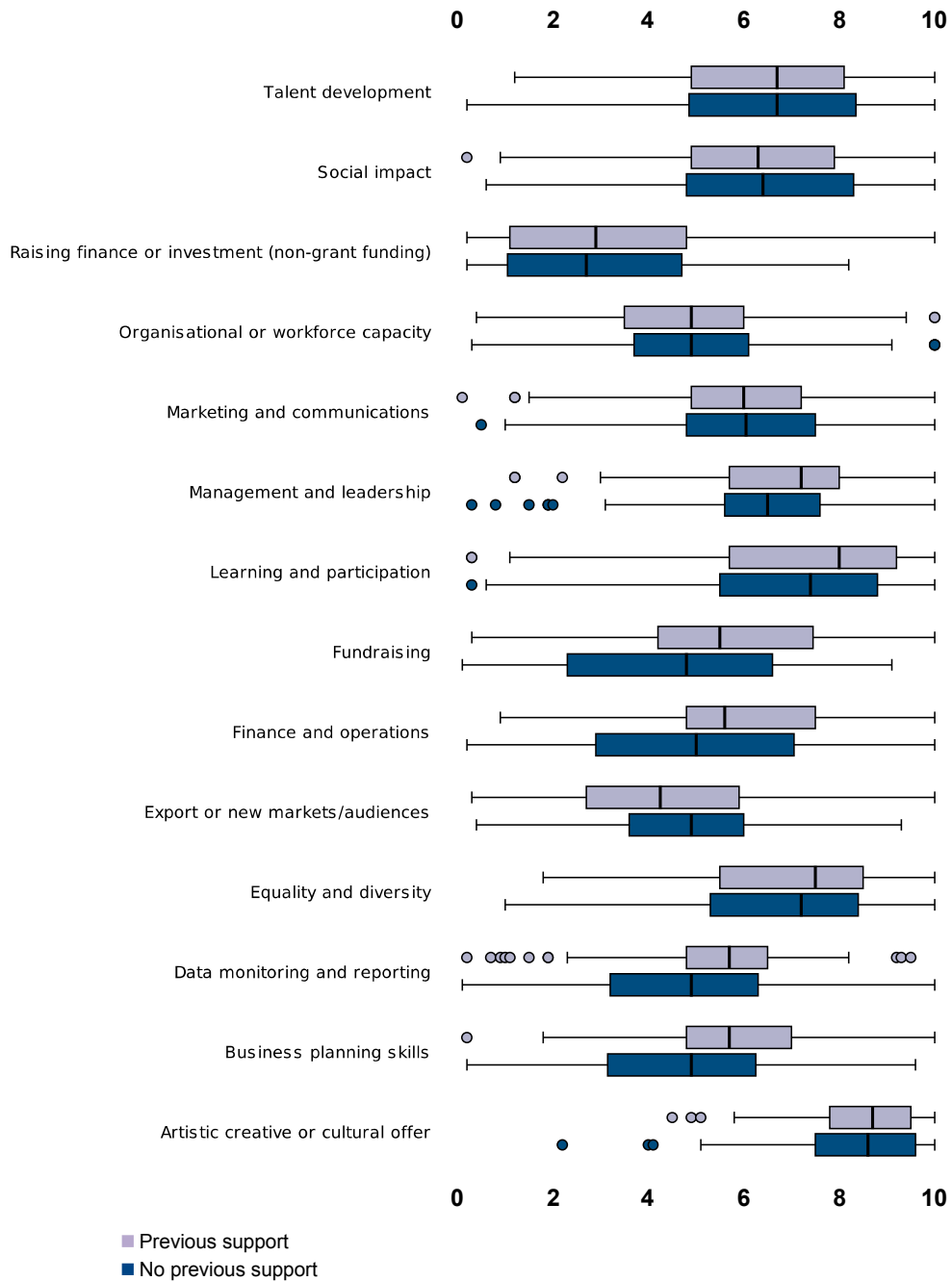


Figure 30: Business skill sets by previous business support

3.4.2 Segmented by for-profit / not-for-profit

Questions with significant differences between for-profit and not-for-profit organisations are listed below (see Figure 31). Not-for-profits tended to report greater ability in these areas.

- Raising finance (medians only) (median, $p=0.043$; distribution, $p=0.073$)
- Management and leadership (median, $p=0.039$; distribution, $p=0.002$)

- Fundraising (median, $p=0.003$; distribution, $p<0.001$)
- Finance and operations (median, $p<0.001$; distribution, $p<0.001$)
- Data monitoring and reporting (median, $p<0.001$; distribution, $p=0.001$)
- Business planning skills (median, $p<0.001$; distribution, $p<0.001$)

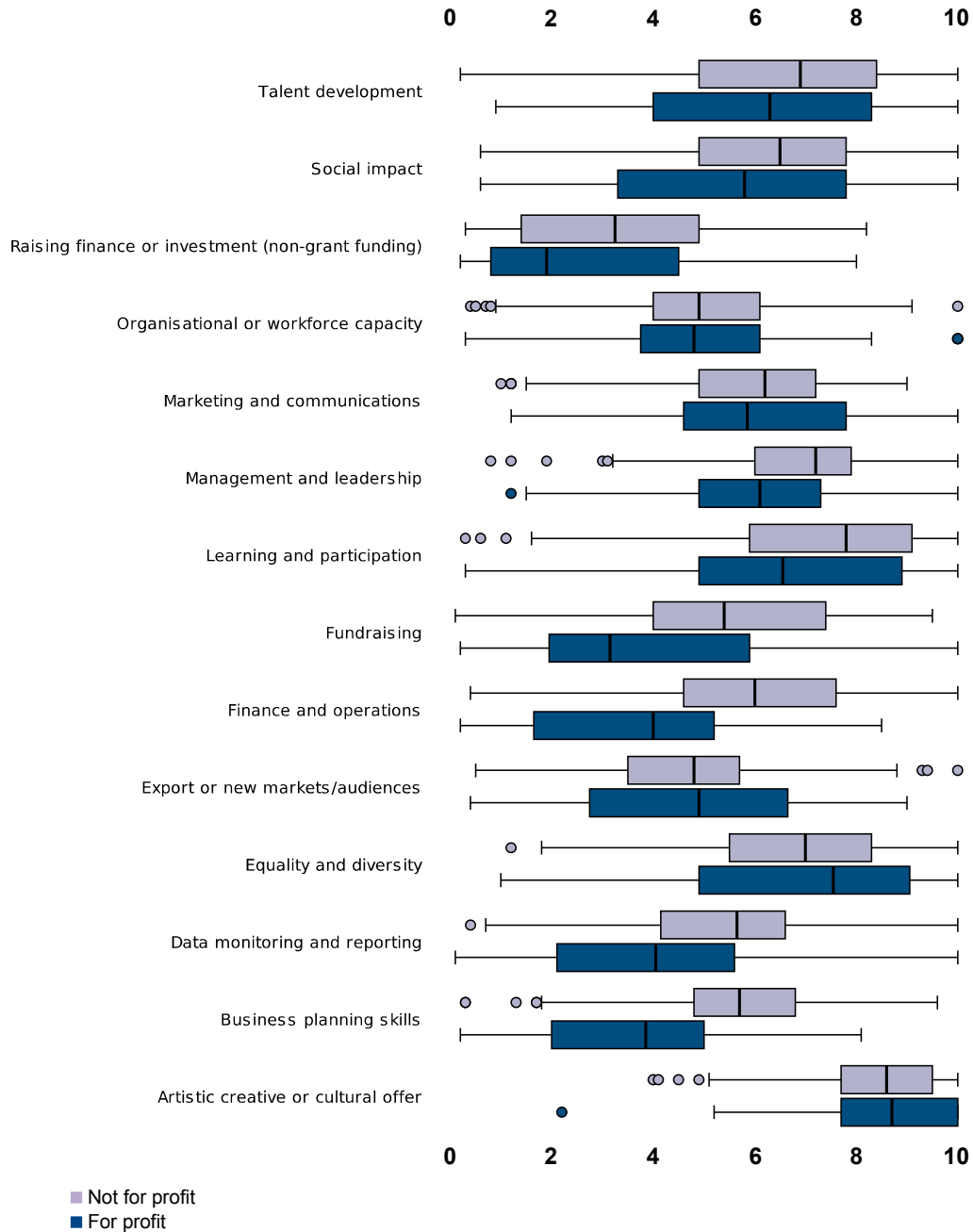


Figure 31: Business skill sets: not-for-profit / for-profit compared

4 Methodological notes

4.1 Table matching process

The process of matching up the application data and diagnostic data was semi-manual, as no key existed to join the two data sets. Both tables were imported into Microsoft Access to facilitate joining. A test was done to establish whether joining on organisation name or client email address would create the best initial match. On organisation name 210 matches were made. On email address 238. Work then proceeded on the basis of an initial match on email address.

Of the matches on email address 45 did not have an exact organisation match. A cursory review of these showed 37 were a reasonable match, with typos or slight stylistic differences (e.g. 'Ltd.' versus 'Limited') responsible. The remaining eight were investigated more carefully. Of these, four were rejected. One because the organisation names bore no relations to each other and nothing other than email address appeared to link the records. The remaining three because there was no organisation name entered in the application data.

A total of 44 organisations in the diagnostic data failed to match anything in application data when joining on email address. These were reviewed manually and an attempt made to find a match. 21 further matches were made in this process.

A table was then created mapping Application Data ID to Diagnostic Data uid. This contained 254 matches.

One anomaly was noted. The same company seems to appear twice in the Diagnostic Data. Only one record was used—that which best matched the application data.

Of the 254 matches, 23 were for companies which did not complete the application process, but nevertheless did go through the diagnostic process. This leaves 231 companies with a match that completed the diagnostic process.

4.2 Deriving turnover

There were some issues with nature of the data relating to turnover and sources of income. In a significant number of cases reported turnover did not match the sum of income from various sources. 38 of the 231 organisations did not report turnover (or reported it as zero—it was not possible to distinguish missing data from zero data).

To address this a new field, derived turnover, was created. This was populated as follows:

- Where turnover was 0 and no income sources were reported, the field was marked missing
- Where turnover was equal to, or with $\pm 2\%$ of the sum of all income sources, the reported turnover was used

- Where reported turnover exceeded the sum of income sources, reported turnover was used
- Where the sum of income sources exceeded reported turnover by more than 2%, the sum of income sources was used

In a small number of cases exceptions were made, as follows:

- Sum of income sources was £1.06m. Reported turnover was £10.8m. The lower figure was used because in the application data turnover had been recorded as in the range £500k - £1m. It was assumed that an extra digit has crept in.
- Sum of income sources was £4.5m. Reported turnover was £455k. In the application data turnover had been recorded as as in the range £250k - £500k. Although it might have been reasonable to assume a stray extra digit the value was recorded as missing as it would have been impossible to do meaningful calculations of the proportion of income made up by each income source, given that their sum was so high.

After this process 203 cases had derived turnovers recorded. However, significant anomalies were present for a number of local authorities, probably as a result of the very different way in which local government is funded. Much of the analysis on turnover and forecast growth therefore excluded local authorities. Excluding LAs left 218 cases, of which 190 had derived turnovers.

4.3 Zeroes and missing values

Across much of the data supplied it was not possible to distinguish between a value of zero and data not having been entered. For example, across the self-assessment questions cases with large numbers of zeroes seem likely to reflect applicants not answering the question, rather than rating themselves very poorly for everything. A decision was taken to treat zero as a missing value in the case of most questions analysed from the diagnostic data.

4.4 Multiple selection questions

Several questions in the application allowed multiple selections. These were supplied as a single variable containing a comma separated list of selected values. For analysis purposes these were converted to multiple variables, each with a value of either 0 (no, not selected) or 1 (yes, selected).

References

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