

South Africa needs to scale its creative economy

 By [Glenn Gillis](#)

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If South Africa is to ever thrive, it needs to evolve and truly start to compete in the knowledge economy. Until our economy is realigned around how we can sell world class thinking and creative skills, services and time, with intangible products at the core, we will always be fighting the last war and not the next one.



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Transitioning to a knowledge economy requires expanding those sectors of the economy doing knowledge work by finding ways to scale existing businesses with the capacity and experience to be able to compete.

Successfully scaling up and out necessitates moving from selling time to selling value. Many businesses in the knowledge economy start by selling time and many have been very successful at that. South Africa, for example, competes very effectively in the global call centre industry by selling hours to big corporates.

You only become exponentially scalable, however, when you sell less time for each unit of value you create. That means developing intangible products like licensed, ready-packaged solutions that can be sold many times over.

In the creative industries, clients used to want to own a solution outright. But why not co-create a solution that works for more than just a single use, and why not allow the producers to find other clients and use-cases to leverage and grow a digital product? This new business model requires longer-term thinking and even greater levels of trust, but there's a significant upside.

A complete business solution

Cost savings from scale and predictability are just the beginning – the real magic lies in the added value. Corporates can multiply enterprise supplier development spend, companies get annuity income (with all the benefits for scale that come with that), and we can apply any enhancements to benefit the whole system of users.

The key here is using your skills to develop a complete business solution, embodied in a set of processes, tools, apps or experiences that don't depend on you being present when value is exchanged.

Pieter de Villiers, co-founder and CEO of Clickatell, gave me one of the most valuable pieces of advice I've ever received, from a book called Crossing the Chasm, by Geoffrey A. Moore. In a nutshell, Moore says, selling to early adopters isn't enough – they are simply buying your passion and the newness of the product or technology. Instead, we must find ways to sell to the early majority. They are the ones who will help entrench your business - and what they're looking for is a complete business solution.

For example, virtual reality is sexy and exciting, but in some ways it's a technology looking for a problem. If we start by asking the question, "What total business solution could we create using our VR skills?", the products and services we shape from there should add massive value and appeal to the early majority.

There are very definitely VR use-cases that make sense right now, and corporates should be actively looking to support local solutions. Why buy something from overseas in hard currency, when there are good news stories to create locally? By crafting total solutions, we can drive down risk for the early majority, deliver predictably and potentially scale something for a global market.

At Sea Monster, thanks to a recent investment from FirstRand's Vumela Fund, we're buying our own time and using it to develop products. We've always built products really, in that we don't sell pure hours, and what we deliver has ongoing utility. Our learning solutions, for example, aren't disposable in the same way that digital ads are. The real challenge is driving annuity income, scale and, of course, profitability.

Know your customers

The key as is always to listen to your customers. Often they don't have the time, risk appetite or budgets to do what they need to, especially when it comes to truly engaging digital solutions. Yet we can see their recurring needs.

If we can invest "below the water line" in terms of underlying tech, platforms, tools and full experiences to make our solutions quicker and cheaper to deliver, then the underlying intellectual property will belong to us, and all of our clients will benefit too. And if we stress-test them here in South Africa, with all its inherent infrastructure challenges, we will have potentially world-class digital products to distribute globally.

Local challenges

To compete internationally though, we first need to overcome some very real local challenges. Legislation currently under discussion poses a significant threat to the content development and creative sectors.

The proposed amendment to the Film and Publications Bill, forcing all content to be classified, is an example of this. While the basic sentiment of prohibiting content like child pornography, hate speech or any kind of violence is commendable, the line between protection and censorship is very fine. We are not the enemy here, yet the way the laws are written now puts creative businesses in South Africa at a massive disadvantage.

Not only is the bill out of alignment with commercial realities, it also contravenes our right to freedom of expression and creates an additional burden of administration that neither the industry nor the government can afford.

Likewise, the DTI's proposed Copyright Amendment Bill essentially amounts to allowing expropriation of intellectual property without compensation. This will benefit some big tech companies while effectively cutting off the income streams of local creatives.

And these are just two examples where good intentions from government are not practical, business-orientated and future looking. We need simple, well written policies and laws that support our knowledge economy to compete globally, rather than tie us up in uncertainty and, frankly, sometimes incoherent rhetoric.

If we hope to scale and create jobs in South Africa, and then compete in the global creative economy, the support of the government is critical. In the long run, everyone benefits. And South African companies can create knowledge products amongst the best out there, there really can be no time like now for us to all get very serious about how to do this together.

ABOUT GLENN GILLIS

Glenn Gillis is the managing director of Sea Monster Entertainment, one of South Africa's pre-eminent animation, gaming and augmented reality companies. He has a Business Science degree from UCT and has been an entrepreneur, hired gun, and consultant with growing, knowledge-intensive businesses around the world for over 25 years.

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