

# The Creative Business Accelerator

## An Investment Readiness Service for London

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Model Development

Prepared for the London Development Agency by Tom Fleming Creative Consultancy, 2004

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# Introduction – Building a fast-track for Creative Investments

## 1. Overview

This report develops a Business Accelerator model as a dedicated service for Creative London: the new support infrastructure and brand for the Creative Industries in London, led by London Development Agency (LDA). It builds on two pieces of existing research: a report by Grant Thornton, which provides a series of recommendations for a Creative Investment Gateway for London; and a report by PA Consulting, which recommends the development of an Intellectual Property Advisory Service for the Creative Industries in London. The Creative Business Accelerator model developed, explored and finally established in this report, uses these 2 reports as a starting point that leads, through further in-depth research, to a detailed model for investment-focused business acceleration for Creative Industries businesses in London. This will be established as a dedicated service provider for Creative London, contracted to delivery agent(s) operating outside of Creative London, overseen by a consultancy position situated within Creative London (probably a part-time position).

The model outlined in this report is underpinned by information on the following:

- Strategic Position – relative to Creative London service providers, wider business support provision (including the role of Business Link for London), and different ‘investment communities’.
- Role and Remit – as a provider of specialist creative business accelerator services, with a focus on the conditions of investment readiness and the leverage of new investment to the Creative Industries.
- Staffing and Resources – presenting a light staffing model, with resources available for specialist services, training, intelligence gathering and advocacy.
- The relationship between investment readiness support and investor readiness development – where the effectiveness of one is dependent upon the other.

The final outcome of this report is the presentation of an effective model for providing high quality intelligence and support that enables the fast-tracking of creative businesses with significant growth potential to better informed and increasingly confident investment communities: the Creative Business Accelerator. The detail and strategic emphases of this model are then expressed through a complimentary document: the technical Brief for the development of the Creative Business Accelerator services.

## Model Profile

The Creative Business Accelerator will be established as a Service Provider for Creative London, managed by Creative London (through the LDA). Tenders will express how the CBA can deliver high quality services through 2 main development areas:

- High level investment readiness support, drawing on the expertise of consultants, expert bodies and investors as a bespoke service delivered through the CBA Executive. This service will also build a strong and sustainable relationship with investors, as part of a process of ‘investor readiness’, where brokerage and advocacy are important.
- Delivery of investment readiness training/advice (of advisors and intermediaries), introductory seminars (for Creative businesses), fact-sheets, diagnostic support, branding/promotions and research/intelligence to be delivered through the Creative London Hubs and with non-Hub based partners including Business Link for London.

Tenders will be invited from consultants/fund-management bodies to deliver both the service development areas (which is likely to require partnership with another delivery body because the required skills-sets are wide-ranging). Tenders will be expected to provide detail of how a high level investment readiness and investment brokerage role can be delivered alongside a more widely delivered, Hub-focused investment readiness and training package. A key challenge is to balance high level specialist support with a flexible partnership of Hub (and other) delivery partners, to ensure a coherent continuum of support is provided.

Selected delivery partners will be provided with a Service Level Agreement (SLA) to provide an Investment Readiness Programme to Creative London with a focus on wide access basic to intermediate support and narrow access to high level specialist business acceleration services. **A key objective of the former is to build the capacity of the Hubs to deliver business acceleration services**, thus reducing the training and advice role of the CBA. In the longer term, this will place more emphasis on the specialist support services offered within the CBA Executive – delivered by flexibly appointed and highly specialist accountants, investors and lawyers etc.

## Investment and Investor Readiness

It is increasingly recognised that there is an urgent need to provide support services that advance the investment readiness of creative businesses. This is because:

“Despite the significant growth of the Creative Industries sector in recent years, and regardless of the sector’s ‘value-adding’ role for other sectors, commercial investment in individual creative businesses has been low. In part, this is due to a real and perceived lack of investment readiness.” (NESTA 2003)

Creative businesses in London and elsewhere often lack essential investment readiness features, such as robust business plans, market knowledge, solid management structures, existing capital, and a track record of high growth. In addition, there are significant ‘cultural’ barriers to investment readiness, including a focus on innovation rather than business development, a high sense of ownership, and a detachment from the important information channels that enhance business acumen.

Creative businesses are also, in many cases, faced by a lack of ‘investor readiness’. This is where potential investors are reluctant to invest in creative propositions due, for example, to a combination of negative stereotyping, the absence of necessary sectoral knowledge, low levels of sector-focused investor expertise, and thus a perception that creative businesses are too risky.

This report does not explore in great detail the multiple and complex factors that undermine investment readiness and block investor readiness<sup>1</sup>. Rather, the focus here is on how best to deliver a dedicated service – through Creative London – that is able to accelerate the growth of creative businesses by attending to the features that will make them more investment ready and the factors that will improve the likelihood of investors radically re-assessing creative investment propositions. The report has a technical delivery function that should be read in relation to the Creative Business Accelerator Brief.

<sup>1</sup>This is explored in detail elsewhere – such as by NESTA (2003).

**The Key aim for this report is to provide a necessary outline for a service that enables high growth creative businesses to work to meet the criteria of investors, while investors work to capitalise on the growth potential of the Creative Industries Sector. The Creative Business Accelerator Model presents an essential expert intermediary service for Creative London that leverages the space for a new middle ground occupied by better creative businesses and alert, intelligence-driven, fast-moving investors. In doing so, it raises the capacity of the Hubs to provide expert quality Creative business accelerator services.**

## 2. Four Main Sections

In accordance with the Research Brief (see **Appendix 1**), there are 4 main sections to the research:

### **a) A Review of the Creative Gateway Model, as devised by Grant Thornton:**

This model is reviewed through a closer inspection of the specific needs of creative businesses, the differences between Creative Industries sub-sectors (each requiring a different service), and the practical delivery role of the model relative to existing and/or proposed services (many of which will be driven through the Creative London ‘Hubs’). The model is scrutinised in terms of its applicability, focus and practicality. It is concluded that the model requires considerable reform, with particular regard to the function of the model (it attempts to achieve too much); its structure (it is too heavily laden and insufficiently flexible/responsive); and its identity/message – hence the development of the new term: Creative Business Accelerator (CBA).

This review stage forms the basis for the development of a new model: the CBA. This model, introduced more fully in **Section 4** of this report, presents a more flexible, fleet-of-foot approach, with less attention to general delivery and more to project management, co-ordination, training, intelligence and advocacy.

**b) A short appraisal on the possibility of establishing a joint intellectual property advisory service and Investment Gateway model:**

Initial research has highlighted the possibility of providing a joint service of investment readiness support and specialist advice on intellectual property issues for growing creative businesses. The understanding, realisation and protection of intellectual property are a vital constituent factors in determining whether a creative business is ‘investment ready’, because they allow for a valuation of the business (and its potential), plus a more accurate assessment of investment risk. It is important therefore that intellectual property support and advice forms a part of any investment readiness programme.

However, this research concludes that basic-level intellectual property issues are just one of a range of constituent ‘investment readiness criteria’, and should therefore be delivered by a combination of ‘on-the ground’ business support vehicles that will be driven through the Creative London Hubs. For specialist intellectual property issues (including case specific questions), a dedicated service is required. To attempt to deliver this through an investment readiness service would blur delivery objectives, add significantly to required resources, detract from other investment readiness criteria, and compromise the brand.

**Section 2** of this report explores these issues further before identifying a complimentary working relationship between the CBA and the Intellectual Property Advisory Service.

**c) An assessment of how the Creative Business Accelerator can operate both within and outside of Objective 2 areas of London:**

A major challenge for the CBA is balancing the geographical focus of Creative London (where resources and expertise will be focused through Hubs that are largely geographically specific, often in Objective 2 areas); with a need to develop highly specialist services that attend to development needs of specific Creative Industries sub-sectors. For example, notions of ‘investment readiness’ for the film sector are very different to notions of ‘investment readiness’ for creative businesses from a range of sub-sectors located in a specific Hub. The CBA must therefore be developed through a model that maintains a strong relationship with support services delivered in the Hubs, while allowing for a level of flexibility and specialism that enables a trans-London focus on specific sub-sectoral investment readiness issues. Basic/generic investment readiness services should be provided in the Hubs, with the support of the CBA (including staff training); specialist services and ‘Gateway functions’ through the CBA.

This part of the report – **Section 3** – also focuses on how the CBA targets its services towards specific investment opportunities, such as the Creative Seed Capital fund. 50% of this must be allocated to Creative businesses located in Objective 2 areas. A key challenge for the CBA will be to develop a service that is balanced between specific ‘investment pots’

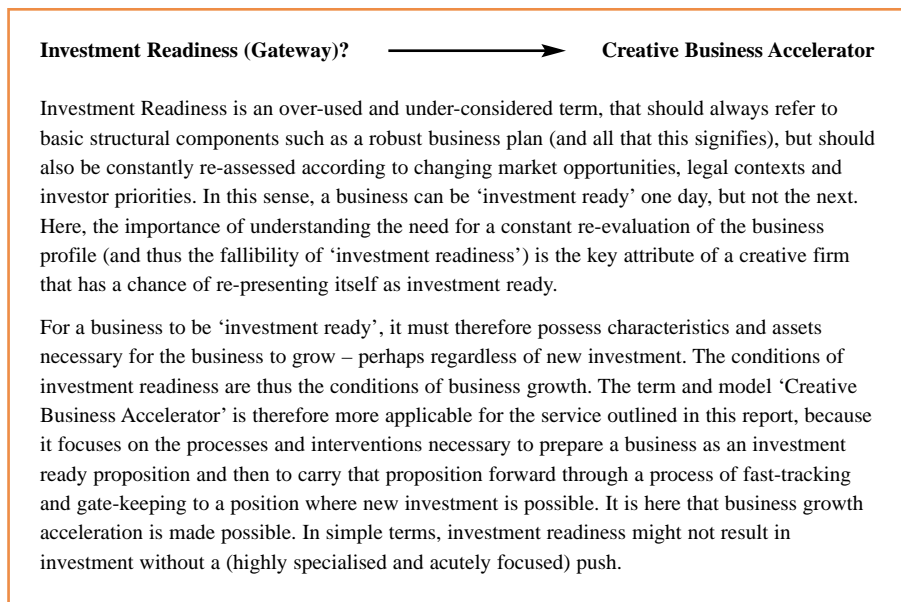
and undesignated investment communities (who may develop specific pots or be convinced of the case for consistent investment in the Creative Industries sector).

**d) A detailed presentation of the necessary components, relationships and overall structure of the Creative Business Accelerator:**

The above pathways of research lead to the presentation of the CBA as a ‘complete model’<sup>2</sup>. This includes a perspective on the following:

- The strategic position of the CBA relative to other support services driven through Creative London.
- The strategic relationship between the CBA and the Hubs.
- The delivery features of the CBA, including role, remit, powers and capacities (and how these are managed through the structural relationships introduced above.
- The balance of delivery between Creative business-focused investment readiness support and investor-focused advocacy. This report sets out the case for a sharper focus on the latter, because investment readiness will count for little if new investment is not forthcoming. Separate investor-focused services will not be productive.
- Key staffing and resource issues (to be outlined further in the forthcoming CBA Development Brief).
- Key development problems. Most of these relate to specific issues relating to the location of hubs and the exact components of LDA-backed funds.

<sup>2</sup>Although it will be the role of the appointed CAB Managers to refine the model through partnership and delivery.



### 3. Conclusions

Creative Industries businesses in London will struggle to access finance without a targeted and coherent effort to provide for the sector technical support, advice, intelligence, a louder voice and a more positive and informed relationship with investors. It is clear that for support to be successful, it should maintain the following characteristics:

- Be flexible, able to adapt to changing investment and creative business conditions.
- Have a light touch rather than intrude on London's Creative Industries support infrastructure a new layer of diagnostics and gatekeeping. The key is to compliment and inform existing services while providing levels of specialism that are new and much-needed.
- Balance services on specialist intelligence, training (of businesses and intermediaries/advisers) and advocacy, with a more general investment readiness support programme. Tenders will therefore be invited by partnerships of complimentary delivery vehicles.
- Develop a strong investor-focus as a key process towards establishing a new middle ground between potential investors and investees. This requires an ongoing dialogue and advocacy approach, supported by excellent intelligence. Without dialogue – with a sole investee focus – the model is flawed.

This research will uncover a much-needed model and programme for a Creative Business Accelerator for London. Vital is the way the CBA will enable creative businesses to develop and then demonstrate their investment readiness; and convince investors through new intelligence so that the Creative Industries sector can be assessed afresh as a high growth sector with risks far lower than currently perceived.

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