

Connections Through Culture

Creative enterprise and inclusive growth in the Philippines



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Executive summary

The British Council in the Philippines commissioned Nordicity, in collaboration with Bayan Academy, to research creative enterprises in the Philippines and explore the opportunities for their contribution to social impact and inclusive growth.

The **introduction** of the report outlines the background and context of the project, as well as uniquely timed considerations given the onset of Covid-19 pandemic and associated limitations as a result of an ongoing economic recession.

The **methodology** comprised of key informant interviews, focused group discussions (FGDs) in Metro Manila, Baguio City and Cebu City, ten case studies and desk research and a literature review. The creative industries and creative enterprise in the Philippines are explored through a creative sector ecosystem, comprising artists and creative businesses, government, creative hubs, institutions and support bodies.

Industry themes for the animation, video games, design and film sectors include fragmentation and lack of coordination, challenged supply chains, lack of

commercialisation, intellectual property and business skills. Through a series of ten case studies, valuable learnings can be made from the experiences of Filipino creative enterprises around their social impact areas, such as providing training, education and employment opportunities and empowerment for promoting a diversity of stories and culture from women, youth and people from underrepresented groups. These case studies provide distinctive insider perspectives into the unique strengths and challenges of creative enterprise in the Philippines and are a true testament to the diversity of talent within the sector. The case studies illustrate the strengths that the Philippine creative enterprise community can leverage as it continues to grow on the global stage.

Social enterprises in the creative industries have a unique role in social impact in the Philippines, contributing to inclusive growth. While social enterprise has long had an important role to play in the Philippines, a formal definition has yet to be established nationally and the country has an opportunity to lead this field in the Southeast Asia region. This study adopts the definition of social enterprise as ‘an organisation that is at least “jointly” missioned/environmentally driven (if not core) and not relying on more than 75 per cent of income to come from grants’ as presented in the British Council’s study, *Reaching the Farthest First*.¹

A series of sustainability indicators for the creative sector are proposed, including economic, social, cultural and environmental indicators for enterprises. Alongside these, sector-wide and policy-level indicators are also proposed which can be prioritised in different ways and where ‘scalability’ and ‘growth’ are not assumed to be a priority measure but rather the prioritisation is set by the enterprises, policy-level stakeholders and wider sectors themselves.

Creative enterprises in the Philippines contribute towards inclusivity and social impact in a plethora of ways as evidenced through case studies, FGDs and interviews. A significant portion of the creative enterprises in the Philippines are motivated by social causes. While very few have established a deliberate social mission, eight of the ten case studies had achieved intended and unintended benefits. The motivations cited by creative enterprises for operating their businesses include having various forms of social and cultural impacts beyond generating a profit. Many creative enterprises have adopted a triple-bottom line (some knowingly and others unknowingly), in trying to achieve social and environmental benefits ranging from building a community, promoting social issues, causes and contributing towards advocacy and social justice. The research has found there is a likely relationship between an enterprise having a social mission and their sustainability or success.

Creative enterprises have varying degrees of social impact based on both the intended and unintended outcomes of a company. These impacts can be categorised into four general categories: (i) social impacts, (ii) environmental

impacts, (iii) cultural impacts and (iv) economic impacts. While some companies seek to address each category in equal measure, it is more common for enterprises to focus their efforts on one or two areas of impact. The motivations for creative enterprises range from social causes, to environmental sustainability, creativity and financial growth or economic success. While these impacts are distinct, they are not mutually exclusive and indeed are each sought to varying degrees by social enterprises. Social enterprises can be distinguished from ordinary business enterprises by their resolve to carry out their social purpose and by their clear-cut social impact measurements which go beyond economic viability.

The themes and issues facing the creative sector, creative enterprises and their relation to social impact and inclusive growth are explored through the creative industries analysis framework. In terms of skills, while there is a wealth of skilled talent in the creative sector, there is a lack of capacity building and business skills and support. Business and finance in the sector face a lack of access to finance, lack of publishers and digital assets, and downward pressure on prices. The sector faces a lack of access to markets, market development and commercialisation, alongside a lack of data and advocacy, lack of information, knowledge and coordination. For creation and production, the sector faces challenges in weak supply chains, lack of access to materials, lack of research and development and innovation, lack of access to technology and internet and high speed broadband.

¹ British Council. *Reaching the Farthest First: The State of Social Enterprise in the Philippines*. www.britishcouncil.org/sites/default/files/the_state_of_social_enterprise_in_the_philippines_british_council_singlepage_web.pdf

Do creative enterprises have a deliberate social mission?

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Some creative enterprises have noted the value added to their business by having a social impact as a differentiator from their competition. Others have noted that their goods and services have a higher perceived value by their customers and thus are able to command a higher rate of pay. The increased value is often derived from the storytelling behind the good or service, expressing the social impact.

One FGD participant from Baguio City remarked that 'People buy because they appreciate if customers expose the why, the narrative behind the product'.

Each of the creative enterprises consulted with have varying degrees of a social mission. In some cases the social mission is direct and intentional, and in others it is indirect and as ancillary benefit. Below are some other observations derived from the case studies.

- Creative enterprises need to articulate performance indicators (measurable and quantifiable) of the enterprise, may it be financial, social, ecological or cultural, etc.
- The creative enterprises are positioned as businesses because first and foremost, they are enterprises. Their social mission is a direct result of their being a creative enterprise. This is primarily true for Emottoons, Toon City Academy, Xentrix and Cordillera School of Digital Arts where they have included in their vision and mission statements their concern to develop artists. Schools like SoFA Design Institute and De La Salle-College of St. Benilde, School of Design and Arts have an intrinsic social mission as learning organisations.
- Cybercraft and Veer Immersive Technologies (VEER) are startups that still need to clarify their social agenda. For Cybercraft, it is clearly indicated in its vision and mission the desire to recognise, promote and develop Filipino made original intellectual properties. However, it must determine how it actually wants to deliver on it. On the other hand, Veer has a very business-oriented framework, but develops products that are able to help solve social problems.

- Kenneth Cobonpue's enterprise is both a creative and social enterprise. It has a business model that allows its subcontractors (local artisans) to be well integrated into its value chain.
- Voyage Studios has a vision and mission that are geared towards sharing its creative product to the world. But the organisation has also become the facilitator of exchanging ideologies and a venue for freelancers and artists to fully express their crafts.

Does a social mission contribute towards sustainability or success?

The research has found there is a likely relationship between an enterprise having a social mission and its sustainability or success.

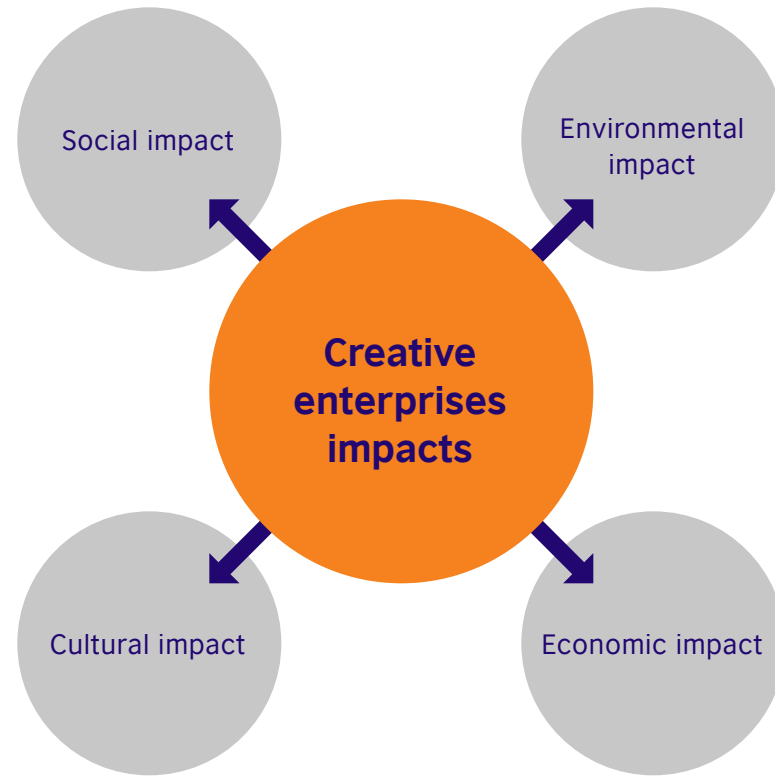
The numerous ways in which the creative enterprises examined contribute to sustainability and growth are explored in this section. From the sustainability assessed in the ten case studies, a key success factor is ensuring the leaders of the enterprise have needed entrepreneurial know-how to run their business and make it sustainable.

The creative enterprises have different appreciations or definitions for sustainability, which are generally surmised as a function of the financial performance of the enterprises and on how the different management areas of the enterprise are aligned with the overall sustainability model of the business. Accordingly, external forces affecting the enterprise may also impact sustainability.

Through interviews, focused group discussions and case studies, creative enterprises expressed a relationship between their sustainability and their social mandate. While many creative enterprises lacked a formal social mission, many were driven by social causes or based their business decisions on social and cultural factors. Indeed, creative enterprises often viewed their own enterprise interests as being intertwined with societal and environmental interests, observing that 'what's good for society is good for their business'.

Direct and indirect social impact from creative enterprises

Figure 1: The impacts of creative enterprises



Source: Nordicity

Creative enterprises have varying degrees of social impact based on both the intended and unintended outcomes of a company.

These impacts can be categorised into four general categories: (i) social impacts, (ii) environmental impacts, (iii) cultural impacts and (iv) economic impacts. While some companies seek to address each category in equal measure, it is more common for enterprises to focus their efforts on one or two areas of impact. The motivations for creative enterprises range from social causes, to environmental sustainability, creativity and financial growth or economic success.



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While these impacts are distinct, they are not mutually exclusive and indeed are each sought to varying degrees by social enterprises.

Social enterprises can be distinguished from ordinary business enterprises by their resolve to carry out their social purpose and by their clear-cut social impact measurements which go beyond economic viability.

The case studies revealed a need for capacity building on how to integrate the measurement of social mission as part of sustainability model of their enterprises.

- Many expressed that creative enterprises have created positive social impact, but these need to be measured, documented and reported on to gain a better understanding of their social mission.
- Case studies revealed a potential to scale up in production and expand their social impact, but financial sustainability remains a concern.

- Case studies revealed challenges other than finances to scaling impact. For example, although the School of Design and Arts (SDA) provides inspiration and opportunity for public school students to pursue arts or design courses, its potential may not be fulfilled as most of these students cannot afford an SDA education.
- Groups that the case studies are providing support to include the unemployed but skilled youth, students, artisans, persons with disabilities, families of Overseas Filipino Workers, women, artists, etc. This shows the potential of creative enterprises to become inclusive.
- Creative enterprises can be more inclusive if they directly or indirectly help the marginalised sectors, providing mechanisms for them to become major part of their value chain and providing them opportunities to upscale their skills, etc.

Recommendations



Skills

- 1 Support sector sustainability, resilience and growth through capacity building (government and industry associations)
- 2 Collaborate with international leaders in skills, training and capacity building (government, associations and British Council)
- 3 Focus skills, training and knowledge transfer initiatives on business and enterprise skills (education and training providers)
- 4 Empower creative hubs to support skills development and facilitate local training the trainers (institutions, associations, creative hubs, British Council and other stakeholders)
- 5 Empower the education sector to provide a rich and rounded curriculum that addresses the nation's talent pipeline (government and policymakers, institutions, associations)



Business, revenue and finance

- 1 Create a suitable environment for private and public sector development, financing and investment
- 2 Make available funding sources more accessible and suitable to creative enterprises (government, associations, investors)
- 3 Explore adapting and introducing new funding mechanisms for the creative sector (government, investors)
- 4 Support creative enterprises in leveraging and exploiting their assets (investors, associations, institutions, British Council)
- 5 Mitigate challenges in investment and access to finance in the Philippines (investors, government, associations, institutions)



Market

- 1 Support market development for the Philippine creative industries² (government, associations, institutions, British Council)
- 2 Support the revival appreciation for Philippine heritage and culture³ (government, associations, institutions, British Council)
- 3 Support the creative sector to better connect with consumers (institutions, enterprises, associations, British Council)



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² In-line with A Tally of Two Cities report
³ In-line with A Tally of Two Cities report



Policy, data and information

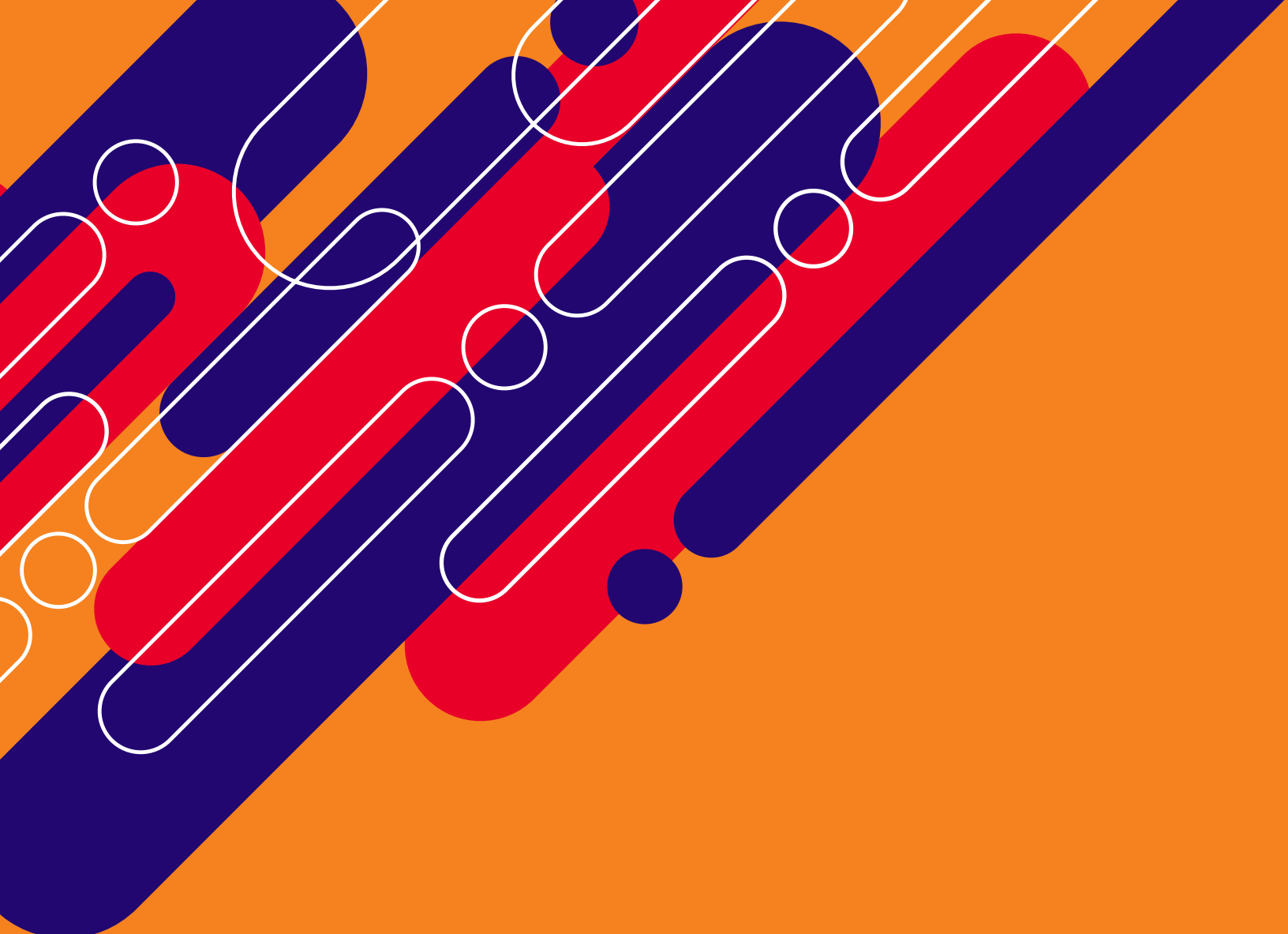
- 1 Support the sector in coordinating efforts and establishing a stronger voice
- 2 Conduct monitoring and evaluation, data collection and economic impact analysis for advocacy and sector development (government, Philippine Statistics Authority (PSA), associations)
- 3 Foster ongoing research and analysis of the creative industries and inclusive growth (government – Department of Science and Technology (DOST), Department of Tourism (DOT), Department of Trade and Industry (DTI), institutions, associations)
- 4 Establish a national definition for social enterprise and inclusive growth in the Philippines (government – National Economic and Development Authority (NEDA), DTI, PSA)
- 5 Foster industry networking, information sharing and collaboration (associations, councils)
- 6 Support industry advocacy and awareness on the value of the creative industries and inclusive growth in the Philippines (associations)
- 7 Join up the dots of existing strengths and stakeholders (DTI, private sector, associations and councils)

- 8 Build capacity and empower sector stakeholders to have a greater social impact and to leverage the sector as a crucial means of equitable development and inclusive growth (local governments, private sector, associations and councils)
- 9 Support creative enterprises and the creative sector in having a greater social impact (associations, institutions, councils)
- 10 Enhance the policy and regulatory environment to support growth (NEDA, DTI, DOT, PSA, Department of Education (DepEd), Commission on Higher Education (CHED))
- 11 Explore further opportunities for the Philippine creative industries and social enterprise with existing British Council programmes
- 12 Align, leverage and advance relevant policies (government, associations, institutions)
- 13 The sector requires continued, long-term support and recognition by government and institutions (government, institutions, British Council)



Creation and production

- 1 Improve the cultural and creative industries (CCIs) and social impact value chain and sector ecosystem (local Philippine supply chain and connecting with the international supply chain)
- 2 Support creative enterprises in sustainability and having a positive environmental impact
- 3 Foster more design thinking and people-centred approaches
- 4 Foster more research and development, innovation
- 5 Collaborate with other sectors such as tourism and manufacturing
- 6 Invest and upgrade the technologies and platforms
- 7 Technical collaboration between academe and industries foreign and local, market-driven research, open innovation platforms, manufacturing engineering fellowships
- 8 Leverage business process outsourcing (BPO) model for high value tech-based design, digitisation, big data, manufacturing, materials
- 9 Empower regional and local inclusive innovation hubs as a cornerstone of inclusive innovation industrial strategy (i3s), at the heart of the economic transformation of the Philippines
- 10 Greater exchange with the United Kingdom’s vibrant arts and cultures
- 11 Invest in provision of high-speed broadband internet bridging the breadth of the country.
- 12 Adopt international standards and quality assurance



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