

**Cox Review
of Creativity
in Business:
building on the
UK's strengths**

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Foreword

This review was commissioned at the time of the 2005 Budget Statement. It addresses a question that is vital to the UK's long-term economic success – namely, how to exploit the nation's creative skills more fully. The emphasis is on the use made of creative skills by smaller businesses, with particular concern for manufacturing. While this focus affected the formulation of the recommendations, the issues are by no means confined to smaller organisations, nor to any particular sector. Indeed, if adopted, the recommendations would have an impact on business generally.

Even with such a focus, the brief is still enormously wide, particularly given the timescale for the review. The basic approach has therefore been to consult widely, tapping into the best available thinking that has already been given to the problem, rather than to undertake time-consuming new research. Those who contributed are listed at the end, and I am most grateful to them.



I am also indebted to the support team, led by Zoe Dayan. They made an impossible task merely daunting.

Given the complex, many-faceted nature of the issues, rooted in long-term perception, attitudes and practices, it would be tempting to conclude that nothing can really be done about the situation. Time will force its own changes, albeit at a cost. That is not the conclusion of this review. I believe that action can be taken to accelerate a change that is already beginning to happen under pressure of global competition.

The review has been prepared for the Chancellor. The recommendations largely apply to various arms of government. The messages are for business.

A handwritten signature in blue ink, consisting of several fluid, connected strokes. The signature is written in a cursive style and is positioned above the typed name and date.

Sir George Cox
November 2005

Definition of terms

Before going further, I need to define some terms as used in the context of this report.

'Creativity' is the generation of new ideas – either new ways of looking at existing problems, or of seeing new opportunities, perhaps by exploiting emerging technologies or changes in markets.

'Innovation' is the successful exploitation of new ideas. It is the process that carries them through to new products, new services, new ways of running the business or even new ways of doing business.

'Design' is what links creativity and innovation. It shapes ideas to become practical and attractive propositions for users or customers. Design may be described as creativity deployed to a specific end.

The review is focused on *small and medium-sized enterprises (SMEs)*, in line with its terms of reference. The EU defines such companies as those with fewer than 250 employees (and less than 25 per cent owned by another company), which is thus the standard for our own government's classification. However, when talking about the economic importance of SMEs and what might be done to improve their performance, the arguments, findings and recommendations apply equally well to enterprises with several hundred employees or more.

This review was triggered by concerns about how UK businesses can face up to the challenge of a world that is becoming vastly more competitive. Various government initiatives have looked at related areas like technology and enterprise, but the connecting thread of creativity has not received the attention it warrants, despite the fact that our creative capabilities – one of the UK's undoubted strengths – lie at the very core of our ability to compete. Technology that is not carried through into improved systems or successful products is opportunity wasted; enterprise that fails to be sufficiently creative is simply pouring more energy into prolonging yesterday's ideas. Creativity, properly employed, carefully evaluated, skilfully managed and soundly implemented, is a key to future business success – and to national prosperity.

Much has recently been said about the competitive threat from the emerging economies, notably India and China – not only a challenge to the low value-added, labour-intensive industries but, increasingly, to the high-technology, high-skilled sectors. It has long been assumed that the loss of the former by the advanced industrialised economies would be replaced by the latter. That, it turns out, is a complacent assumption.

This review supports the reality of the threat; indeed, in some ways, it sees it as greater and more urgent than hitherto envisaged. The concern is not so much for the current capability of the fast-growing countries, but rather for the pace and scale with which they are building their high-tech industries, their scientific base, their research capabilities and most of all, their skills base and educational facilities. It is hard to think of any sector that is likely to remain unaffected – there are few quiet backwaters or protected niches in this emerging world. Manufacturing has so far felt the brunt of the new competition but there is no reason to assume that whole swathes of the service industries won't also be affected.

The upside is that these rapidly expanding economies will stimulate global economic growth and will themselves provide major new markets. Moreover, the review revealed that there is still a window of opportunity – perhaps five or ten years – while the new economies develop the kinds of creative skills necessary to compete across the board. To take advantage of these opportunities and create a viable, attractive future for the UK economy, UK companies and industries will need to produce innovative, high-quality, high value-added products and services, and bring them quickly and effectively to market. This applies to companies of every size, in every sector. It is particularly relevant to SMEs, which account for 50 per cent of UK Gross Domestic Product (GDP) and provide much of its entrepreneurial base.

It is common for those in business to see creativity and the related area of design as largely concerned with aesthetic considerations such as style and appearance. While these are often important considerations, they are only a small part of what I am talking about here. Creative businesses are creative throughout. As well as being the path to new products and services, creativity is also the route to greater productivity, although it is not always recognised as such. As one senior executive in a big media corporation put it, "In our organisation, you couldn't put creativity and productivity together in the same sentence. The former is seen as our business, the latter as simply cost-cutting". In practice, greater creativity is a key to greater productivity, whether by way of higher-value products and services, better processes, more effective marketing, simpler structures or better use of people's skills. Every business needs to be cost-conscious, but that's insufficient for enduring success. No company ever cut its way to greatness.

Whereas creativity is most externally obvious in terms of product and communication, for many companies the biggest impact comes in terms of efficiency or better levels of customer service. As Jim Andrew, Senior Vice President of the Boston Consulting Group put it, “Many of the world’s most successful companies are highly innovative but it takes place behind the scenes. Their products may not change but the way they deliver them does”.

‘...Greater creativity is a key to greater productivity...’

A parallel study by the Department of Trade and Industry (DTI), Economics Paper No.15, *Creativity, Design and Business Performance*, provides compelling evidence of the impact that creativity can have on business performance. So we might feel confident that the UK’s record of scientific invention and the great strength of its creative industries (such as product design, architecture, fashion, media, games software, entertainment and advertising) will equip us well for such a world. The downside is that, with a few honourable exceptions, we have not been good at carrying these capabilities through into consistently world-beating products and services. Indeed, others have often made far more use of these ideas and capabilities. This review therefore focuses on what stops SMEs making greater use of the UK’s creative talents, and what can be done about it.

Surveys by the leading business organisations and wide discussions with businesses of all types reveal that the main obstacles are:

- Lack of awareness and experience
- Lack of belief in the value of, or confidence in, the outcome
- Not knowing where to turn for specialised help
- Limited ambition or appetite for risk
- Too many other pressures on the business.

‘...The decline in manufacturing does not have to be seen as unending and inevitable...’

Difficult though it is to address such widespread issues, particularly when they are concerned with attitude, understanding and behaviour, this review concludes that there *are* things that can be done. The decline in manufacturing does not have to be seen as unending and inevitable. This belief is based on the progress being made with initiatives that are already underway and on what several companies have already achieved. The recommendations are grouped under five headings:

- **Tackle the issue of awareness and understanding**, including by taking the *Design for Business* programme, which has been developed and piloted by the Design Council over the last four years, and making it widely available to SMEs throughout the UK and those that work with them.
- **Improve the effectiveness of government support and incentive schemes**, prominent among which is the Research and Development (R&D) Tax Credits system.
- **Tackle the issue, in higher education, of broadening the understanding and skills** of tomorrow’s business leaders, creative specialists, engineers and technologists.
- **Take steps to use the massive power of public procurement**, both centrally and locally, to encourage more imaginative solutions from suppliers.
- **Raise the profile of the UK’s creative capabilities** by way of a network of centres of creativity and innovation across the UK, with a national hub in London.

Any of these recommendations – if vigorously pursued – would make a difference. In combination, they would greatly accelerate the change that must happen if the UK is to compete successfully in a changed world. Yet these recommendations should not be viewed in isolation. The various aspects of the problem and the different elements of the solution have to be considered in the light of the many other issues affecting the business environment. The skills agenda figures highly in this, as does the nurturing of the creative industries themselves, and the general climate for encouraging enterprise and entrepreneurship.

Not least of the considerations is the other pressures under which companies – particularly smaller companies – find themselves. Unless the government's commitment to simplify and reduce regulation is turned into action, many businesses will have little time or appetite for more enterprise and innovation.

My recommendations are aimed at what government can do to help bring about a climate that encourages and supports greater creativity. That opens the way for better business performance, but doesn't deliver it. The latter can come only from business itself. Government can help prepare the track and remove some of the hurdles; it can't run the race.

Part of the strength of my recommendations lies in the fact that many organisations are involved in carrying them out: development agencies, government departments, universities and others all have specific roles to play. I believe this to be essential if such a broad, many faceted issue is to be tackled effectively. It is not a centrally-driven programme, there is no 'creativity czar'. However there is a key role to be played by business leaders and, in particular, the business organisations, both within the creative industries and more widely. A continuing dialogue is needed within business to ensure that the success of those applying creativity is understood and the lessons applied more widely. My many discussions, with business leaders and those who will have the task of carrying the recommendations forward, have been encouraging. Many recognise the issues and see the need for action; as the report illustrates, some have already started to take it. But what is needed is long-term commitment. It will take sustained support to keep up the pressure for change.

The premium that will be placed on creativity in the 21st century should give the UK a flying start in the race for competitive edge. The question is whether business will rise to the challenge of exploiting the creative capabilities at its disposal. The outcome won't affect just business itself. It will affect us all.

