Unpacking Radical Economic Transformation in the Arts, Culture and Heritage Sectors
FOUNDATION OF DAC PROGRAMMES
National Development Plan
1. Inclusive social and economic development

2. Sustainable investment and growth

3. Decent jobs and sustainable livelihoods

4. A capable developmental state

5. Expanding opportunities
Outcome 14

Nation Building and Social Cohesion
1. REALITY
It’s ugly out there...
Economy under pressure
ECONOMIC BALANCE?
Artists Pains

1. Access to funding

2. No access to Information

3. Lack of business skills

4. Corruption, bribery & nepotism

5. No access to tools of production
But difficult to get in!!!!
What is the DAC response going to be?
Clear Direction?
we were wandering lost in the sea of aimless builds with no data and no reason
MONEY is not the main problem
the 100 Million dollar question
Value for Money?
Are We Just Paper Pushers?
Internal entanglements?
Driving Derailment!
Point 3

CRITICAL SOLUTION?
What do entrepreneurs have?
## What do entrepreneurs lack?

<table>
<thead>
<tr>
<th>Ideas</th>
<th>Enthusiasm</th>
<th>Commitment</th>
<th>Motivation</th>
<th>Knowledge</th>
<th>Peers</th>
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<tr>
<td>Experience</td>
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<td>Networks</td>
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<td>Credibility &amp; visibility</td>
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<td>Workspace</td>
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<td>Partners</td>
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<td>Capital</td>
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</table>
Point 4

RADICAL ECONOMIC TRANSFORMATION
Social and Economic Advocates are Needed
Provide Tools of Production
From...

Weak Bridges
Built with suspect Ropes
1) Mzansi Golden Economy
Cultural Ecosystem

Motivation
- Nation Building & Social Cohesion
- Profit

Management Tools
- Customer & Audience Development
- Agile Development
- Business Model Design

Culture
- Risk Taking
- Accelerators, Incubators
- Creative Art Academies
- Free flow of People/Info

Infrastructure
- Universities
- Predictable Economic System
- Stable Legal System
- 24/7 Utilities
Investment Approach...
$$(\text{VC})^3 \text{ Model}$$
\[(VC)^3 =\]

- Value Creation
- Value Capture
- Value Circulation
Market size
R ??? million
total spent by whole of Government on Arts, Culture and Heritage goods and services
Assuming that the total measured procurement spend on ACH

R2 billion
R2 billion

- R ?? Established Companies & NGO
- R ??? Black owned Companies & BWOC
- R ??? SMMES
- R ??? Others???
Disruptive Innovations:
A driver of leadership failure
and the source of new growth opportunities

Incumbents nearly always win

Pace of Technological Progress
Performance that customers can utilize or absorb

Disruptive innovations

Entrants nearly always win

Copyright Clayton M. Christensen
New Approach

1. Mentorship
   - Information
   - Training
   - Experience
   - Networks

2. Incubation
   - Information
   - Credibility & Visibility
   - Workspace

3. Venture Capital
   - Information
   - Markets
   - Finance
   - Partners
Artist Development
Technical Readiness Level

- Growing Audiences
- Musical Leadership
- Audience Identification
- Genre Exploration
- Musical Literacy
- Sound Development

Investment Readiness Level

- Metrics that Matter
  - Validate Resources and Costs
  - Validate Revenue Streams
- Product/Market Fit
- Problem/Solution
- Basic Registrations and compliance
Market Development
Mzansi Golden Market
Web as a platform
The New Marketplace

- **Scarcity**
  - Head
- **Abundance**
  - Long Tail
Scarcity

Abundance
Scarcity

Abundance
THE REAL COST of MUSIC

Online music services don’t incur packaging, distribution, and retail fees — and they should charge accordingly.

**CREATION COSTS**
- Artist: $1.50
- Marketing and Profit: $5.00
- Publishing: $0.96

$7.46

**PRODUCTION COSTS**
- Packaging: $0.75
- Distribution: $2.00
- Retail markup: $5.00

$7.76

Divided by 12 tracks = $0.62/track

17¢ online delivery cost

$0.79/track

$15.21/CD
Audience Development
The Customer Development Process

In other words...

Search

Customer Discovery → Customer Validation → Customer Creation → Company Building

↑ Pivot ↓

Execution
Management System
Using Mobile Technology
(Cultural Observatory)

- Ecosystem Membership
- Training Needs (Art Appreciation)
- Information Sharing
- Engagement in Activities
Bloggers who exert a larger "sphere of influence" have a broad ripple effect.

Bloggers at the lower ranking levels also influence, but their ripples are smaller. Bloggers with smaller "influence ripples" tend to be higher in volume.

Multiple "Influence Ripples" are happening right now, all across the Social Network. They overlap, interact, and span across time and digital space. If the ripple is big enough, eventually it spills over into areas outside of the Network.

Note: links represent # of other blogs/sites referring to recipient.
Tax Incentives
Cash Flows critical
Creative Arts Incubators
MGE Venture Capital Fund
Artist Journey

RESULTS

The Dip

EFFORT
Entrepreneurial Journey

- Early Stage: Seed
- Growth / Expansion: VC
- Maturity: Private equity, PE/buyout

Key Points:
- Capital Markets non-existent/limited
- Limited Leverage opportunities
- Too high risk
2. DAC Entities
Business Model Innovation

[Diagram showing components of a business model: Key Activities, Customer Relationships, Key Partners, Customers, Key Resources, Channels, Costs, Revenue, Value Provided]
3. AFRICA Month
## Genre Focus

<table>
<thead>
<tr>
<th>Key Sectors</th>
<th>1st Week</th>
<th>2nd Week</th>
<th>3rd Week</th>
<th>4th Week</th>
<th>Bonus</th>
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<tbody>
<tr>
<td>PERFORMING ARTS (FILM, MUSIC, THEATRE, DANCE)</td>
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<td>FASHION</td>
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<td>BUSINESS CONFERENCES</td>
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4. Liberation Heritage Route
LIBERATION HERITAGE ROUTE

Mandela House | Soweto

Liliesleaf Farm
5. Unite 2.0
Clubs in schools
6. Use of Official Languages Act implementation
7. Libraries
BACK TO BASICS
Keep going back to first principles
Pick the RIGHT FIGHT

BIG Problems = BIG Opportunities
don’t re-invent the wheel
think outside-of-the box
Reality Check...
Facing a mammoth Challenge...
Out of our DEPTH?
No man is an ISLAND
COLLABORATIVE APPROACH
Measure the quality of current and potential programmes
Success measures
Internally in DAC

Lean Processes
Opportunities generated
Value for Money
Social Cohesion Impact
Success measures

Cultural Entrepreneurs Impacted

Meaningful Opportunities

Stakeholders

Financing provided or leveraged

“Feel Good” Factor
Social & Financial Return On Investment

Short-term ROI

R1 → R3

Medium-term ROI

R1 → ?????
SIYABONGA!