



## **DISCUSSION SESSION PAPER**

**Session 5: Achieving sustainable economic growth in the creative industries (including electronics markets, digital content and technologies)**

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## BUSINESS IN THE PARLIAMENT CONFERENCE – 22 FEBRUARY 2008

### Achieving sustainable economic growth in the creative industries (including electronics markets, digital content and technologies)

*Hosted by Bruce Crawford MSP, Minister for Parliamentary Business*

*Chaired by David Stewart, Chief Executive Officer, Critical Blue Ltd*

#### Background

The Digital Media and Creative Industries (DMCI) in Scotland account for around £2.8 billion GVA in the economy and employs an estimated 100,000 people. The country also boasts sophisticated telecommunications connections, skilled people and high quality R&D in this sector.

This session will address the wide ranging and diverse market areas that are covered within this industry. From the established electronics industries and the technology platforms that have been developed around that industry, to the areas of growing convergence in creative and digital media.

Scotland has strengths in the Technology industry, especially in terms of developing and commercialising innovative new technologies. It also has strengths in Digital Media industries, especially in terms of content creation. Despite the fundamental, technology-led shifts in the global Digital Media marketplace, there is a feeling that there are untapped business development opportunities that could result from better networking between universities, technology companies and digital media companies

This increasing level of convergence between technology and digital media will bring a number of opportunities and it will be important that the industry is able to respond to these opportunities and that Government is able to develop appropriate initiatives and interventions to support the industry.

While Scotland has suffered in recent years from the transfer of traditional high-volume electronics manufacturing to lower-cost economies, it retains a significant presence of low-volume, high-value manufacturers. Scotland's manufacturers have had to develop 'added value' offerings for customers to aid their competitive advantage. Innovation, in both processes and products/services, has become an essential part of an electronics manufacturer's business planning.

Equally, innovation is evident in the strength of Scotland's academic research base, encouraged by SE's initiatives in Knowledge Transfer and related funding schemes (such as Proof of Concept Programme and the Enterprise Fellowships from RSE/SE). This has resulted in a number of growing R&D-based Technology companies with notable successes including Wolfson Microelectronics and Intense Photonics.

## **Key discussion questions to be discussed during the creative industries breakout session**

The key issues for the technology industry in Scotland as a whole are:

How can Scotland create the right environment to expand on the potential for growth within this industry? What can the industry along with government do to address the following challenges?

- To address the lack of a Scottish technology industry strategy to galvanise actions by government and Industry stakeholders
- To encourage companies in traditional areas of technology, creative industries, digital media and content development to identify and embrace the growth opportunities offered by convergence of these areas
- To support and address weaknesses in local business networks: business-to-business, business-to-government, and business-to-academia
- To support and address Scotland-wide business environment needs specific to these industry sectors and help remove barriers
- A lack of companies of scale which are capable of sustained growth, despite a multitude of small, “technology suppliers”:
  - Fundamental constraints evident for “technology suppliers” at or near the bottom of the industry value chain
  - Difficulties in achieving global positioning and global sales channels in increasingly global markets
  - Barriers to attracting investment e.g. investor readiness
  - The need to increase the pipeline of new business propositions with the potential to become the future companies of scale
  - Weaknesses in strategic and operational marketing & sales

More generally businesses need to be aware of and adopt new technologies and processes in order to stay ahead of their competition and meet changing customer requirements. Market research, customer needs and product lifecycles are all part of the marketing mix so it is not surprising that marketing and business development in the early stages of technology companies is challenging. For such companies, their capabilities are in creating and developing technology with talented individuals whose natural instinct is towards looking in, rather than looking out. A compounding issue is the ‘born global’ nature of such enterprises. They are exposed to low cost competition from the outset, without the luxury of gradual domestic development beforehand.

The above points highlight some of the main challenges and issues that have been raised previously as areas for action. It is the objective of this discussion session to give participants the opportunity to explore these issues and others in open forum.

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