

Keys to Successful Cultural Enterprise Development in Developing Countries

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This is a work-in-progress; any comments are welcome and may be addressed to the author at aid2@unesco.org

Foreword

This study on the keys to successful cultural enterprise development was commissioned in the framework of the programme “Capacity-building for cultural enterprises in developing countries”. This programme, funded by the Norwegian government, is being implemented by UNESCO’s Arts and Cultural Enterprise Division. The programme aims to strengthen emerging cultural enterprises in developing countries and render them self-sustainable. The target of the programme are intermediary institutions that can support artists in the creative process by providing appropriate training and that can improve their access to markets, thus ensuring a decent living for creative producers. The programme thus aims to enhance the capacity of these intermediate institutions to promote successful cultural entrepreneurship.

Through its examination of the needs and weaknesses that cultural enterprises in developing countries manifest, this study is intended to illuminate the challenges that the programme will have to address. The analysis of practices needed for successful cultural entrepreneurship, on the other hand, should inform the strategies adopted by initiatives under the programme.

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Acronyms

AHPADA	ASEAN Handicraft Promotion and Development Association
ASEAN	Association of South East Asian Nations
ATA	Aid to Artisans
DCMS	Department of Culture, Media and Sports (UK)
GNP	Gross National Product
ILO	International Labour Organisation
ITC	International Trade Centre
MSME	Micro-, small- and medium-enterprises
OECD	Organisation for Economic Co-operation and Development
SADC	Southern African Development Community
SME	Small- and medium-enterprises
UNCTAD	United Nations Conference on Trade and Development
WIPO	World Intellectual Property Office

1. Introduction

1.1 Background

“[Culture] can be the engine for economic, social and environmental transformation of the space in which we live. Culture is not passive; rather it is one of the fastest growing and most labour intensive industries in advanced nations.”¹

For the past two decades, cultural industries have increasingly attracted interest from policy makers and private sector actors in developed nations who are increasingly aware of the important contribution the cultural industries make to their economies. Today, the creative industries² are one of the fastest growing sectors in OECD economies, employing on average 3-5% of the workforce³. Worldwide, cultural industries are considered the 5th largest economic sector in terms of turnover, after financial services, information technology, pharmaceuticals and biotechnology, and tourism.⁴ It is expected that the global value of creative industries will increase from US\$831 billion in 2000, to US\$1.3 trillion in 2005, which represents a compound annual growth of over 7%⁵.

Cultural industries have the potential to contribute significantly to the economies of developing countries. In some developing economies, the cultural industries already occupy an important place: in 2000, these industries accounted for 3.2% of Brazil’s GDP, whilst in 1998 they contributed 1.5% to Bolivia’s GDP.⁶ In Colombia, the cultural sector contributed more to national GDP in 2000 than traditionally important sectors such as coffee cultivation, and the restaurant and hotel industries⁷. On the African continent, South Africa had the cultural industries to thank for 3% of its GDP in 1998. Asia, on the other hand boasts the world’s most vibrant film industry: the Bollywood industry based in India produces 700 to 800 films annually, compared to Hollywood’s annual output of 500-600. According to a recent study, the Indian entertainment industry is expected to more than double its size from the current level of \$4.3 billion to \$9.4 billion by 2008⁸.

A lot of the potential of cultural industries in developing economies, however, remains to be exploited. Despite the wealth of talent and rich cultural heritage that is recognised to exist in the developing world across the whole range of cultural activities, developing countries remain largely marginal players in the cultural industries sector, often occupying the lower ends of the value chain.

¹ S. Arzeni, Head, Local Economics and Employment Development (LEED) Programme at the Organisation for Economic Co-operation and Development (OECD) Paris. Cited in ILO, 2003 (Performing Arts).

² Although the terms creative and cultural industries are often used interchangeably, the former encompasses a wider range of sub-sectors than the latter. See section 1.2 for more precisions.

³ UNCTAD, June 2004: *Creative Industries and Development*, Geneva

⁴ DACST, 1998 : *Creative South Africa: A Strategy for Realising the Potential of the Cultural Industries*

⁵ Howkins, John, 2001: *The Creative Economy: How People Make Money From Ideas*, Allen Lane, London

⁶ OAS, 2000: *Industrias Culturales, Incidencia Económica y Sociocultural, Intercambios y políticas de integración regional*. MERCOSUR Cultural, Secretaria de Cultura Argentina, Proyecto Regional

⁷ Materasso, François, 2001: *Recognising Culture: A Series of Briefing Papers on Culture and Development*, COMEDIA, London

⁸ UNCTAD, “Minister Gilberto Gil launches joint UNCTAD – Brazilian government initiative on creative industries”, Press release, 20 August 2004

Cultural industries across the world are built mainly on a myriad of small- and medium-sized enterprises (SMEs). This is especially true in the developing world where large-scale cultural enterprises are few and far between, and a large number of micro-enterprises operate alongside SMEs. The development of strong cultural industries in the developing world thus depends upon the establishment of viable and sustainable enterprises.

Yet cultural enterprises in developing countries often do not attain economic viability, failing to ensure a decent living for creators and other actors involved in the enterprise. What are the keys to building the sustainability of these enterprises and optimising their income-generating capacity? This study attempts to provide some answers to this question by examining the constraints faced, and the choices made by cultural entrepreneurs that may lead to the failure or the success of individual enterprises. Whilst it is true that the regulatory and policy environment in which these enterprises operate is sometimes a crucial determinant of the potential for success of individual enterprises⁹, this study focuses solely on microeconomic issues.

Cultural enterprises stand at the crossroads between a subsidy-dependent sector and an economic, or even industrial, sector. In many developing countries, culture is given low priority on the public agenda and hence cultural enterprises rarely benefit from public subsidies. At the same time, the important economic role that the cultural sector can play in developing economies is not yet given its due recognition, and thus cultural enterprises do not benefit either from the sort of policy support accorded to sectors of the economy such as agro-industry or tourism. In this context of public disinterest, it is all the more valuable to understand what microeconomic practices can offer the greatest chance of success to cultural enterprises.

1.2 Definitions

The most commonly cited definition of creative industries is that formulated by the Creative Industries Unit and Taskforce of the Department for Culture, Media and Sport (DCMS) in the United Kingdom in the late 1990s. Creative industries were defined as being: “those industries that have their origin in individual creativity, skill and talent, and which have a potential for wealth and job creation through the generation and exploitation of intellectual property.”¹⁰ This is a very broad definition, which includes sectors such as advertising, video games, and architecture.

The term creative industries is often used interchangeably with the term “cultural industries”, though the latter can rightly be considered a subset of the former. The definition of cultural industries is a more limited one than that of creative industries: UNESCO defines them as industries that combine the creation, production and commercialisation of contents which are intangible and cultural in nature; these contents are typically protected by copyright and they can take the form of a good or a service¹¹. The intangible and cultural quality of cultural goods and services refers to their symbolic

⁹ The existence of basic infrastructure, and the absence of discriminatory trade tariffs (high tariffs on cultural exports or on imported inputs) are just a few examples of policy environment factors that may greatly facilitate the chances of success for cultural enterprises.

¹⁰ See the DCMS website: http://www.culture.gov.uk/creative_industries

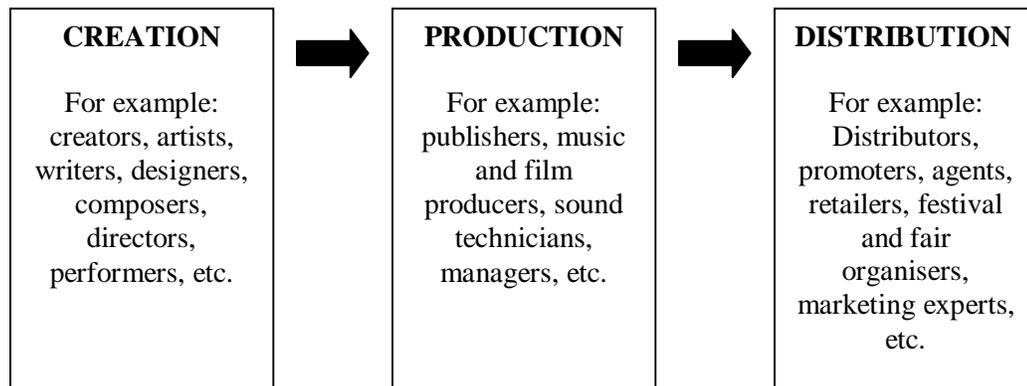
¹¹ UNESCO, 2000: *Culture, Trade and Globalization: Questions and answers*, Paris.

content and the fact that these goods and services are purveyors of meanings and symbols for their consumers. The UNESCO definition generally covers sectors such as printing, publishing and multimedia, audio-visual, phonographic and cinematographic productions, as well as to crafts and design. In this paper the term cultural industries will also encompass the sectors of performing arts and visual arts.

From the definition of cultural industries, a cultural enterprise can be defined as a commercial venture, within one of the above-stipulated sectors, that connects creators and artists to markets and consumers, providing the former with recognition and a source of income. Cultural enterprises may be strongly motivated by profits or they may be non-profit organisations and public institutions, however in both cases, they adopt a business-like approach to their endeavour, with the objective of establishing some kind of financial sustainability for the cultural activity. Not all cultural endeavours choose to enter the market and adopt such an approach, and therefore not all cultural endeavours can be considered cultural enterprises.

Cultural enterprises generate value and in the optimal case, income too, for a range of actors across the value chain of production. Cultural entrepreneurs can be found across the three major stages of the chain: creation, production and distribution (see figure 1.1). The term cultural entrepreneurs in this paper refers to the range of actors who have an interest in generating revenue from a cultural activity. This does not only include those involved in the actual process of creating, although all other activities do in fact revolve around the act of creativity from which the work of art originates. Actors such as producers and promoters are vital in the sequence of stages that lead to the reproduction and distribution of creative products. The stages of the chain are not self-exclusive: the same actor can appear in two or all three stages. The cultural entrepreneur may thus be involved only at a particular stage in the value chain, in several stages, or s/he may have an oversight of the complete chain.

Fig 1.1
Cultural entrepreneurs across the value chain



For the purposes of this paper, success of cultural enterprises is determined largely from a financial standpoint: an enterprise is considered a success if it is able to generate revenues and build long-term sustainability. The geographical scope of the paper is large, looking at developing countries worldwide, although a lot of case studies are taken from the African continent.

1.3 Methodology of study

The research methodology used in this study included web site searches, literature searches, face-to-face, telephone or email interviews, and short questionnaires. As little literature to date exists specifically on cultural enterprises in developing countries, the study often borrowed from literature on MSME development in developing countries, as well as literature pertaining to the development of cultural enterprises in advanced country contexts where this was applicable to the developing country context.

Experts in various cultural domains were interviewed, as were practitioners in the field. Some practitioners were asked to respond to a short 16-question questionnaire¹², though unfortunately the response rate to this questionnaire was extremely low. Efforts were made to choose practitioners for interviews and surveys who were involved in “successful” enterprises. For the purposes of selection, these were deemed to be enterprises that had been in operation for more than ten years, or those that had been cited by experts in the field as interesting case studies. Some practitioners who were still struggling to get their enterprises off the ground were also included to get a better idea of what obstacles they were facing.

The paper starts with an analysis of the special characteristics of the cultural sector that distinguish it from conventional business sectors. This is to arrive at an understanding of the special needs of cultural enterprises with respect to general MSME development practices. The following section offers an overview of the current status of cultural enterprises across the developing world and the challenges that they face. This analysis of weaknesses and constraints should further understanding on why cultural enterprises often perform poorly. Section 4 turns the coin on its head, and using several case studies, tries to understand what elements are needed for cultural enterprises to succeed. The final section addresses the question of intermediate cultural institutions and what services they should be offering to best support cultural enterprise development.

The study is addressed to institutions working towards the development of cultural enterprises in developing countries, as well as to individual cultural entrepreneurs, who will find Section 3 and 4 of most relevance.

¹² See annex 2 for the questionnaire

2. The specificities of cultural enterprises

Cultural enterprises are at the base businesses needing to attain a certain economic viability that permits them to become sustainable and provide the actors across their value chain with a decent standard of living. In this sense, general business development strategies should also apply to cultural enterprises. However, the cultural sector shows many particularities that mean that conventional economic theory does not always apply well to the sector.

Cultural enterprises deal in symbolic goods and services, which communicate meaning and values. They are not conventional commercial ventures in the sense that they mix up making money and making meaning¹³. The symbolic content of a cultural good or service is usually of greater importance than the functional and material content. The base of this symbolic content often lies on intellectual property, which is also often the most important, if not the only, asset that a cultural enterprise holds.

Several of the particularities of the cultural sector arise from this symbolic quality. An exploration of some of these particularities that create special needs with respect to enterprise development in the sector is of interest, as experiences in developed countries have shown that mainstream business support services do not work well for cultural enterprises¹⁴. An understanding of special needs presented, may thus allow for a better tailoring of services to and strategies for cultural enterprise development.

2.1 High risk sector

One of the most important features that distinguishes the cultural sector from other sectors is its reliance on intellectual property¹⁵, which serves as the raw material for most goods and services emanating from cultural enterprises. This exceptional character of the culture sector renders the sector a high-risk one in the eyes of the conventional banking community. Cultural enterprises often hold the main part of their assets in the form of intellectual property; compared with enterprises in other sectors, they have very few tangible assets that can serve as collateral for bank loans, and hence experience greater difficulty in accessing financing.

The fact that a large part of the value of cultural goods derives from intellectual property, presents another problem as this intangible content of cultural products has characteristics of an economic public good¹⁶. Unlike physical property, which can be used or enjoyed by only one or a limited number of people at any moment, intellectual output can potentially be used or enjoyed by an unlimited number of people, without depriving its owner of its use or enjoyment¹⁷. In other words, cultural products are economic public goods, exposed

¹³ Forum on Creative Industries, www.foci.org.uk

¹⁴ Ramsden, Peter, 2000: *Banking on Culture: New Financial Instruments for Expanding the Cultural Sector in Europe*, European Commission/Northwest Arts Board.

¹⁵ See Box 4.5 for more on intellectual property.

¹⁶ Kozul-Wright, Zeljka and Wallis, Roger, 2004: *From Minor to Major: Policy Challenges for Developing Countries in the Global Music Industry*, UNCTAD, Geneva.

¹⁷ ITC/WIPO, 2003: *Marketing Craft and Visual Arts: The Role of Intellectual Property: A Practical Guide*, Geneva

to considerable free-rider risks. Furthermore, whilst the creation and innovation of new cultural products often has high upfront costs, the costs of reproduction are relatively negligible: cultural products often have very low material content and insignificant marginal costs of production therefore innovations can be copied at little or no cost. For instance a CD is reproducible endlessly at very little cost, compared to a bicycle. The intangible content of cultural goods can also lead to a stream of derived products that again have a public good quality. These free-rider risks mean that more than in other sectors, cultural entrepreneurs, especially creators, are likely to experience difficulty in recuperating the fruits of their work and preventing others from unjustly copying and profiting from their products. This is all the more true in contexts of lax policy regulation and poor knowledge of intellectual property rights that are found in several developing countries.

The high symbolic value of cultural goods and services is another contributing factor rendering the cultural sector high risk by engendering unpredictability and instability. Chris Bilton remarks that symbolic goods are primarily concerned with the transmission of meanings, yet these meanings are not necessarily fixed, nor are they necessarily controlled by the producer of the message¹⁸. Shifts in tastes and fashions pose a constant threat for cultural products, and thus constant innovation is required. Hence cultural enterprises face markets with a higher degree of uncertainty than those of more conventional enterprises. Evrard¹⁹ remarks that: “Uncertainty is more than a given fact, it is almost a way of life”: operators within the cultural sector face high uncertainty with respect to the financing of their product, the insertion of their product into distribution channels and importantly, the reception of their product by the public. With few certainties, long-term strategic planning is complicated.

The level of uncertainty faced varies between the different cultural sub-sectors, with uncertainty levels probably being highest in the performing arts, audiovisual and publishing sectors, but lower in the crafts sector, a cultural sector that most resembles mainstream business sectors.

Key obstacle posed: The high-risk character of cultural enterprises creates difficulties in accessing financing from mainstream sources, as well as difficulties in long-term strategic planning.

Special needs presented: Cultural entrepreneurs must learn how to protect their intellectual property (within a supportive policy environment) to keep control over their resources and thus minimise their risks. Alternative approaches to financing that take account of intellectual property assets may be needed by cultural enterprises.

2.2 Primacy of supply over demand

Demand for cultural products is often not explicitly expressed, and does not reveal itself until after the cultural product in question is offered on the market²⁰. An absence of demand in the cultural sector is often no more than an absence of supply. This means that

¹⁸ Bilton, C., 1999: *The New Adhocracy: Strategy, Risk and the Small Creative Firm*, Centre for Cultural Policy Studies, University of Warwick.

¹⁹ Evrard, Yves (ed), 2004: *Le management des entreprises artistiques et culturelles*, Economica, Paris.

²⁰ Evrard 2004.

it is more difficult for cultural enterprises to structure their supply in terms of demand; more than in other sectors, supply in the cultural sector creates its own demand. The cultural entrepreneur is called on to be more proactive than other entrepreneurs and may have to “educate” the public to appreciate the products offered.

Nonetheless, like for all businesses, some adaptation to the market remains a fundamental requirement for survival. Yet this task is all the more delicate given that market preferences are largely revealed a posteriori. This heightens the high-risk quality of the culture sector already discussed above and often leads cultural operators to revert to tried-and-tested formulas, instead of trying new formulas, which is more risky but often more rewarding, and necessary in the long-run in a sector with fast changing tastes.

Key obstacle posed: Market demand is more difficult for cultural enterprises to judge, and is often not expressed.

Special need presented: Cultural entrepreneurs need to be especially proactive about marketing their product and developing audiences; they may have to “educate” a public to appreciate their products.

2.3 Pricing is especially complicated

Cultural goods and services generally have a very high symbolic content with respect to their material content, which renders the question of pricing problematic. The value of a cultural product is rarely determined according to its functional and material qualities, as this kind of content in cultural products is often relatively negligible – for instance, the celluloid on which film is printed or the plastic of a CD make up a minimal part of the value of these products²¹. The prices of cultural products are therefore to a large extent determined by symbolic value, yet it is not easy to determine a market price that can capture the symbolic, social and merit value of cultural products. Whilst it is true that symbolic value is an aspect in the pricing of non-cultural products too – notably through branding and advertising – the symbolic value in these products does not predominate to the extent it tends to in the cultural sector.

Cultural goods are also experience goods whose value can change over time, and is often determined through the assessment of experts and opinion makers – the value of fine art, for instance is largely determined by critics. Thus the value of cultural products is often dependent on information that is detached from their price.²²

Peter Grant notes that pricing of cultural goods and services, unlike that of ordinary products, can be highly discriminatory²³. In theory, most cultural products can be priced as low as required or as high as the market can bear, given that the marginal costs of production are often negligible. In the absence of world pricing systems²⁴, there is an

²¹ Bilton, 1999.

²² UNCTAD, June 2004

²³ Grant, Peter. «Why Cultural Products are not like Ordinary Commodities », presentation given at the Deuxièmes rencontres internationales des organisations professionnelles de la culture, February 2003

²⁴ The Crafts Center notes that crafts create unique problems for price setting as there is no world market pricing system. This situation applies to other cultural products too. Crafts Center, 2004: *Crafts News*, vol 15, issue 57, USA.

enormous latitude for pricing. Some goods, however, are subject to price regulations: this is the case with books, for instance, on which governments often place price limits. For some cultural products, such as CDs and DVDs, there is also a tendency to converge on a global price, with the concerned industries strongly opposing any lowering of this price. Whilst this practice “simplifies” the pricing process, it creates a new problem by ignoring local purchasing powers: it is not reasonable to expect a music fan in Niger to pay as much for a CD as a music fan in Sweden.

Key obstacle posed: Pricing cultural products “correctly” is an especially difficult task.
Special need presented: Pricing policies require careful reflection, and discriminatory pricing systems may need to be considered.

2.4 Non-commercial motives

Cultural enterprises are rarely purely commercial ventures and are driven by several motives not linked to making profits. Certain cultural enterprises choose to focus exclusively on the non-commercial motives, completely ignoring the commercial imperatives of their enterprise, and these cannot in the strict sense be considered enterprises. Most commonly, cultural enterprises choose to straddle both the commercial and the non-commercial sectors. The report “Banking on Culture”²⁵, a study of cultural enterprises in the European Union, notes that many of the cultural sector’s funding problems stem from this hybrid nature.

On the one hand, the hybrid nature may prevent operators from viewing their enterprises as business ventures and lead them to neglect important managerial functions. On the other hand, it may also lead operators to ignore commercial sources of financing, preferring to depend on public subsidies or NGO financing. A survey of cultural entrepreneurs in the UK found that few publicly supported artists in Merseyside took a commercial approach or considered bank or micro-credit schemes relevant to them, seeing public commission and other small grant schemes and competitions as the “natural” form of financing²⁶. In developing countries, where public subsidies are often in very short supply, the tendency is for enterprises to be dependent on donor funding. Certain cultural entrepreneurs in developing countries bemoan the fact that NGOs have created “give me” societies within the arts, inhibiting the business sense of artists.²⁷

Key obstacle posed: Different and sometimes conflicting motivations often inhibit cultural operators from paying sufficient attention to the business side of the cultural venture and encourage an over-dependence on public or NGO funding.

2.5 Not all sectors affected to the same degree

The particularities discussed above apply to the whole cultural sector in general, however certain particularities are more characteristic of some sub-sectors than of others. The

²⁵ Ramsden, Peter, 2000

²⁶ Idem.

²⁷ See for instance the testimony of Diane Buchard of Marco Polo Gallery in Zambia, in ILO, 2003 (Crafts and Visual Arts)

performing arts and fine arts sectors probably exhibit all the special characteristics of the cultural sector to the greatest degree, whereas the craft sector operates the most like mainstream business sectors. Craft products tend to be more commercial, with prices to a large extent determined by material and labour costs, and the material and functional content of craft products is also relatively higher than in other cultural sectors.

3. Cultural Enterprises in Developing Countries Today: constraints and weaknesses

To understand how cultural enterprises in developing countries can best succeed, one must also understand why they fail. The previous section examined key difficulties faced by cultural enterprises in a general context, difficulties emanating from the special characteristics of the cultural sector. This section analyses the constraints faced by several cultural enterprises in developing countries, and the weaknesses that these enterprises often exhibit.

The large majority of cultural enterprises in developing countries are MSMEs, and several of these are in the informal sector. These enterprises often operate in contexts of significant poverty, and several of their weaknesses are linked to disadvantages conferred by poverty: high risk aversion, low literacy and innumeracy, limited means to invest, etc.²⁸

The list of weaknesses and constraints identified in this sector is obviously not an exhaustive one, and some weaknesses and constraints are more evident or create greater impediments in certain sectors than in others.

3.1 Artists do not see their enterprise as a business

Experts involved in the development of cultural industries increasingly emphasise the importance of an entrepreneurial approach for successful cultural enterprise development²⁹. The biggest obstacle to cultural enterprise development lies in the mindset of the individuals involved in the enterprise: cultural operators in developing countries often do not consider what they do as being an enterprise, and there is little awareness on the part of individual actors of being part of a bigger industry. This is especially true for those actors involved at the beginning of the cultural value chain in the stage of creation.

Tom Aageson, an expert on craft enterprise development³⁰, notes that some craft producers do not even see themselves as artisans, much less entrepreneurs; they simply view their activity as a continuation of a tradition. Similarly, performers taking part in festivals often focus solely on their individual performance, ignoring the market side of the festival and the opportunities it presents to make contacts and find new sources of revenue.³¹

It is also not uncommon to see people engaged in the cultural sector because of lack of other alternatives: this is especially so within the crafts sector where barriers to entry are

²⁸ Aid to Artisans, 2002 : *Craft Industries as a Tool for Poverty Alleviation: Aid to Artisans' Experience*

²⁹ See for instance ILO 2003 (Film and TV), ILO 2003 (Music), Aid to Artisans, 2002

³⁰ Tom Aageson is the current director of the Museum of New Mexico Foundation, and the former Executive director of Aid to Artisans. Comments from a telephone interview, September 2004.

³¹ Comments by Damien Pwono, Secretary-general of the International Music Council and former Programme Director in the Ford Foundation's Media, Arts and Culture section. In-person interview, September 2004.

relatively low. For these persons, the cultural activity is simply a temporary palliative until something “better” comes along.

The lack of an entrepreneurial approach is especially a shortcoming at the commercialisation stage of a cultural product or service: it is at this stage that it is most important to match artistic expertise with knowledge of business, though not necessarily within the same person. But often this match is not made, as artists shun entrepreneurship, and entrepreneurs and financiers have stereotypic ideas of artists.³²

The lack of an entrepreneurial attitude feeds into several other weaknesses of cultural enterprises developed below, notably a lack of specialisation and professionalism.

3.2 Lack of professionalism

A study on commercial and non-commercial barriers to the exports of cultural products from four West African countries³³ concluded that one important barrier was a significant lack of professionalism within the performing arts and music sectors. Cultural actors in developing countries often lack appropriate training, both in the art they exert, as well as in basic business and management skills. In most developing countries, there is a dearth of professional schools or formalised training programmes for the arts. For instance, a report on the music sector in SADC (Southern African Development Community) countries found that several musicians lacked basic music literacy skills³⁴. This lacuna cost them lost revenues, as to get their compositions published they had to relinquish some of their rights to future royalties to an intermediary.

There is a penury of sufficiently skilled workers in most cultural sectors in developing countries. Theatres often have trouble finding trained actors, film production units lack workers with the requisite technical skills, and so on. Technical and artistic skills help construct an enabling environment for creativity, and thus the insufficiency of such skills may inhibit the creative process in developing countries. Furthermore, artists often lack professional support in the form of competent agents and specialists. For instance, in South Africa, a country with a relatively well-developed music industry, there are at most twenty lawyers that understand the entertainment industry, and of these, only a handful work specifically with the music sector³⁵.

The lack of professionalism is often evidenced by the fact that cultural activities are only undertaken as a part-time activity. This is most commonly the case in the crafts sector, where especially those working in a rural setting undertake their craft activity alongside other activities, but it is also common in the other cultural sectors. These part-time activities, whilst often necessary to make ends meet, detract from the creative process and have a bearing on production planning and productivity³⁶.

³² Koivunen, Hannele and Kotro, Tanja, 1998 : *Value Chain in the Cultural Sector*, Paper presented at the Association for Cultural Economics International Conference, Barcelona.

³³ UNESCO/Institut d'Etudes Politiques Paris, 2004 : *Les barrières commerciales et non commerciales à l'exportation des produits culturels vers les marchés d'Europe et d'Amérique du Nord : secteurs de la musique et de la danse et du théâtre*, UNESCO, Paris.

³⁴ ILO, 2003 (Music)

³⁵ Idem.

³⁶ International Trade Centre/The Crafts Center, 1998: *Export Development of Artisanal Products*, Geneva

Box 3.1
Music as a part-time activity³⁷

70 to 90 percent of musicians in Asian countries perform a second trade outside their music; over 80 percent of African musicians do the same. In Latin America, the situation varies greatly between countries, with only 20 percent holding a second job in some countries but up to 80 percent in others. Musicians in these regions are often teachers, but they may also be journalists, policemen, soldiers, shopkeepers, and farmers. The accumulation of jobs outside their artistic discipline leaves many artists with an “amateur” status and tends to devalue the profession in society.

3.3 Lack of specialisation

Related to the lack of professionalism, one often also sees a significant lack of specialisation across the value chain of cultural products. Cultural entrepreneurs in developing countries often wear several hats, a practice that is generally frowned upon in the developed country context³⁸. Lacking the right professional environment, several cultural actors are forced to undertake tasks in which they do not necessarily have the comparative advantage, compromising efficiency and distracting from core artistic activities. For instance, many visual artists act as their own agents, even though having a specialised agent with a wider repertoire of contacts would be more efficient³⁹. In the music sector, bandleaders often take the responsibility of sourcing new touring and contract opportunities, which cuts into time that could be used practicing and creating.⁴⁰

The ideal situation is one where creators can focus on their art, however for lack of resources few artists in the developing world are able to do this. They thus have to show extreme versatility and learn how to undertake non-artistic tasks as efficiently as possible, which is not always easy.

3.4 A survival mentality and short-term strategies

The culture sector is a high-risk sector requiring constant innovation on the part of creators. Yet, artists in developing countries are often working in a context of significant poverty, which makes them averse to risk. These contradicting impulses often result in a stifling of innovation amongst cultural entrepreneurs, and the adoption of short-term strategies.

Due to severe financial constraints, cultural production in developing countries is often strongly influenced by the need to survive. This on the one hand means that production is

³⁷ Vincent, Jean, 2001: *The Social Situation of Musical Performers in Africa, Asia and Latin America*, ILO Working Paper, Geneva

³⁸ ILO 2003 (Crafts and Visual Arts)

³⁹ ITC/WIPO, 2003

⁴⁰ ILO 2003 (Music)

directed at a market, however there is often a poor understanding of the characteristics of this market and hence any innovations undertaken tend to have a high failure rate⁴¹. At the same time, daily survival needs tend to stifle innovation: for example, the presence of a tourist market often results in the production of sub-standard and clichéd crafts products, as artisans all try to jump on the same bandwagon. Aid to Artisans in Ghana documents that foreign buyers repeatedly comment on the lack of design innovation in the craft sector⁴². Beatrice Mwasi, director of Sanabora Design Services, notes that Kenyan artisans often ask for copies of old catalogues from overseas so that they can copy the designs, if the artisans are not simply copying from their neighbours⁴³. The lack of originality limits potential revenues for individual creators as markets become saturated with the same products. It can also dilute the cultural and artistic content within products.

The survival mentality also compromises quality, as artists opt for short-term approaches instead of thinking strategically in the long term. Mwasi notes that artisans in the informal sector will often not upgrade their techniques or products even if they have the means to, as they are so caught up in a survival mentality and prefer to continue taking shortcuts. In the music sector the survival mentality often expresses itself through the production and release of several albums by an artist within a short period of time, though this is frequently also a response to challenges posed by pirating, as well as to the unique challenges posed by HIV/AIDS.

Box 3.2

HIV/AIDS favours short-term strategies in the music industry⁴⁴

In certain southern African countries, HIV/AIDS is very prevalent amongst musicians and deaths from AIDS related illnesses are common. As a response, record labels favour short-term strategies, releasing as many albums as possible within a short period of time, thus reducing the shelf life of the album in question and decreasing the internal rate of return of the investment made.

The lack of long-term strategic thinking does not only arise due to the particular contexts that cultural enterprises in developing countries face, but may be a structural problem within cultural enterprises worldwide. Bilton⁴⁵ writing on cultural enterprises in the UK notes the absence of any forum for strategic decision making or long-term strategic planning as a key weakness, and attributes this shortcoming to the fact that most creative partnerships are in fact temporary alliances structured around operational priorities rather than strategic priorities. Long-term thinking that does take place tends to do so on the individual level rather than collectively, and long term plans centre on creative goals rather than organisational objectives. Success within cultural enterprises is often due to a

⁴¹ Cockram, M., 2004: *Cast Brass, Recycled Glass, and Kente Cloth: a case study of Aid to Artisans' Work in Ghana*, preliminary draft, Aid to Artisans.

⁴² Idem.

⁴³ Sanabora Design Services is a private design consultancy firm in Nairobi, Kenya established by Beatrice Mwasi. In-person interview, August 2004

⁴⁴ ILO 2003 (Music)

⁴⁵ Bilton, C., 1999

particular individual's vision or the success of a particular project; it may be difficult, however, to carry this vision forward as the company expands or as new projects are taken on.

3.5 Weak business and managerial skills

A paper by the International Trade Centre (ITC) on the export development of artisanal products⁴⁶ remarks that craft enterprises often fail not because of design deficiencies but because of a lack of management skills. Given that a significant number of cultural actors do not consider their activities as businesses, it is not surprising that several cultural enterprises are run without the appropriate business tools. Sometimes even the most basic business tools are lacking: describing the Ugandan crafts context, Bruno Sserunkuuma⁴⁷ notes that craft producers often do not even keep track of how many crafts they produce, let alone sell. It is common for artisans to sell their product at prices lower than cost because proper records are not kept. These weaknesses are sometimes linked to a lack of basic literacy and numeracy skills, but they are also manifest in larger enterprises. Mary Cockram⁴⁸ notes that lack of accurate costing and pricing is a problem found across the scale of crafts enterprises, as creators are not willing to devote time to a task seen as tedious and unglamorous.

The ILO study on the music sector in the SADC region identified as a key gap the lack of accurate records in the industry. Recording companies tend to monitor sales in terms of artists, not in terms of where a sale has taken place, missing out on important market information. With weak records kept across the range of cultural enterprises in developing countries, investment decisions are often taken on the basis of perception, rather than as a part of a long-term strategy to secure new markets.

Cultural entrepreneurs in developing countries also tend to have a poor knowledge of market research and marketing techniques, the product development process and copyright and other legal issues. Most importantly very few cultural enterprises have a business plan and most lack clear medium- and long-term strategies. The inability to write business plans and/or project proposals limits the ability of enterprises to access financing, as well as inhibiting strategic thinking.

3.6 Lack of confidence

Cultural actors in developing countries often lack the confidence required to take risks inherent to entrepreneurship. Lacking confidence, cultural actors are reluctant to seek new markets, to expand their enterprises, or indeed to establish their own enterprises. In his study of *Jua Kali* artisans in Kenya, Kenneth King evokes a "slippery concept termed technological confidence", which can be summed up as a kind of a "can-do" attitude,

⁴⁶ ITC/Crafts Center, 1998

⁴⁷ Bruno Sserunkuuma is dean of University of Makerere's School of Industrial and Fine Arts (Kampala, Uganda) and coordinator of two crafts development projects. Comments from an in-person interview, August 2004

⁴⁸ Mary Cockram is Programme Officer at Aid to Artisans (USA). Comments from a telephone interview, September 2004.

found in several of the more innovative entrepreneurs covered in his survey⁴⁹. Creators often undertake training offered by numerous development programs but do not set up their own businesses afterwards for lack of this confidence.⁵⁰

The lack of confidence that holds back cultural actors may stem from language barriers or a perceived lack of education or formal training; sometimes artists simply feel overwhelmed by the wide array of skills needed to run a business. The institution of formal qualifications in the cultural sectors may help boost confidence.

Box 3.3

Lack of confidence hinders business expansion

Kitengela Glass, established in 1979, is one of Kenya's leading craft enterprises with an annual turnover of about US\$ 100,000 and strong domestic sales. The managers recently tried to franchise their successful business, but gave up on the idea when they found that few people had the confidence to take part in such an initiative. In May 2000, Kitengela established a Glass Research and Training Trust whose aim was to "spread the good news of glass across Africa". Whilst this initiative has led to a rich series of exchanges between artists from various continents, it has not incited artists to establish their own glass-blowing enterprises as it intended. Anselm Croze, the director of Kitengela attributes this again to a lack of confidence.

3.7 Lack of information

One of the important market failures impeding SME development is poor access to information⁵¹; the same constraint applies to the cultural enterprise sector. Cultural actors in developing countries often lack information about the market, this is especially the case for those who are based in rural areas yet trying to produce for distant overseas markets. Cultural actors also lack information about what kind of support structures exist and what others in their field are doing. Jackie Guille notes that a crucial issue for creators is a lack of awareness of the wider context of their activities and the regional/global market in which they operate - the problem is not solely "knowing where they are going" but "knowing where they are."⁵²

Informational constraints also operate amongst support structures for artists, which often work in isolation from one another, not sharing knowledge and thus undermining the opportunities for artists and institutions to learn from one another⁵³.

⁴⁹ King, Kenneth, 1996: *Jua Kali Kenya: Change and Development in an Informal Economy: 1970-1975*, Eastern African Studies, Nairobi.

⁵⁰ See for example : Guille, Jackie (2004) : Kenya Comparative Field Survey.

⁵¹ World Bank/IFC, July 2000 : *SME Facts*, vol. 1, no. 1, Washington, DC.

⁵² Guille (2004)

⁵³ ILO, 2003 (Performing Arts)

3.8 Poor market and audience development

Market development, or marketing can be defined as a set of practical efforts undertaken to persuade customers to buy one's products and as a philosophy that places customers at the core of the enterprise. Audience development, on the other hand, can be understood as being concerned with broadening the audience base in both quantitative and qualitative terms and enriching the experience of customers⁵⁴.

Audience development was identified as one of the "primary concerns for development" by the ILO study on the crafts and visual arts sector in SADC countries⁵⁵. The limited purchasing power of populations in developing countries means that generally, cultural enterprises face a weak market for their products. However, cultural enterprises themselves do not undertake sufficient activities to develop their markets and audiences, especially within the local market where public awareness of the arts is often lacking. For instance, it is estimated that less than 2% of Africans have ever seen an African film.

Creations are also often poorly understood and therefore undervalued. African creators in a wide range of fields complain about negative stereotyped perceptions of their products in Western markets where they are often pigeonholed as naïve folkloristic art. For instance, export markets often categorize artwork from developing countries as décor, not differentiating between craft objects and more unique fine art pieces.⁵⁶ Significant marketing and education efforts are needed on the part of African artists to enable them to break out of this folkloristic mould in which they have been placed⁵⁷.

In Section 2 it was noted that in the cultural sector, supply often has to create its own demand through proactive marketing and by educating potential audiences, yet cultural enterprises in developing countries often pay very little attention to marketing and publicity. In a context of a penury of resources, the marketing budgets are often the first ones cut.⁵⁸

3.9 Financial constraints

Financial constraints are often identified as the biggest obstacles for SMEs in developing countries⁵⁹. It is estimated that less than 5% of Latin American and Caribbean micro-entrepreneurs have access to credit⁶⁰, and access is likely to be even more restricted for cultural enterprises who are not taken seriously by conventional financial institutions. Financial constraints are often linked to a lack of adequate equipment and technology as the funds are not available to acquire these.

⁵⁴ Kawashima, Nobuko, 2000: *Beyond a division of attenders vs non-attenders: a study into audience development in policy and practice*, Centre for Cultural Policy Studies, University of Warwick

⁵⁵ ILO, 2003 (Crafts and Visual Arts)

⁵⁶ Idem.

⁵⁷ Comments from Oumarou Sanfo, manager of a film production company in Burkina Faso, and Ignace Hien, a Burkinabé literary editor. In-person interviews, July 2004. Also see UNESCO/IEP 2004.

⁵⁸ ILO, 2003 (Performing arts)

⁵⁹ World Bank, 2000

⁶⁰ Inter-American Development Bank, 1997: *IADB Microenterprise Development Strategy*, www.iadb.org

Access to financing is constraining in differing degrees according to the cultural sector. It appears to not be an overwhelming constraint in the crafts sector where barriers to entry are lower and sometimes equipment and technological requirements low, although lack of financing can impede expansion of a craft enterprise. Financing constraints are, however, often identified as one of the biggest obstacles for the film and TV sector in developing countries⁶¹, and create significant bottlenecks for the music and publishing sectors.

It is important to note, however, that alleviating financial constraints without addressing other problems facing the cultural enterprise sector, especially the lack of business and managerial skills, has little beneficial impact for most enterprises.

Box 3.4

Financial constraints in the publishing sector

Ignace Hien, the literary and publishing director of Graphic Technic International, a Burkinabé publishing company that has published and co-published 22 literary works since 1989, identifies financing as the biggest constraint on the publishing sector, bemoaning the fact that often authors have to finance the publication of their books themselves. He himself only undertakes his publishing duties on a part-time basis, earning his living from a post as a price inspector in the Ministry for Economic Affairs.

⁶¹ ILO 2003 (Film and TV)

4. Successful cultural entrepreneurship

This section spells out some key practices that cultural entrepreneurs should follow and important issues they should consider to help secure the success and sustainability of their enterprises. It relies to a great extent on information gathered through case studies (from interviews, surveys or internet research) and from experts in the field, as well as on didactic guides on specific questions.

4.1 Successful cultural enterprises have markets

Market development is the most crucial element for the success and sustainability of cultural enterprises. Finding a market allows actors across the value chain of a cultural product to earn a living from creative activity and permits cultural enterprises to assure an income stream and long-term viability without the aid of donor funds. There are several factors involved in finding a market and keeping this market, and a continuous strategic process is required.

4.1.1 Identify a need

Finding a market starts with the identification of a need within the local, regional or international markets. This need may be one that is currently not being satisfied, or there may already be some actors responding to the need, in which case one looks for a novel way in which to satisfy the need. A craft enterprise may identify a product that can substitute for currently imported products; a visual artist may identify a demand for fine art that is not being filled within the corporate and hotel sectors; a theatre company may identify the need of NGOs for dramatic groups to carry out their socio-educational campaigns; a film production unit may recognise the need for films and TV series relevant to the local setting, and so on.

Given that in the cultural sector demand is often not expressed, identifying market needs is not always obvious. The identified need may not be linked directly to the market, but rather depart from cultural or artistic needs. For instance, a dance company may for artistic reasons decide to focus on contemporary dance even though there is no apparent

Box 4.1

Kitengela Glass substitutes for glass imports

Kitengela Glass was founded in 1979 in Kenya. At the time there was no flat glass being made in the country, all of it being imported from the West. Kitengela's founder, Nani Croze, a muralist, saw an opportunity in the number of churches that were then being built, and within a few years started the production of stained glass windows. Today, Kitengela is still the only glass-blowing company in Kenya (and only one of four in the whole of Africa). It produces a wide-range of decorative glass products that find a strong market within the corporate and elite sectors of Kenyan society. The company employs around 50 people today and has annual turnovers in the range of US\$100,000.

market for this type of dance locally⁶². What is crucial in these cases, is that a proactive marketing strategy be pursued to find and develop markets for the product in question.

Market research is essential for the identification process and helps minimise the risk inherent in innovation. Information should be gathered on the following elements:

- The markets that exist. Markets are always segmented and one thus needs to understand which segment is most relevant to the enterprise's project.
- The characteristics of this market – age, gender, income, trends, particular requirements, etc.
- The products that compete directly and indirectly with the enterprise's own product.
- The market channels that exist. What are the ways to reach the targeted markets – retail, wholesale, festivals, fairs, etc.

4.1.2 The Marketing Mix

Market research gives an enterprise a set of relevant information that allows it to determine a strategy indicating the specific target markets and types of competitive advantages that are to be developed and exploited.⁶³ A market strategy should be developed around the marketing mix, which has four components:

- Product
- Price
- Promotion
- Distribution

a) Product

Having identified a need, one must decide on the exact product to offer to fulfil this need. The product development process is especially important in the craft sector, where the design process is a crucial element of the production chain. Successful crafts enterprises have strong design services, often calling on specialists to develop their designs. Prototypes of new products are developed and tested in the market, thus inserting direct market feedback in the product design process. Furthermore, several successful craft enterprises produce on order, and therefore there is direct input from the market in the development of some of their products. The International Trade Centre notes that many craft businesses have successfully improved their sales through a strong focus on product design and that design excellence brings stronger brand recognition and better profitability⁶⁴. The development process should not focus solely on the actual product, but also pay attention to the product's presentation, such as packaging.

The market may play a more muted role in the product development of non-craft cultural products. For these, artistic research is an important element of the product development

⁶² This is the case for example with *Compagnie Gaara*, Kenya's first contemporary dance troupe, founded in 1997.

⁶³ ITC/WIPO, 2003.

⁶⁴ Idem.

process, though market research, especially about what others are doing, can also make an important contribution.

b) Price

For the product to find a market it must be offered at the right price: general business theory holds that the right price is a balance between what the market will stand and what a company needs to get a return on its investment.⁶⁵ However, due to their special qualities, which we saw in Section 2, cultural products are often difficult to price. An enterprise should try to get as much information as possible about how much similar products are selling for in the local setting, as well as in the regional and international setting, and then establish prices in function of the purchasing power of the target market.

Certain cultural products, such as CDs, DVDs and to a certain extent books, tend to have their prices determined on the global market and often this global price is applied indiscriminately to settings with significantly lower purchasing powers. This pricing strategy, though it promises greater per unit revenues may be counter-productive as it limits the number of potential buyers on the local market in developing countries. Prices that are set too high may also encourage alternative distribution channels, as consumers turn to cheaper pirated products.

Pricing a product too low can also be problematic for certain kinds of cultural products. For instance the price of visual art pieces often influences their perceived value, and a work of fine art sold at a low price may denigrate the perceived value of the product. Creators should thus also be careful not to under-price their work, with respect to its quality.

Box 4.2

Pricing low and pricing high

Libros del Ciudadano

In 1998, LOM Editorial, a Chilean publishing house launched a collection of books entitled *Libros del Ciudadano* (Citizen's Books) priced at under US\$2 before taxes. The advertising campaign accompanying the launch of the collection compared the books to a packet of cigarettes, which cost about the same amount, saying, "Books do not kill". The collection of low-cost books was created in a bid to open books up to a wider audience in Chile, as following the dictatorship, books had become increasingly restricted to an elite for economic and other reasons.

The books were priced at the lowest possible price allowing a recovery of costs and perpetuation of the collection. The collection has worked very well, outselling by far LOM's regular collections: a *Libro del Ciudadano* title sells on average 3,500 copies (with bestsellers selling up to 31,000 copies), whilst the average for all LOM titles is only 927 copies. Not only has this pricing policy allowed LOM to expand its audience, but it has also allowed the publishing house to take more artistic risks and release titles that are not conventional "best sellers".

⁶⁵ See for example Morris, S. and G. Willcocks, 2001: *The Business*, Hodder & Stoughton, London

DRIK Photo Agency sets a high price

DRIK is a photo agency founded in Bangladesh in 1989 with the aim of raising the quality of photography products in the Bengali market. The agency started by producing postcards and calendars and gradually diversified into other branches, including publishing and video production. Initially, DRIK was considered expensive by potential clients, but the agency soon established a reputation for delivering high quality products and gave impetus for standards and prices to be raised in the printing industry.

To be able to establish an economically correct price, it is necessary that the enterprise undertake correct costing. Costing should not only include the materials used, but also labour time put in (including that of the entrepreneur), overhead costs, and promotional and distributional costs, where applicable.

c) Promotion

Promotion is about making the market aware of a product's presence, and making a product attractive to potential buyers. Cultural enterprises should have a promotional plan for all new products, ensuring that potential customers are informed of the product before it is launched on the market. The International Trade Centre recommends that a promotional plan be developed at the same time as a product development plan; promotional planning however should continue until the product is taken off the market⁶⁶. The promotional strategy should be informed by market research so that it is targeted at the right sectors of a population, and feedback from previous promotional campaigns should be used to refine new strategies.

Catalogues, brochures, advertisements, posters and flyers, websites, free or discounted samples are all useful tools of promotion. Participation in trade fairs and in festivals is also an important avenue for promoting products. Developing strong brand recognition is another a good promotional tool as it fosters customer confidence and loyalty. The branding strategy may be overt, with a trademark or geographical indication being registered (see box 4.5), or it may be indirect through the provision of a product of exceptional quality. For this, it is important that information about the enterprise be offered along with the product: the product should be sold with a story. This allows clients to identify the product with the enterprise and build a myth around the enterprise. This does not only apply to physical products, but to experiential products too: for instance, theatres should hand out flyers with information about the production and about themselves during their performances.

Audience development is an important part of the promotion process, as often cultural products have to create their own demand. Offering a high quality product can serve to inform and educate an audience, and hence is a contributing factor to audience development. Some arts, especially fine arts, need to be demystified and presented to the public in accessible areas and manners.

Experiences from Europe suggest that festivals and fairs are a good way to develop audiences: they are more likely to be attended by people as the wide range of events and

⁶⁶ ITC/WIPO 2003

Box 4.3**Kazuri Beads sells its story**

Kazuri Beads is Kenya's leading manufacturer of hand-made ceramic jewellery and pottery. Founded in 1975 by Lady Susan Wood, Kazuri has developed a strong brand image locally, as well as in international markets. Their product got a huge marketing boost in the early 80s when during the filming of *Out of Africa*, the American actress, Meryl Streep was photographed wearing one of their necklaces. They got permission to use the photo for promotional purposes and continue to use it to this day.

The company is careful to sell its story along with its products: every customer is given a leaflet detailing the history and the mission of Kazuri Beads, and a book has been published, *A String of Beads*, by founder Lady Wood documenting the adventures of Kazuri. Today, Kazuri's international sales are very strong, and it has opened several outlets overseas, as well as three locally.

products on offer assures attendees that there will be something to suit their tastes, and they are viewed as more accessible and welcoming for the first time attendee⁶⁷.

Cultural entrepreneurs should also develop strategic partnerships to help develop public awareness of the arts: for example, presenting cultural products in schools can be a good way to develop a culture of art consumption. Opinion-moulders, such as art critics and even teachers, can be very important for audience development, especially when one remembers that the value of cultural products is often created by such opinion moulders.⁶⁸ Cultural entrepreneurs should thus endeavour to build relationships with the press, and especially with arts critics.

d) Distribution

Cultural entrepreneurs should gather information on what distribution channels exist – what retail outlets, performance halls, exhibition spaces, etc – and choose those that are best for the enterprise. One should also consider the pros and cons of developing one's own channels versus relying on others. For the film and TV sector, distribution is absolutely crucial, yet many films get blocked at this level⁶⁹.

Given the limited purchasing power of populations in developing countries, it is often necessary for cultural enterprises to look for international markets. Agents and representatives have proven important intermediaries to facilitate the internationalisation of cultural products in developed countries⁷⁰ and it is likely to be the same for the developing world. The Internet also offers enterprises with a new alternative distribution channel that has the advantage of having a very wide reach. If a cultural enterprise is

⁶⁷ Results from a report commissioned by the Association of Festival Organisers and the Arts Council of England. www.artsnet.org.uk

⁶⁸ Koivunen, H. and Kotro, T., 1998

⁶⁹ ILO 2003, (Film and TV)

⁷⁰ Cultural Enterprise, 2000: *The Cultural Industries in Wales: setting the economic development agenda*, Wales

targeting foreign markets it should, however, have a solid plan to deal with logistics, such as freight shipping, visa processing, compliance with relevant customs regulations, etc.

4.1.3 Audience feedback

Audience feedback allows a refinement of market knowledge and is a crucial element feeding the marketing mix and allowing its updating. Cultural enterprises should ensure that there is some kind of feedback mechanism in place, such as direct contacts with customers, questionnaires, the press and critics. Enterprises should also be careful about keeping records on their customers: who is buying what, where are they buying it, when are they buying, etc.

Critics form an important part of the feedback mechanism in developed countries, but unfortunately the critics' press is underdeveloped in most developing countries. As for distribution, the Internet can also be a useful tool for collecting feedback. For example, the Harare International Festival of the Arts has an on-line poll to receive comments from festival attendants.

4.1.4 Market and product diversification

The marketing strategy should be continuously updated and one should not become complacent with markets already found, but be ready to recognise changes and opportunities for diversification. Market diversification is important because it helps to reduce some of the risk inherent in cultural entrepreneurship. The development of Internet sales allowing an enterprise to reach distant markets, is one example of market diversification. It should be noted however, that experience in the craft sector shows that businesses are more sustainable when they choose to master a single market before trying to supply several markets simultaneously.⁷¹

Often product diversification is part of a market diversification strategy – finding a new product that will appeal to new markets. The diversification processes are especially important for products that face a very thin market, or products that face a risk of market saturation. For example, a fine artist in a developing country may not find many clients able to afford his works, yet postcards of his work could appeal to a wider market⁷². A festival may not be able to recuperate its costs from entry fees because of the limited purchasing power of attendees, but it can diversify its potential sources of revenue through merchandising, selling festival T-shirts, CDs or videos.

Aside from market and product diversification, cultural enterprises should also think about diversifying their sources of revenue. Several enterprises are dependent on donor or public funding, and are not yet able to secure enough revenues for their viability directly from the market. Enterprises should be creative in finding ways to reduce their dependency. Corporate sponsorship offers an alternative source of revenues that is often

⁷¹ ATA, 2002.

⁷² Damien Pwono.

Box 4.4
Diversification for festivals

Fet'arts is an annual multidisciplinary festival held in Burkina Faso, featuring music, drama, dance and visual arts. Launched in 1999 by Jovial Productions, the festival plans to help assure its economic sustainability through merchandising – T-shirts and gadgets – and by establishing strategic partnerships with hotels, restaurants and other private sector actors.

HIFA, the Harare International Festival of the Arts is another annual multidisciplinary festival. Since its establishment in 1999, it has successfully formed strategic partnerships with the corporate sector, and the festival now assures 70% of its revenues through corporate sponsorship. Companies have even come forward and asked to be involved in the festival without being solicited. On their comprehensive website, the HIFA organisers devote pages to encouraging corporate donations, explaining to potential sponsors the benefits sponsorship can offer their companies.

not sufficiently explored by cultural enterprises. Likewise, setting up an endowment fund can help guarantee economic viability in the long run.

Understanding how to exploit intellectual property to secure a constant income stream is an important diversification strategy. However, currently the majority of cultural enterprises in developing countries, for lack of information or lack of the right enabling environment, are not exploiting their intellectual property rights. Box 4.5 presents the advantages that intellectual property can offer cultural entrepreneurs and ways in which intellectual property can be exploited.

4.2 Business skills and entrepreneurship

Successful cultural enterprises are led by people with strong entrepreneurial spirits who are willing to take risks. The ILO report on the film and TV sector in SADC countries notes that those who succeed “don't make films, they force them into existence.”⁷³ It is important, however, that cultural entrepreneurs have strong leadership skills, understanding when and how to delegate, as cultural enterprises should not be constructed solely around an individual.

Entrepreneurs who have the drive are motivated to acquire the necessary business skills required for the good functioning of their enterprises. Case studies suggest that successful cultural enterprises have specialized personnel taking care of the administrative side of the enterprises, several having full-time or part-time accountants, some even having their books audited by large auditing firms. If the enterprise was not able to afford specialised personnel, the cultural entrepreneur himself/herself often had some management or accounting background.

⁷³ ILO 2003 (Film and TV)

Box 4.5
Intellectual Property

WHAT IS INTELLECTUAL PROPERTY?

Intellectual property (IP) refers to creations of the human mind. Intellectual property rights (IPRs) are legal rights governing the use of such creations. IPRs generally exclude third parties from exploiting protected subject matter for a given period of time without explicit authorisation from the owner of the rights. There are two categories of intellectual property rights: copyright and industrial property rights.

Copyright: These are rights given to creators for their literary and artistic work, granting them the exclusive power to authorise the exploitation of these works, such as through reproduction, public performance, and use over digital networks. The works covered include novels, poems, plays, reference works, newspapers; databases; films, musical compositions, and choreography; artistic works such as paintings, drawings, photographs and sculpture; architecture; and advertisements, maps and technical drawings. Copyright is of relevance to almost all cultural enterprises, except may be craft enterprises for whom industrial property may be more relevant.

Industrial property: This type of IP covers patents for inventions, industrial designs, trademarks and geographical indications. Industrial design rights can cover ornamental or aesthetic aspects of an article not linked to its functionality, such as a unique shape of pottery, for instance. Trademarks and geographical indications can be very useful elements in a marketing strategy, to develop a brand image and customer loyalty. Amongst all the cultural sectors, this kind of IP is most likely to be found in the crafts and design sector.

CULTURAL ENTREPRENEURS AND INTELLECTUAL PROPERTY RIGHTS

Intellectual output is more difficult to control than physical property, yet controlling IP assets holds important advantages for cultural entrepreneurs. Controlling IP can create a new kind of trust and stability in commercial relationships and is an important risk-reduction tool for cultural entrepreneurs. IPRs make it possible for artists to earn money in a secure way, in a number of different ways and for a longer period of time. Creation of new innovative and original products often has high upfront fixed costs, but once created, IPRs in these products can be licensed and sold for very little additional cost; thus IP has a great investment return potential. Furthermore, IPRs provide the basis for exclusivity in the marketplace, which is a precondition for determining the highest price the market is likely to bear for a particular product.

HOW TO USE INTELLECTUAL PROPERTY

Cultural entrepreneurs should thus make efforts to protect their intellectual property and to use it in such a way as to gain a competitive advantage in the marketplace.

Registering intellectual property, whilst not always necessary for IPRs to be protected, is an important step in controlling IP, reducing the chances of theft and helping in cases of disputes over ownership.

Licensing of IPRs gives cultural entrepreneurs the opportunity to create new revenue streams from their creative output. A license agreement is a contractual agreement under which the IP owner permits another (the licensee) to use her/his protected subject matter in one or more forms, for a certain territory, in return for some form of

compensation and for a determined period; the agreement does not transfer ownership to the licensee.

Different types of license agreements exist: they may be exclusive or non-exclusive, limited or divided licenses. An entrepreneur should inform her/himself well on the different implications of these types of licenses and clearly understand her/his rights before entering into any kind of license agreement. Licensing of IPR can also be done through the intermediary of a collective management society that will monitor the use of works on behalf of creators and will be responsible for negotiating license agreements and collecting remuneration.

Licensing can be a useful way to gain access to new markets for cultural entrepreneurs who do not have the capacity to break into foreign markets themselves, as a licensee usually agrees to make all the adaptations required for entering the new market, e.g. translation of labels and instructions, subtitling, etc. When thinking of protecting and/or licensing products, cultural entrepreneurs should think not only of the core product, but also of possible derived products. For instance, a painting may give rise to postcards, and T-shirts, which should generate royalties for the creator or the owner of the rights.

Selling of rights: A creator may also sell his rights, and this is often the case for products that require mass distribution, communication and financial investment for their dissemination (for example sound recordings and films). Creators can sell their works to individuals and companies best able to market the works in return for royalties.

Marketing: Trademarks, geographical indications and appellations of origin can help build a brand image for cultural products and instil consumer confidence by acting as a seal of quality. Trademarks like other rights can be licensed, and may also be franchised, thus creating a new source of royalties. An enterprise that uses a trademark or a geographical indication must pay very careful attention to the quality of her/his product; a trademark associated with poor quality can be extremely damaging for a cultural enterprise.

Financial assets: IPRs can also be valued as financial assets on the balance sheets of cultural enterprises, and in the certain environments may be used as collateral for acquiring loans.

CAVEATS

Whilst intellectual property rights do offer several advantages to cultural entrepreneurs, the control and exploitation of these rights is more difficult in contexts with weak IP systems: a favourable policy environment is therefore important for cultural entrepreneurs to be able to exercise their rights.

IP systems also differ across countries, and entrepreneurs seeking overseas markets need to inform themselves on how to ensure the protection of their rights across borders.

Sources:

ITC/WIPO, 2003: Marketing Craft and Visual Arts: The Role of Intellectual Property: A Practical Guide, Geneva, ITC/WIPO.

WIPO: Intellectual Property for Businesses, WIPO SME Division

Box 4.6
The entrepreneurial spirit

On his C.V., the Burkinabé, Oumarou Sanfo proclaims himself a “cultural entrepreneur”. He is currently the managing director of a film production company founded in 1999, as well as the coordinator of the annual Fêt’arts festival and manager of a music group Yeelen. He attends training on business aspects of the cultural sector as often as he can, having participated in a workshop on the Management, Administration and Stimulation of Cultural Industries in Morocco, amongst others.

A solid foundation in basic business fundamentals is required to implement a successful market strategy, and business plan writing skills (and sometimes proposal writing skills) are extremely useful for gaining access to financing. The business plan is also an essential tool for strategic long-term planning of the enterprise.

Box 4.7
The Business Plan

The business plan is the practical application of the marketing strategy and is informed by preliminary market research. A good business plan provides an overview of where a business is, how it plans to position or reposition itself, and how it seeks to attain its business objectives. In general practice, business plans cover a period between one and five years long. It is crucial that the business plan is updated regularly.

A business plan incorporates the following plans within it as integrated components:

- A **marketing plan**: this is a schedule for implementing the marketing strategy.
- A **product development plan**: this is a schedule for implementing the required production and design processes through all stages from creation to the launch of the final products.
- A **promotional plan**: this is necessary to ensure that the promotion of a product precedes its launch and continues until the product is withdrawn from the market. It should ensure that the primary selling features of a product are brought to the close attention of target consumers.
- A **distribution plan**

The business plan should also indicate how the cultural enterprise plans to protect, manage and commercialise their intellectual property assets for business success.

Adapted from International Trade Centre/World Intellectual Property Office, 2003: *Marketing Craft and Visual Arts: The Role of Intellectual Property: A Practical Guide*, Geneva, ITC/WIPO.

4.3 Production

Successful cultural entrepreneurs often attribute their success to continuous reinvestment in their enterprises. The proprietors often take very small salaries, at least in the initial years, to allow as much as possible to be pumped back into the enterprise. This constant reinvestment allows for a continuous upgrading of production technique and production efficiency, and a hence a reduction of production costs. An example is a film production company investing in its own equipment: this saves the company money in the long run as they no longer have to rent equipment, and may even be able to rent out their equipment to others, and it permits the company to produce more films than previously.

Cultural enterprises should try to reduce their costs as much as they can without compromising quality. Techniques or production processes that increase efficiency should be adopted when possible, and entrepreneurs should do their best to keep up with innovations in their field.

As well as paying attention to efficiency in the production process, it is very important that enterprises pay attention to the quality of their products. Quality should be assured not only of the actual product but also of its delivery, and hence attention also needs to be paid to customer service.

4.4 Exchanges

The artistic and creative processes are greatly facilitated and enhanced through exchanges, and cultural entrepreneurs should take any opportunity to participate in such exchanges. A cultural enterprise business support service provider based in Wales notes that “it is particularly true in the cultural industries that practitioners develop the quality and coherence of their products in part through travelling and meeting people.”⁷⁴ Exchanges allow for a diffusion of ideas and of techniques, and give a cultural operator greater exposure to and a greater understanding of the wider context in which s/he operates. Exchanges should be encouraged at all levels: locally, regionally and internationally (South-South exchanges as well as North-South exchanges) to benefit from different cultural dimensions.

Particularly fruitful exchanges, because of their strong market link, are trade fairs and festivals. These events have the advantage of concentrating creators as well audiences. Cultural entrepreneurs are offered the opportunity to communicate face-to-face with their audiences, to assess the competition and to become acquainted with potential new partners.⁷⁵ They also help raise the professionalism of participants: one Armenian craft enterprise owner noted that his first participation in the New York International Gift Fair was a “five-day MBA course” for him.⁷⁶

⁷⁴ Cultural Enterprise, 2000

⁷⁵ Sala, Maria-Mercedes, 2002 : “Making the best of craft trade fairs”, *International Trade Forum*, May 9., ITC, Geneva.

⁷⁶ Cockram et al, 2004

Box 4.8
Festivals help artists grow

“An artist cannot exist in a vacuum as we tend to do in Zimbabwe. Having international art and artists around us, even for a short time, gives us something to measure ourselves against and helps us grow.”

Debbie Hawkins, a Zimbabwean actor commenting on the utility of the Harare International Festival of the Arts (HIFA).

Participation in festivals and fairs should be carefully prepared, and it should be one of the wider objectives of a comprehensive business plan, not just an end in itself.⁷⁷ Research on the fair or festival should be undertaken to ensure that it meets the enterprise’s objectives, and that the enterprise’s products meet the requirements of the festival. The ITC also recommends participation in the same fair (or festival) for several consecutive years – three to four years on average – to allow for a consolidation of contacts made⁷⁸.

Box 4.9
A how-to guide to craft fairs

UNESCO and the International Trade Centre published *International Craft Trade Fairs: a Practical Guide* in 2001. This guide walks small craft enterprises through the process of preparing for and participating in international craft trade fairs so as to derive the greatest benefit from these. The guide provides information and advice on identifying, selecting, budgeting and planning participation in fairs, and how to follow-up for maximum impact. A useful directory of key specialised international craft trade fairs and of on-line databases is included.

4.5 ICT technology

In developed countries a high rate of ICT use has been found amongst cultural enterprises⁷⁹. In developing countries access to Internet technology is still very limited and not all cultural enterprises can afford it. For those who can, however Internet technology may be an extremely useful tool for their enterprise. The Internet offers a new distribution channel able to reach distant markets, lowers transaction costs and offers the potential to eliminate intermediaries.

The potential that e-commerce offers has received much attention in recent years, however cultural enterprises need to proceed with caution before putting their scarce resources into the development of online sales. E-commerce will only bring benefits if the products offered are already sellable, thus one must not lose the focus on the product. Just like regular businesses, e-commerce businesses need to be continually marketed to

⁷⁷ Sala, Maria-Mercedes, 2002

⁷⁸ ITC/Crafts Center, 1998.

⁷⁹ Cultural Enterprise, 2000.

ensure sufficient traffic to the website. Operators also have to be prepared for the realities of global delivery and be sure to have the necessary resources to allocate to the upkeep of the website⁸⁰. Ensuring the security of the transactions and finding banks that will accept the payments are other details that have to be worked out before website sales can proceed. Thus one should proceed with caution, carefully weighing out the pros and cons, before embarking on online sales of cultural products.

The Internet, however, can also be a valuable tool for marketing and promoting cultural products, and this requires fewer logistics than Internet sales. Moreover, the web is extremely useful for undertaking market and artistic research, allowing for access to a wealth of information. Entrepreneurs can access international catalogues, trend reports, international prices and news on what others in the field are doing, and so on. Computer and Internet technology also facilitates the administrative management of enterprises: entrepreneurs for example can use programs to do their accounts, control their inventory or keep records on their customers. In the craft sector, ICT can enable an enterprise to better assess their capacity for completing an order and delivering it on time.⁸¹

Of course in certain sectors, notably film and music, Internet and digital technology are revolutionising the production processes. It is crucial for entrepreneurs to keep abreast of these developments, which often permit a significant reduction in production costs.

4.6 Strategic questions for cultural enterprises

The list of questions below is meant to facilitate strategic thinking for cultural enterprises. They summarise most of the points raised in this section, and add an environmental dimension: a successful cultural entrepreneur must learn to make the most of his environment, looking at what strategic partnerships can be formed and at how the sector's interests can be protected or promoted. This list is adapted from a proposed set of key questions to facilitate strategic thinking in the music industry contained in an ILO report⁸².

⁸⁰ Orbeta, Aniceto, December 2002: *Action Research on E-commerce for Small Artisans and Development Organizations: Pan-Asia E-commerce*, International Development Research Centre, Canada.

⁸¹ Cockram et al, 2004

⁸² ILO 2003 (Music)

Box 4.10
Key questions to facilitate strategic thinking for cultural enterprises

Market

- Who is our market? (What age? What gender? Where do they live? What do they do?)
- What income do they have at their disposal to purchase our product – play, concert, craft product, music CDs/cassettes, paintings, etc.
- How do we ensure that they spend this income on our products rather than on the competition or other substitutes?
- How do we generate new markets and increase our market share locally, regionally and internationally?

Creative inputs

- Who provides our creative inputs– artists, composers, scriptwriters, designers, etc?
- How do we generate “new inputs” that correspond to our demand (competitions, festivals...)?
- What contractual and financial conditions are best suited to ensure that they are productive and dedicated (i.e. how can we contribute to fostering creation)?
- What skills training support do they require (in terms of creative, artistic, and technical skills)?
- What management support do they require?
- What support do they require in terms of access to equipment?

Production facilities

- How do we use existing facilities for our products?
- What is the opportunity cost of developing our own facilities (e.g. theatre, arts studio, kiln for clay products), independently or in coordination with other actors, as opposed to making use of existing facilities?
- What steps can we take and what steps should others be taking to ensure greater access to necessary equipment?

Circulation and distribution

- What circulation and distribution channels can we utilise to make our products more accessible and affordable to our market?
- Should we develop our own circulation and distribution channels or should we co-opt existing channels (locally, regionally and internationally)?
- How do we monitor the nature and extent of audience reception for our products (sales records, competitions and awards, newspaper coverage, market research...)?
- How do we use the feedback in terms of audience reception to refine our operational strategy?

Partnerships and growth strategies

- What strategic partnerships can we develop to ensure that our business interests are protected and promoted? (e.g. fight against piracy, copyright protection, capacity-building and skills training)
- What complementary business partnerships can we craft to facilitate the growth of our business? (e.g. relationships with the media, establishment of collective marketing associations)

Trends, contextual impediments and opportunities

- What are the global, regional, national and local trends affecting our business?
- What do they mean for the growth of our business and that of our competitors?
- How do we diminish the negative impact of contextual impediments to the growth of our business?
- How are competing or complementary businesses responding to these impediments?
- How do we maximise opportunities to leverage growth in our business?
- What actors have a stake in these opportunities and how should we relate to these other actors?

5. Cultural enterprise support services

This section is addressed at institutions and organisations offering support services to cultural enterprises to help these to develop and become self-sustainable. These support services may be offered by government bodies, international organisations, NGOs or even private consultants. Having identified some of the major obstacles that cultural enterprises in developing countries face, and key elements needed for the success of such enterprises, we now turn our attention to what support services are the most useful for helping cultural enterprises achieve sustainability.

5.1 Market links

Accessing markets was identified as the crucial element in securing the sustainability of a cultural enterprise. As a corollary, the most important support that can be offered to a cultural enterprise is helping it access markets. When Aid to Artisans, a craft enterprise development NGO, visits artisans in the field, they are at first asked to purchase products, and secondly to assist the artisans in finding markets for their products⁸³.

There are three elements involved in supporting creators to access markets:

- Increasing access to information about markets
- Providing training on how to access markets
- Creating and opening up new and existing markets

5.1.1 Access to information about markets

One of the major market failures facing SMEs in the developing world is a lack of information, especially a lack of information about markets. Cultural enterprises especially need information on:

- Market trends
- What others are producing
- Market characteristics: market segments, consumer information, seasons, market requirements, etc.
- Distribution channels: it is especially important for cultural enterprises to know what festivals and trade fairs exist. They also need information on regular outlets. This information should be provided on a local, regional and international level.
- Support services and sources of financing available: e.g. export promotion boards, national cultural agencies and representatives

Entrepreneurs should be given an understanding of how to undertake market research and should be guided to think creatively in recognising new potential markets for their products.

⁸³ Mary Cockram. Comments from phone interview.

5.1.2 Training on how to reach markets

This includes training on how to promote products, how to participate in festivals and fairs, how to organise tours, how to produce and prepare products for exportation. For craft enterprises, training on product development and design is also a crucial element for increasing market access, although it can also be considered as an improvement in technical skills.

5.1.3 Development of cultural markets

Artists have three basic needs: 1) to create; 2) to exhibit; and 3) to receive some kind of recognition for their creations, preferably recognition that provides sustenance. Yet in most developing countries there is a dearth of spaces that allow the last two needs to be fulfilled: there are few “exhibition” and market spaces. Damien Pwono evokes the creation of “cultural markets” as the most important intervention for cultural enterprise support services. This can include the creation of brand new cultural markets, as is the case for instance with the Mercado Cultural (Latin American Cultural Market) held annually in Brazil every year for the past five years; or it can involve improving access for artists to already existing markets, as the Ford Foundation did for African visual artists in the Venice biennial⁸⁴.

When intervening in the creation and expansion of cultural markets one of course has to examine the local, the regional and the international contexts. Choosing the right location for a cultural market is crucial, as is the wide dissemination of information about the market. Activities to develop audiences are often required to accompany the creation of new markets.

All avenues for the development of cultural markets should be exploited. There is a tendency, especially in the craft sector to focus on developing access to export markets, and neglecting the local market seen as having too low a purchasing power⁸⁵. But the creation of vibrant markets is possible in developing country contexts too.

Box 5.1 **Developing the local market**

AGEXPRONT, a non-traditional export promotion agency in Guatemala has had a Handicraft Commission since 1993. Although the commission has done a lot of work to increase access for its artisans to export markets, it has not neglected the development of the local market. The agency developed a programme with three major chain stores that agreed to hold bazaars of high quality crafts in all of the shops in different months of the year. This has been a successful initiative, providing artisans who may not have an exporting capacity with an important market outlet.

⁸⁴ Damien Pwono, in-person interview.

⁸⁵ Comments by Silvia Moreira, Craft Commission Coordinator, AGEXPRONT, Guatemala

5.2 Capacity building

The World Bank identifies capacity-building as one of the key needs of SMEs in developing countries, and indeed in order for cultural enterprise to take full advantage of market access opportunities created it is often necessary to increase their capacities. There are two aspects of capacity building that must be considered: 1) increasing the technical and artistic capacities in the relevant domain; 2) developing business and management skills.

5.2.1 Technical and artistic skills training

Cultural actors in developing countries exhibit a wealth of creativity in their respective fields, but often lack some key technical skills, to enable them to produce products of high enough quality to appeal to markets. The level of technical and artistic skill is also important for creativity as these skills contribute to creating an enabling environment for the creative process. In the craft sector, there is a notably a need for design skills to be imparted and indeed there is a strong demand for support services in design from craft enterprises. In the music and film sectors it is particularly important for practitioners to receive training on the technological aspects of production to enable them to produce high quality products and reduce costs.

Residence programs and bursaries are one way to enhance technical and artistic skills, and often contain an element of intercultural exchange that is enriching for cultural enterprises. However, the impact of these kinds of programmes is limited by the fact that the residency is directed at a particular individual, and also by the fact that the programmes are often based in the North. The establishment of formal training structures within developing countries on the other hand not only imparts the necessary technical and artistic training, but through providing formal qualifications also increases the credibility of the artistic discipline in the local region.

The quality of cultural products can also indirectly be increased through incentive programs that do not necessarily have a training aspect. Prizes, awards or seals of quality can help push creators to improve their products and often also help these artists find or expand markets for their products.

Box 5.2
The UNESCO-AHPADA Seal of Excellence

UNESCO and the ASEAN Handicraft Promotion and Development Association (APHADA) established a Seal of Excellence for craft products from South-East Asia in 2001. The Seal is not an awards competition, but instead acts as a stamp of approval guaranteeing that the craft product or product line has met the highest standards of quality and has been produced with careful regard to cultural authenticity and environmental conservation. The Seal, through its notoriety, serves as a marketing device for the products that receive it. The marketing benefits for Seal recipients are amplified through the organisation of an annual exhibition and trade fair of Seal products and an electronic database and e-commerce website (www.ahpada.com) developed for these products. Training of trainers workshops for Seal producers have also been organised.

Since its launch, the Seal has succeeded in raising the standards of Southeast Asian crafts and in improving their marketability. It is foreseen to expand the Seal into other Asian regions in the near future.

5.2.2 Business and management skills

To complement training in technical and artistic skills, training in business and management skills is required. Basic bookkeeping should be taught so that those who do not have the luxury of taking on specialised personnel are able to attend to the everyday administration of the enterprise. Training in business plan writing is especially crucial, not only as it facilitates the search for financing, but also because it pushes entrepreneurs to think strategically in the long term. Pricing and costing are also important; negotiating and deal making skills are particularly useful for the music, film and publishing sectors. Information on tax codes and the pros and cons of registering under different types of structures (e.g. cooperative, limited company, NGO, etc) is also useful.

Copyright and intellectual property issues should be addressed from two angles: firstly, creators should be taught how to use copyright to minimise the high-risk character of the cultural sector, that is, how to address the free-rider problem. Secondly, training should be given on how to use copyright as a diversification of revenues strategy, ensuring long-term income streams.

In general, the business training should be as specific to the sector in question as possible, and supplemented by case studies to make the practical implementation of skills taught more evident.

5.2.3 Integrated and contextual training

For the greatest impact, capacity training programmes should be integrated, covering the whole value chain of the product and should have a significant market link. Too often programmes offer piecemeal training: for example artisans may be given product development training but no training on how to access the market.⁸⁶ The ILO study on the film and TV sector in SADC countries bemoans the fact that training has tended to focus on certain aspects of film making such as script development or production, leaving many students without an integrated sense of how the whole value chain operates⁸⁷.

The training approach chosen should be tailored as much as possible to the location and features of the cultural enterprise in question. Emphases may need to be varied. For instance, a micro-craft enterprise is most likely to need training on business basics such as pricing and costing, whereas a bigger enterprise would probably more need assistance in accessing markets, and enterprises with already a significant sales experience behind them would most appreciate training on how to reduce their costs.⁸⁸

⁸⁶ Silvia Moreira, phone interview.

⁸⁷ ILO 2003 (Film and TV)

⁸⁸ Tom Aageson, phone interview.

5.3 Access to finance and equipment

Financial constraints have been identified as the biggest obstacle for SMEs in developing countries, and they certainly pose significant impediments for cultural enterprises. However, experience has shown that providing financing (or equipment) in the absence of prerequisite fundamental skills and market access, has a muted effect on cultural enterprise development.

Furthermore, enterprises often need to be pushed away from a dependency model towards finding their autonomous viability. Loan guarantees may be a useful tool for improving access to financing for cultural enterprises whilst at the same time encouraging actors to take a more entrepreneurial approach. Guarantees provide a way for cultural enterprises labelled as high-risk to access conventional financial services. The fact that the loans are obtained from the commercial sector, even if they may be guaranteed by an NGO or a public institution, pushes entrepreneurs to be more business-like, for example by requiring them to write a business plan.

In the penury of funds available for cultural ventures in developing countries, one needs to be inventive in developing financial instruments. Financial instruments that take into consideration the value of intellectual property assets would be particularly useful for cultural enterprises. Culture banks are a recent innovation in micro-finance for cultural enterprises that go in this direction.

Box 5.3

Culture banks: an innovative micro-finance programme

In January 2002, the World Bank-sponsored Development Marketplace awarded a grant to “Building Creative Communities in Mali”. This innovative project is built around “culture banks”, local institutions providing access to credit that allow community members to use cultural objects as collateral for loans. The objects are then displayed in the village museum, and local entrepreneurs are able to access much needed credit.⁸⁹

5.4 Strategies for intervention

One of the biggest constraints for cultural enterprise development in developing countries identified in Section 3 of this paper was the fact that most cultural actors do not see themselves as entrepreneurs. It is difficult for cultural enterprise development programs to directly address this obstacle, but in choosing subjects for their intervention they should keep in mind that not everyone is an entrepreneur or interested in becoming one. Programmes should be selective in choosing participants, choosing those that demonstrate potential and most importantly drive. As role models of successful cultural entrepreneurs in developing countries multiply, perceptions within the cultural sector may change such that more actors take on entrepreneurial approaches.

⁸⁹ www.worldbank.org

Cultural enterprise development programs differ in their organisational structures and goals, but these goals should be clear and well defined,⁹⁰ so that the support programme can properly choose its participants and its strategies of intervention. A cultural enterprise development programme should also not be confused with a poverty-reduction programme. It can indeed reduce poverty indirectly, but if poverty reduction is to be an overt goal, special and well thought out strategies are needed. Working with marginalized populations is especially difficult as poverty imposes several constraints outside the control of a conventional cultural enterprise development programme – health problems, poor access to basic infrastructure, illiteracy, etc.

Cultural enterprise development programs should also choose the right point in the enterprises' development to intervene. It has been noted that intervention for craft enterprise development is most valuable during the high-investment, low-return phase of the enterprise's development curve; once the artisans are able to meet the buyer demands, the enterprise can often get financial support and market information it needs from the private sector.⁹¹

⁹⁰ Cockram et al, 2004

⁹¹ Idem.

6. Concluding remarks

The market has emerged as one of the most important factors for cultural enterprise success in this study. Accessing markets for their products allows creators to secure financial viability and thus continue creating. Cultural actors in developing countries face many constraints in accessing markets, but most of these can be overcome with appropriate training and support, although one of the major obstacles identified is attitudinal.

For cultural actors to successfully access markets, they first need to have the right mindset, an entrepreneurial approach that drives them to be interested in finding markets. Secondly, the requisite technical and artistic skills must be present to allow for the creation of products that actually have the potential to interest audiences. Alongside, technical and artistic skill, business and management skills are necessary to ensure that the market is reached in the optimum manner: that a solid marketing strategy is followed, that products are priced correctly, and so on.

The utility of festivals and fairs has been highlighted throughout the study for their ability to facilitate artistic exchange as well as foster close links with the market. Indeed one of the most important interventions that cultural enterprise development programmes can undertake is to create such cultural marketplaces and equip creators to take advantage of them.

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www.foci.org.uk: Forum on Creative Enterprise

www.iadb.org: Inter-American Development Bank

www.intracen.org: International Trade Centre

www.unctad.org: United Nations Conference on Trade and Development

www.wipo.int/sme: World Intellectual Property Office's SME site

www.worldbank.org/artisan: World Bank's Artisan as Entrepreneur site

Annex 1

List of interviewees and persons surveyed

Sincere appreciation goes out to all those who took the time to answer the authors questions and share their insights on cultural enterprises in developing countries.

Most interviews were conducted over the phone or through email. However, for personal reasons the author of this report visited three African countries – Burkina Faso, Kenya and Uganda – and carried out some in-person interviews there.

Institutions/NGOs

Interviewee	Organisation	Location	Position	Organisation type	Communication
Tom Aageson	New Mexico Museum Foundation (ex Aid to Artisans)	Santa Fe, USA	Director	Institution	Phone interview and email correspondence
Ashoke Chatterjee	Crafts Council of India	India	President	Institution	Email correspondence
Mary Cockram	Aid to Artisans	Connecticut, USA	Programme specialist	NGO	Phone interview
Anne Dowling	Institute for Cultural Enterprise	New York, USA	Director	Institution	Phone interview
Silvia Moreira	AGEXPRONT (Crafts Division)	Guatemala City, Guatemala	Crafts specialist	Public institution	Phone interview and email correspondence
Beatrice Mwasi	Sanabora Design Services	Nairobi, Kenya	Director	Cultural enterprise support services	In-person interview
Damien Pwono	International Music Council; former Programme Officer at the Ford Foundation; director of Cultural Engineering, LLC, a private cultural consulting firm based in Dubai.	Paris, France	Secretary General of IMC	Institution	In-person interview
Bruno Sserunkuuma	Makerere School of Industrial and Fine arts	Kampala, Uganda	Dean of School ; coordinator of several crafts projects.	Institution	In-person interview

Private sector

Interviewee	Enterprise/organisation	Location	Sector/Type	Year established
Anselm Croze	Kitengela Glass	Nairobi, Kenya	Crafts	1979
Raymond Goes	Kazuri Beads	Nairobi, Kenya	Crafts	1976
Oumarou Sanfo	Jovial Productions	Ouagadougou, Burkina Faso	Film and performing arts	1999
Ignace Hien	Editions Graphic Technic International	Ouagadougou, Burkina Faso	Publishing	1989
Opiyo Okach	Compagnie Gaara	Nairobi, Kenya	Performing arts	1997

Survey respondents

Enterprise/organisation	Location	Sector	Year established
AGEXPRONT	Guatemala	Crafts	1993
Botswanacraft	Botswana	Crafts	1970
Kente Weavers	Ghana	Crafts	1992
Moonbeam	Indonesia	Crafts	2002
Ngwenya Glass	Swaziland	Crafts	1987
Warique Designs	Peru	Crafts	2001

Internet case studies

Harare International Festival of the Arts (HIFA). www.hifa.co.zw

DRIK, photo agency, Bangladesh: www.drik.net

Videovision, film production company, South Africa : www.videovision.co.za

Annex 2: Questionnaire

<p>UNESCO ARTS AND CULTURAL ENTERPRISE DIVISION STUDY ON CULTURAL ENTERPRISES IN DEVELOPING COUNTRIES SURVEY</p>
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1. When did your enterprise get started?
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2. What was the initial motivation for starting up your enterprise?
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3. Where did the initial start-up funds come from?
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4. What is your annual turnover now? If this does not cover costs, where do additional funds come from?
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5. What is the structure of the enterprise – business (company, sole trader or partnership?), NGO or other non-profit, cooperative?
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6. Did you have a business plan when starting out? Or since?
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7. How many employees do you have? (Please specify if full-time or part-time). If production is not in-house, how many producers do you deal with?
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8. What training programs, if any, do you have, and with what goal in mind?

9. Do you have personnel specialized in administrative or marketing tasks on board? E.g. accountants, legal specialists, sales agents and representatives? If no, has someone in the enterprise undertaken some training in such fields – basic accounting, etc.

10. What are your principal markets

11. How do you reach these markets? E.g. website, participation in trade fairs or festivals, etc.

12. What kind of market research, if any, do you undertake?

13. What has helped your enterprise development? And what do you consider as being the strengths of your enterprise?

14. What have been the biggest constraints on your development? And what do you consider as being the weaknesses of your enterprise?

15. If support services were available to your enterprise, either through cultural institutions or through business service providers, what kind of services would you wish to be offered?

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16. How do you plan to ensure the sustainability of your enterprise?

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17. Is there anything else you would like us to know?

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