



CREATIVE ECONOMY REPORT

A snapshot of the state of
Malaysia's Creative Sector, 2023

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RECOMMENDATIONS



01

EXECUTIVE SUMMARY

1.1 INTRODUCTION

The creative sector in Malaysia is slightly lower than 2% of GDP. This is significantly less than her neighbours in Southeast Asia with several of them having a creative economy valued at 7-10% of GDP.

2022 was the Year of Creativity in the United Kingdom, and to commemorate that the British Council in Malaysia commissioned a study into the local creative sector to identify possible reasons why the sector was not growing in the same way that was being seen by her neighbours.



1.2 METHODOLOGY

This report summarises the research conducted by the British Council and Think City on the creative sector in Malaysia. The study involved a series of in-person labs and online interviews with practitioners, funders, and policymakers.

The research began with in-person labs held in three secondary cities in Peninsular and East Malaysia: George Town, Johor Bahru, and Kuching. Participants were drawn from nine sub-sectors of the creative industries. The labs aimed to understand why practitioners choose to stay or move to secondary cities and to identify innovative practices that could be replicated elsewhere. The labs, held over seven weeks, included round-table discussions and investigations into various aspects of the creative economy.

The format of the geographical labs was similar across the three cities. Participants were divided into smaller groups based on their field and engaged in facilitated discussions. The discussions covered topics such as practitioners' choices in their field and location, business aspects related to their work, expansion plans, financial resilience, and the role of government in

supporting the creative sector. The labs aimed to gather information about the practitioners' experiences and the current state of the creative economy in Malaysia.

The fourth lab, known as the Funders' Lab, involved a smaller group of participants who were involved in funding the creative sector through grants and other means. The lab took place in Kuala Lumpur and focused on the models used for funding, the rationale behind their support, the impact of their funding on the creative sector, and the role of government in assisting their work. Possible solutions to enhance the creative sector were also discussed.

Policymakers were interviewed remotely, and this was followed by comparative research on the policy framework and institutional organisation of the creative sector in Malaysia's neighbours Thailand, Philippines and Indonesia.

Overall, the research aimed to gather insights from practitioners, funders, and policymakers to understand the challenges and opportunities in the Malaysian creative sector and to identify strategies for its advancement.

1.3 FINDINGS

The findings from sessions with practitioners in the creative sector suggest that their views are representative of those working in urban areas across Malaysia. Rural-based artists may face different circumstances not reflected in the findings. Key findings include:

1. Personal decisions rather than employment or market reasons, drive practitioners to choose their place of work. Factors like creative freedom and reduced competition also influence their choices.
2. Personal and cultural motivations, rather than education, drive practitioners into the creative sector. Strong ties to their culture play a significant role in shaping their career choices, especially in traditional crafts and arts.
3. Funding is a significant challenge for practitioners. Most rely on friends and family for funding, and many take on commercial projects or seek grants from organisations. Limited access to capital hampers their ability to invest in their ventures, and survival becomes the primary goal.
4. Many practitioners have a relaxed attitude towards business management, avoiding extensive marketing or branding efforts. They rely on generic social media platforms for marketing and prefer guiding customers to physical spaces rather than embracing online sales.
5. Practitioners primarily target their local market, with little emphasis on seeking markets outside their immediate vicinity. Few actively pursue international markets.
6. Innovation and upskilling are limited in the creative sector. Lack of locally provided upskilling programmes and a shortage of talented individuals hinder their growth.
7. Practitioners face challenges in scaling up their ventures. Lack of talent, reluctance to commercialise, concerns about maintaining quality, and logistical issues associated with collaboration impede scaling efforts.

8. The COVID-19 pandemic severely affected the cash flow of creative ventures. Government grants, secondary employment, and personal savings helped them survive. However, few had made significant progress in building financial resilience or re-evaluating their business models.
9. Practitioners believe that the government has a crucial role in creating a better ecosystem for the creative sector. They call for an overhaul of the education system, increased appreciation of arts and culture, and better protection of Malaysia's cultural heritage.

Regarding funders supporting the creative sector:

1. Most funders aim to generate income for those in lower income brackets and address social issues such as urban regeneration.
2. Funding is primarily provided through grants for project development and delivery. The application process can be complicated, discouraging potential grantees. Some successful grantees exploit the system, applying for multiple grants.
3. The funders' view of the creative sector is narrow, tending to focus on traditional cultural activities and crafts to alleviate poverty rather than supporting the sector's broader development.
4. The funders recognise their limitations in addressing the sector's needs and suggest the involvement of independent third parties as bridges between creative communities and funders.
5. The impact of funding is measured mainly

- in economic terms, and they do not actively seek wider impact or fund general running costs.
6. There is a lack of capacity building and representation for the creative sector. Business management and skills development are left to other organisations or the private sector.
7. Lack of coordination among funders results in fragmentation, with some grantees benefiting from multiple sources while other potential grantees might go without.
8. The government is seen as crucial in unlocking the sector's potential through education reform, appreciation for the arts, tax incentives, and encouraging private sector engagement.

The findings from the policymakers interviews and the comparative research were:

1. While there has been an effort made over the past 10-12 years to catalyse the creative sector none of the initiatives have had the desired impact.
2. The framework of policies has been piecemeal in its approach, and there has not been a comprehensive set of policies to bind the entire creative sector together.
3. Other parts of the economy have been seen as a priority, and there has been little done to mainstream the creative process into the wider economy.
4. Neighbouring countries have all prioritised the creative sector and have developed a strategic masterplan for growth. Malaysia does not have an industry wide masterplan for the creative sector.



1.4 RECOMMENDATIONS

The report presents several recommendations for the British Council and its partners to address the identified challenges in the creative sector:

01

Capacity Building

Develop online toolkits that provide accessible resources for free or at a low cost to help practitioners improve their business management skills and incorporate new technology and ideas into their work.

02

Funding Agency

Establish an independent third-party organisation that acts as a bridge between creative communities and funding organisations. This agency would assist potential grantees in the application process and guide funders in their decision-making, facilitating coordination among different funders for maximum impact.

03

Collaboration Portal

Create a Collaboration Portal to facilitate connections and collaboration between local practitioners and those from other parts of Malaysia or abroad.

This platform could also explore partnerships between creative and non-creative sectors.

04

Advocacy & Policy

Leverage the British Council's neutral position to engage in advocacy efforts and shape the policy landscape related to the creative economy. This could involve conducting advocacy engagements with **policy makers** and publishing policy white papers to influence policies over a two to four-year period.

By implementing these recommendations, the British Council and its partners can contribute to enhancing the capacity, funding opportunities, collaboration, and policy support within Malaysia's creative sector.

02

INTRODUCTION

2.1 BACKGROUND

The British Council was founded to promote cultural relationships between the people of the United Kingdom and the wider world. Central to this mission has been their work in the arts, seeking new ways of connecting and understanding each other through creativity. Within the Malaysian context, the British Council provides opportunities for the exchange of knowledge between the UK and Malaysia, and for the development of skills and new work through partnerships and collaborations.

Global challenges such as the Covid-19 pandemic, climate change, conflict, and sustainability issues are disrupting and changing the way we create, share and consume arts, forcing the arts and cultural sectors to adapt and respond to the issues.

In 2022 the UK celebrated the Year of

Creativity and the British Council in Malaysia are keen to share ideas, initiatives and practices with Malaysian arts professionals and audiences.

Malaysia and the UK have a long history of trade and cooperation. The UK is Malaysia's ninth largest foreign investor, and over 200 UK companies have invested in a wide variety of sectors. Trade between the two countries stands at around RM32bn, which includes high profile investment such as the Battersea Power Station regeneration project led by Malaysian investors. What is clear is that the trade and cooperation between the two countries is predominantly based around commodities (oil, chemicals, generators, cars, electrical equipment and the like) and that the creative sector represents only a tiny fraction of this trade.

Numerous research and reports have shown that countries which cultivate their creative industries and nurture their ecosystem benefit from qualitative and quantitative economic, social and cultural benefits. Several countries in Southeast Asia and even more in the wider Asia-Pacific region have already recognised the potential and benefits of growing their own creative economy and prioritise that pillar as an instrument of growth and innovation.

How is Malaysia prioritising and supporting its creative economy and industries?

According to the British Council's Malaysia Cultural Insights Report published in 2021:

Art, culture and the creative industries play a critical part in the country's social and economic outlook. Rooted in diverse cultural traditions and powered by digitalisation and a design-savvy population, Malaysia has a significant and fast changing creative economy. Malaysia's gross output of the arts, entertainment and recreation services recorded value: RM22.3 billion (£3.82 billion) in 2017.

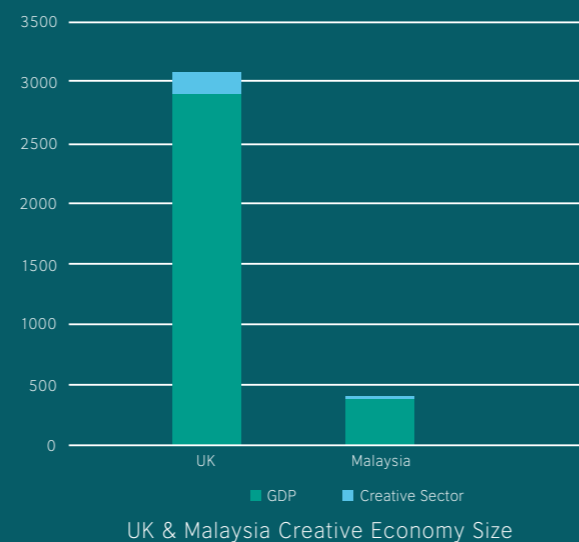
While the creative economy has been recognised as a key sector in Malaysia since the 1990's, cultural and creative industries stakeholders have faced many challenges such as advocacy and recognition, investment and funding, skills and capacity building, reaching new markets and audiences, adapting and responding to global challenges. The Covid-19 pandemic has only exacerbated them.

The creative sector in Malaysia has been growing steadily, with increasing contributions to the economy. Creative industries such as advertising, architecture, design, film and animation, music, performing arts, publishing, and visual arts have been gaining traction and generating economic value. However, when compared with neighbouring countries such as Thailand, Indonesia, Philippines and Singapore, Malaysia still lags behind significantly in the creative sector's contribution to GDP.

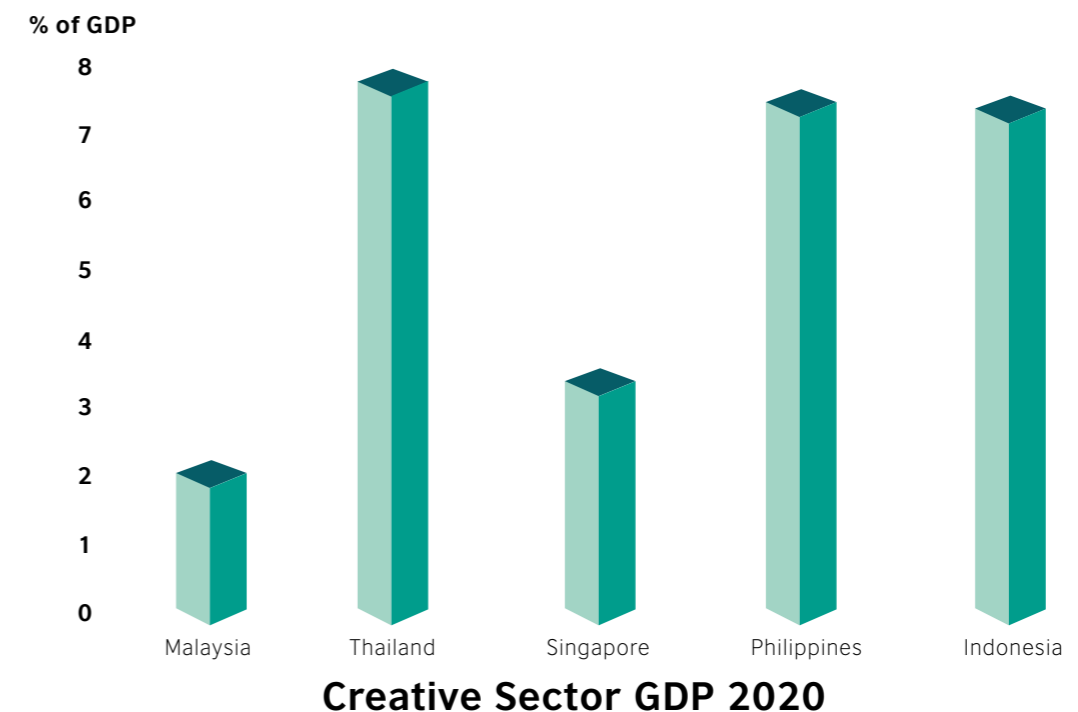
The Malaysian government has implemented various initiatives to support the growth of the creative sector, including policy frameworks, funding programmes, and

2.2 OVERVIEW

In 2019, the UK Government's Department for Digital, Culture, Media, and Sport (DCMS) estimated that the creative industries contributed £115.9 billion (RM625bn) to the UK, accounting for 5.9% of the British economy.



UK Department for Business and Trade, Trade & Investment Factsheets Malaysia, March 2023



02

capacity-building initiatives. For example, the National Creative Industry Policy (DIKN) was launched in 2020, which aims to provide strategic directions and support for the development of the creative sector in Malaysia. Away from the government, Malaysia has witnessed the emergence of creative hubs and clusters in major cities such as Kuala Lumpur, Penang, and Johor Bahru, where creative practitioners, organisations, and businesses congregate to collaborate, create, and promote their creative works. These creative hubs and clusters serve as catalysts for the growth of the creative sector and foster a sense of community and innovation among creative practitioners.

Despite the growth and potential of the creative sector in Malaysia, there are also challenges that need to be addressed. These challenges include limited access to funding and financial resources, gaps in skills and talent development, intellectual property protection issues, market access and export

barriers, and uneven development across different creative sub-sectors and regions.

Under their Creative Economy programme in Malaysia, the British Council wishes to advocate for and support Malaysian policy makers and creative economy stakeholders, to build a more inclusive, resilient and sustainable ecosystem. They want policy makers to understand the full economic, cultural and societal potential the creative economy and its creative industries represent for Malaysia.

In this context, how can policy makers respond to the issues and better support the ecosystem? What are the needs, gaps and opportunities? This report aims to guide the British Council and their partners, both in Malaysia and the UK, to understand the difficulties and opportunities in the Malaysian creative sector, and to help identify areas that the British Council might play a role in enhancing the cooperation between the two nations, through programmes and cross-border collaboration.

03

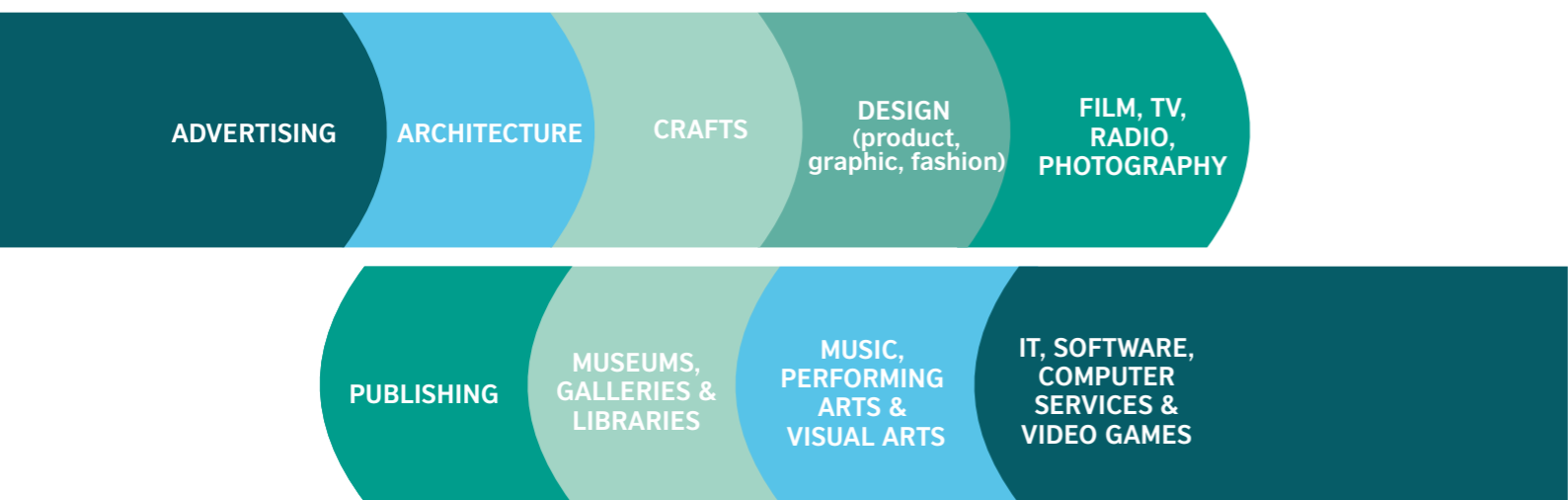
METHODOLOGY

3.1 OVERVIEW

In November 2022 the British Council and Think City agreed to a broad overview of how the fact-finding aspect of this report was to be undertaken. This report is based upon the findings of a series of in-person labs held in three different geographical locations with practitioners from the creative industries, followed by a lab with funders of the creative sector, and finally a comparative analysis

of policy in Malaysia and its neighbours in selected ASEAN countries as well as one-on-one online interviews with **policy makers** at various organisations.

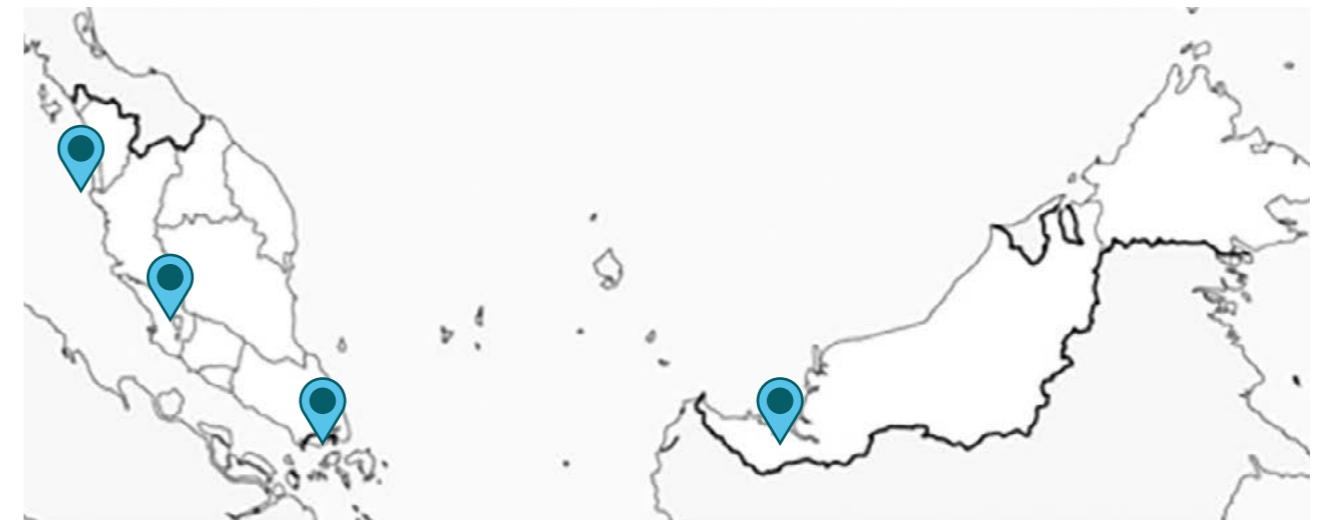
The geographical labs were held in three secondary cities in both Peninsular and East Malaysia. The participants in those labs were drawn from the nine sub-sectors as identified by the UK Government Department for Digital, Media, Culture & Sport (DMCS). These are:



3.2 GEOGRAPHICAL LABS

The rationale for holding practitioners' labs in secondary cities was twofold. First, the size of the market in the capital Kuala Lumpur attracts investment and immigration on a scale that dwarfs the other cities of Malaysia. What factors would persuade practitioners to stay or move to these secondary cities? Second, what innovations might be happening at either government or community level that enhance the creative

sector that might be replicable elsewhere? The three cities selected for this survey were George Town, Penang, in the northwest of Peninsula Malaysia; Johor Bahru, Johor, in the south bordering Singapore; and Kuching, Sarawak on the island of Borneo. The three labs were by invitation and sought, as far as possible, to bring representatives from each sub-sector. The labs were held in-person over seven weeks.



 George Town	 Johor Bahru	 Kuching
29 November 2022	11 January 2023	18 January 2023



The three geographical labs followed the same format. Those invited were working in the city within one of the nine subsectors. Some exceptions were made to include consultants that worked with the creative sector. The labs ranged from 20 to 35 participants and were between 2½ and 3½ hours in duration. An introduction was done that presented the state of the creative sector in Malaysia compared with its neighbours. The participants were then divided into smaller groups based upon their field, for a facilitated round-table discussion. The facilitators guided the participants

through a series of ten areas for investigation, allowing time for each participant to engage in all aspects relevant to them. The facilitators were instructed to provide a wide degree of freedom for the conversation to be organic with the hope that it would allow the team to capture information that might otherwise have been excluded.

The geographical labs were designed to extract information from the practitioners about the choices they have made related to their field, and more generally about the current state of the creative economy in their city and Malaysia as a whole.

These include aspects such as why they have entered their particular field and chosen their city in which to work, with the associated advantages and disadvantages they saw from their location. Further lines of investigation looked to identify the ways that the practitioners handled the everyday business aspects related to their work – what role they saw for marketing, research and development, innovation and the like, whether they were able to expand to meet increased future demand as well as their financial resilience to handle crises such as Covid-19 or a global or regional economic downturn.

A final broader scope of questioning focused upon the role that they saw for government – from skills training and education to an overall rethink of the role of creativity in the country. This led to the last area of the session being them asked for possible solutions to help move the creative sector forward in Malaysia.



03

3.3 FUNDERS' LAB

The fourth lab took a slightly different approach. A smaller, more intimate group was selected to attend a round table discussion. While the facilitator guided the discussion to ensure that several key aspects were covered, the conversation was allowed to flow more freely which produced a deeper and more focused session. There were 17 participants at this lab drawn from a number of government-linked and private sector organisations that fund the creative sector through grants and other means. A small number were also representatives of different sectors. The lab was 2½ hours long and was held in Kuala Lumpur, 17 February 2023.

This lab had a different line of questioning that examined issues from an alternative angle. The round table discussion aimed to extract information from the organisations about their models for funding the creative sector, who was the focus of their support, and their rationale behind those decisions.

Deeper discussion then focused on the impact they felt they were having on the creative sector, and whether the success

stories were able to be scaled up to have a wider reach across the nation.

A third broad aspect of questioning was the shortcomings they perceived when dealing with creative sector practitioners, and what role they felt government had to play in assisting the work they did and enhancing the creative sector.

As with the practitioners' lab, they were also asked to identify possible solutions for the areas they believed were holding back the creative sector in Malaysia.



3.4 POLICY ANALYSIS

Due to the time constraints faced by **policy makers** it was decided that a lab would not be the most advantageous way of garnering feedback from this group. Instead,

feedback was garnered from **policy makers** through online responses and email surveys. To complement **this** a comparative analysis was done of the policies in place in Malaysia and

those of neighbouring countries that have a similar level of development but a significantly larger creative sector as a proportion of GDP, specifically Thailand, Philippines and Indonesia.

04

LITERATURE REVIEW

4.0 LITERATURE REVIEW

Several publications have examined the state of Malaysia's creative economy in recent years. Three were identified for this report as being of particular relevance due to the complementary nature of their material and relatively recent publication.



FUELLING THE KREATIV MALAYSIA, Johan Ishak, 2020

Fuelling the Kreativ Malaysia looks to addressing the needs and challenges of the Malaysian creative economy. The creative industry in Malaysia is divided into ten main categories, including visual arts, performing arts, music, literature, film/TV/gaming content, fashion and design, traditional and cultural arts, creative education, creative technologies, and culinary arts. The goal is to nurture these sectors in a sustainable manner that benefits both the economy and society.

One of the critical areas that require attention is capital injection for economic growth. However, obtaining financing for creative ventures is challenging due to the high risk involved. While government grants and subsidies are available, they may not be sufficient. Banks are hesitant to provide loans due to the uncertainty in revenue potential. Venture capitalists and private equity investors also have high ROI expectations that many creative entrepreneurs cannot promise. As a result, there is a heavy reliance on government funding.

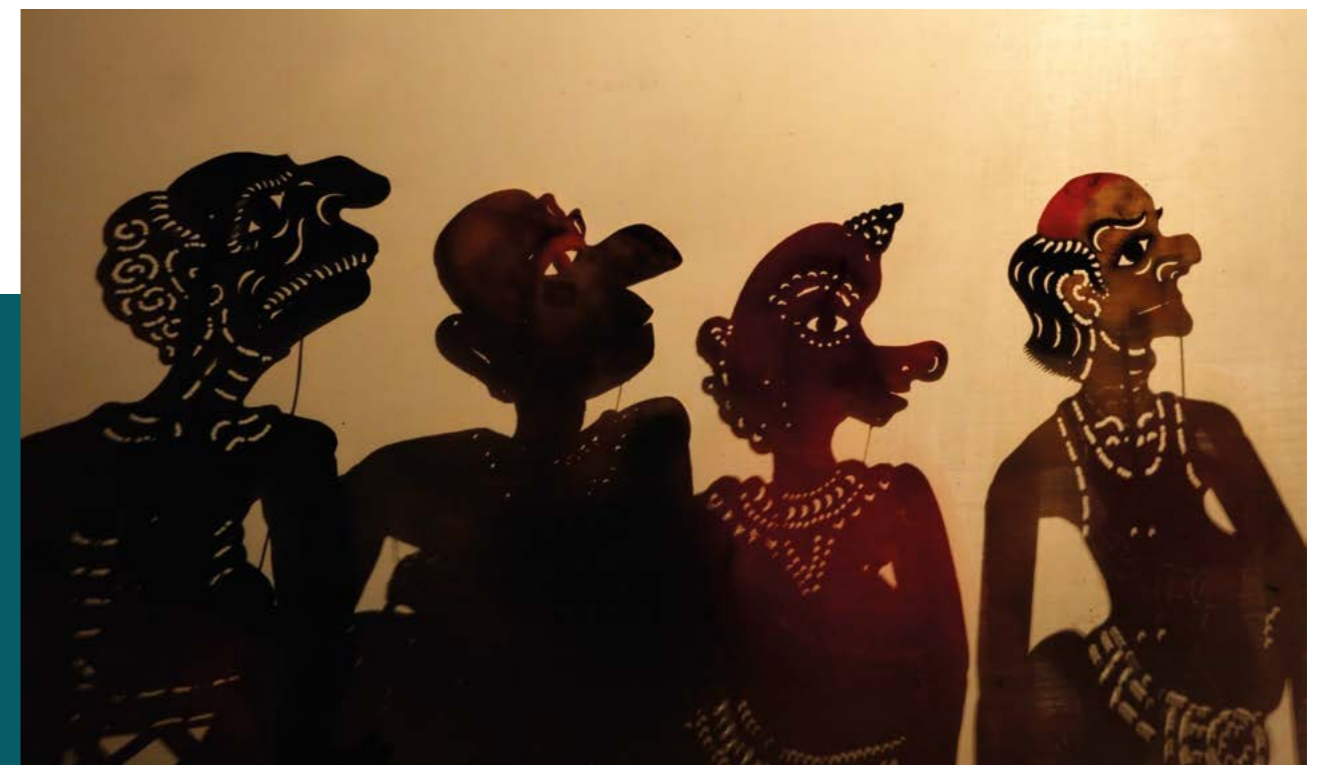
To address these challenges, the Malaysian government has established institutions like MyCreative Ventures and Malaysian Debt Venture (MDV) to provide loans with interest rates determined by risk assessment. This approach focuses on funding businesses as a whole, rather than individual projects, reducing risk and uncertainty. Collateral requirements have been relaxed, considering the intangible assets of the creative industry, such as intellectual properties.

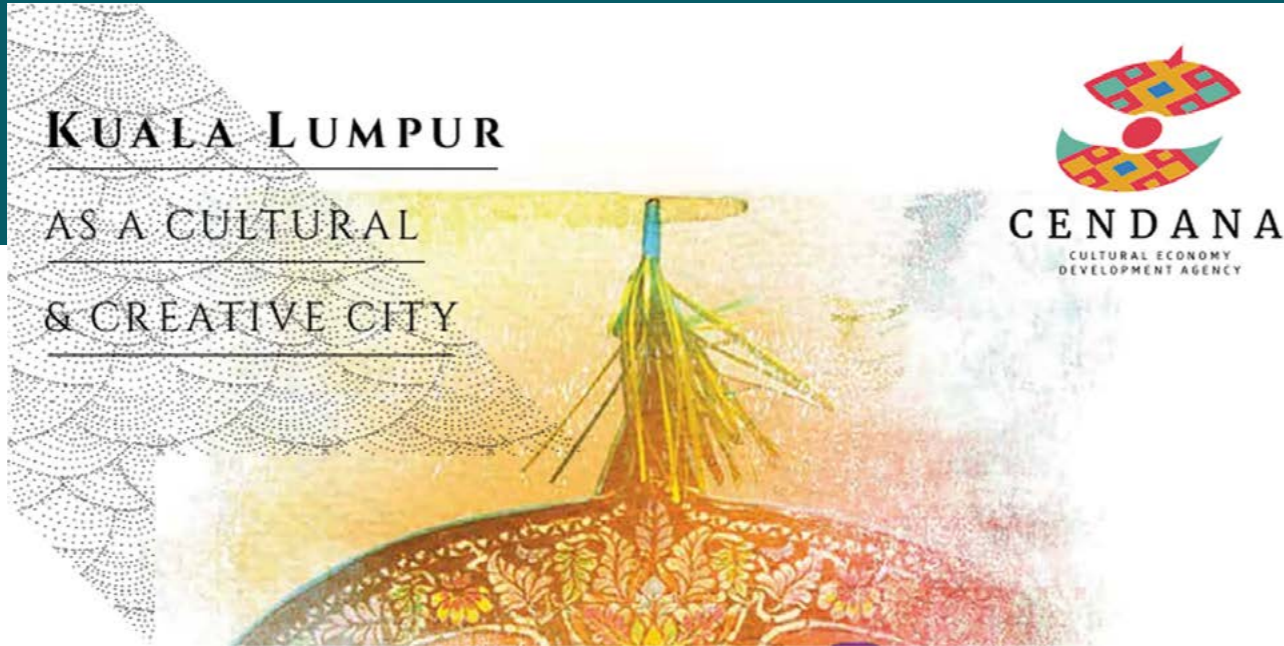
The government agencies responsible for grants and funding, such as FINAS, MCMC, MDeC, and Cradle, have specific roles based on the maturity of the companies in the industry. Startups are encouraged to seek grants, while more mature companies can approach VCs and DVs for loans. Public

funding options, like initial public offerings (IPOs) or bond issuance, are available but not widely utilized.

The aim is to create a supportive ecosystem that guides creative entrepreneurs through the process of developing their ideas into profitable businesses. The expected return on investment (ROI) for creative businesses should be significantly higher than traditional investments, but entrepreneurs need to demonstrate the potential for growth and profitability within an acceptable timeframe, usually around 5 to 10 years.

Overall, the goal is to fuel the growth of the Malaysian creative industry by providing tailored financing options, promoting sustainable business models, and creating a conducive environment for creative entrepreneurs to thrive.





KUALA LUMPUR AS A CULTURAL & CREATIVE CITY, Cendana, 2019

This report was prepared by CENDANA (Cultural Economy Development Agency) in 2019 under an initiative of the British Council and Think City, along with participants from both the private and the public sector in recognition of Kuala Lumpur's immense potential for development and growth in cultural and creative sector.

Findings that were gathered for this report were drawn from publicly available materials and data provided by industry stakeholders, including, but not limited to, regulatory bodies, local authorities, and industry association with additional qualitative research that were carried out ie. face-to-face interviews and focus group discussions, collected responses from both online and demand survey.

The report first defines the Cultural and Creative landscape in Malaysia. Based on the definition set by the UK's Department for Culture Media and Sport, six key sectors were identified as the main drivers within Kuala Lumpur:

Between them these six sectors contributed approximately RM1billion to Kuala Lumpur's 2016 GDP.

- 1 Visual Arts
- 2 Performing arts
- 3 Music
- 4 Museums and archives
- 5 Literature and publishing
- 6 Crafts

The report also provides an overview analysis and developmental needs for the key sectors and the economy by breaking down the following:

- 1 Value Chain – Content creation, support, distribution, revenue
- 2 Baseline data – Overview of the sector
- 3 Drivers – Opportunities for the sector
- 4 Restrains – Challenges for the sector
- 5 Case studies – Learnings from the particular sector

Finally, five building blocks were identified and recommended as primary action steps to be taken to build Kuala Lumpur as an internationally recognised cultural & creative city by 2022. These were:

- 1 Cultural & Creative Education: Create A Creative Workforce
- 2 Creative Hubs & Infrastructure
- 3 Nurturing The Market

- 4 Business Support & Investment
- 5 Creative Place-making, Liveability & Tourism

The report also functions as a key baseline and reference for the planning and implementation of priority action steps towards developing these sectors.

HUBS FOR GOOD MALAYSIA EVALUATION REPORT, British Council, 2017

In early 2017, the British Council conducted a research project to map creative hubs in Malaysia. The project aimed to understand the existing creative sector ecosystem, the organisational structure of creative hubs, their needs, and the major gaps preventing their growth. Based on the findings, the British Council launched the three-year Hubs For Good programme in 2018 to address these gaps.

The Hubs For Good programme focused on three main objectives: building capacity for existing and future hub managers, connecting local hubs to each other and international hubs for support and collaboration, and supporting long-term impact measurement and research. Over the three-year period, the programme provided participating creative hubs with capacity building workshops, UK exchange programme trips, seed fund grants, forums, and access to the Creative Hubs Malaysia digital platform.

An evaluation of the programme was conducted between November 2020 and February 2021 to identify outcomes, strengths, and weaknesses. Data was collected through interviews with respondents and consultations with stakeholders. The evaluation revealed that participating creative hubs improved their knowledge about the creative hub ecosystem, management, funding, and resources needed for organisational development.

Improved networking and collaboration between creative hubs in Malaysia was

identified as the most important impact of the programme. Recommendations for future programmes include grouping hubs based on their level of maturity for more targeted capacity building, providing knowledge sharing sessions to ecosystem actors beyond creative hubs, emphasizing interactive connections with regional and international hubs, and focusing on equipping hubs with evaluation and impact assessment skills.

The evaluation also highlighted the lack of regular evaluation and impact assessment among creative hubs in Malaysia. Future programmes should focus on building monitoring frameworks, assessment tools, and data collection capabilities to increase the visibility and recognition of creative hubs.

Additionally, grant-giving organisations should make their application process more user-friendly, communicate expectations clearly, and provide training in data collection and analysis. Setting quantitative and qualitative indicators can help measure the success of programmes and secure long-term funding for creative hubs.



CONSULTATION OUTCOMES

5.0 CREATIVES' SESSIONS OUTCOMES

The responses from the consultations held in the three cities brought up broadly similar feedback.

In each session, the participants, grouped within their fields, were guided through a series of ten areas of inquiry. These were looking to discover aspects of the practitioners such as demographics, backgrounds, financial stability, marketing, skills, and resilience to understand what led them to work in the field they do, why they chose the city they work in, what steps they are taking to improve their venture, and

how well prepared they are for the future. Understanding their internal rationale for what has led them to the position they are in today can help shape policy and programmes designed to improve the ecosystem of the creative sector by targeting those aspects of the practitioners' work that is acting as a hindrance to their growth, either individually or as a sector in general. The tables on the following pages show a range of responses that were representative of a large number of participants in all three locations.

1

What are the factors that influenced your decision to work and live here?

Personal

- I was born in this city
- I married someone from this city
- Return to take care of aging parents
- Want to preserve local culture and traditions
- Want to 'give back' to my city

Lifestyle

- Less hectic than Kuala Lumpur (or other large city)
- Cost of living lower than Kuala Lumpur
- Less hectic lifestyle
- Prefer 'smalltown feel'

Work

- Less competitive than Kuala Lumpur/ Singapore
- Creative freedom not found in Kuala Lumpur
- City inspires my work
- My market is here/nearby
- There is a gap in the market

2

What were the factors that made you enter this field?

Personal

- An interest from young
- Following a parent in the field
- Hobby that became full time
- Work morphed into this field
- Studied overseas – opened up to influences
- Inspired by the culture in this city
- Was exposed to arts and culture by parents at young age
- My culture inspires my interest in arts
- Inherited trade from family member

Impact

- Wanted to help the creative sector grow
- Wished to help others in the field

Work

- Business opportunity
- Combination of studies and passion
- Saw a gap in the market
- Saw potential in this city

3

How do you handle financial uncertainty?

Initial Set-up

- Supported by family
- Self-funded through savings
- Started very small and grew organically
- Funding from local government
- Friends and family were first customers
- Grant from funding organisation

Ongoing funding

- Through grant applications
- Sponsored events
- Must take pre-orders with deposits
- Need to supplement with outside work
- Sponsorship
- Diversify offerings to make money
- Do corporate work to cover costs of more creative work

4

How important is packaging and branding?

Identity

- Need to create an identity of the creator
- Create higher perceived value of the product
- Show the ideation process
- Traditional patterns are sacred and cannot be commercialised
- About story telling
- Outsourcing to third party (eg graphic designer) creates problems
- Important for education of customers

Awareness

- To differentiate local content from international products
- Local products are seen as inferior to international products
- Can take time to build up brand recognition
- Branding is not important for local crafts
- Only need to do marketing if there is competition

Avenues

- No budget for marketing or design
- Cannot afford adverts
- Through social media only
- Old media is a waste of time
- Through networking or word of mouth
- All self-done – marketing, branding, design
- At events (festivals etc)

5

Where is your main market, how do you reach your clientele?

Distribution Channels

- Traditional channels (eg shops) are not suitable
- Independent channels are better
- More business done online since covid-19
- Only through Facebook
- At physical events
- Must have physical space as well
- Hotel gift shops
- Workshops held by third parties

Market

- Rely heavily on walk-ins
- Very high proportion are tourists
- Almost entirely local market
- Only a tiny proportion are from outside my city
- Rely on repeat customers
- Target customers through networking
- Tourists have higher spending power
- Locals who have moved away
- Third party apps/platforms

Shortcomings

- International customers want established brands
- Lack of suitable software for distribution

6

How does your product remain relevant to a changing market?

Marketing

- Strong digital presence
- Use social media to stay on top of trends
- New platforms such as TikTok to reach new audiences
- Customer reviews are essential for research

Technology

- Pivoting to online presence
- Leveraging 3D printing
- Stay up to date with trends such as NFTs
- Primitive use of AI
- Arts and crafts don't need to utilise technology
- Modern technology allows collaboration in new ways
- Demystifying the creative process through YouTube videos
- Use traditional methods but new materials

Other

- Crafts shouldn't modernise – must remain true to tradition
- Focus on selling lifestyle rather than product

Shortcomings

- Limited access to data
- Ideas 'stolen' - lack of respect for IP
- Need to shed the 'cheap and good' image and focus on unique and attractive instead
- Not everything can be done online

7

Are the skills and talent you need readily available?

Availability of Skills

- Limited workforce available – salaries higher elsewhere
- Workforce lacks basic skills
- Difficult to upskill in Malaysia – lack of programmes
- City does not have enough to attract talent
- Skills may be available but talent is scarce
- High turnover of staff through repetitive nature of work
- People with talent often choose to do their own thing or freelance – not in the skills pool

Training

- Upskilling not available locally – need to go to Singapore or KL
- Only option is online from overseas
- Malaysia is not 'into art' – few opportunities to learn
- Have to upskill workforce personally

Shortcomings

- Lack of government support
- Education system does not encourage creativity
- Splitting arts and sciences at school hinders the quality of graduates
- Lack the creative infrastructure
- Fees paid are low which push wages down
- Lack of problem-solving being taught in schools

8

How scalable is your venture? Can you increase your production?

Planning

- Leverage on pre-orders to gauge demand
- Use multiple manufacturers to meet increased demand
- More concerned about survival than expanding
- Must work with KL collaborators to scale up
- Deliberately choose to not upscale
- Upscaling takes time – lack of skilled workforce means a long time spent training
- Need to invest in new technology to grow venture
- Funding from grants – go from project to project so no opportunity to scale up

Shortcomings

- Increasing production lowers quality
- Cannot predict the economic cycle
- Postage/shipping overseas increases costs
- The future is uncertain due to exchange rates and government policies
- Difficult to compete with KL for large scale projects
- Much production is manual – upscaling does not create economies of scale
- Don't have the knowledge to upscale
- Might lose enjoyment of venture if become too large
- Not possible to upscale locally – need to out-source to KL
- Lack of internal capacity to upscale

9

How scalable is your venture? Can you increase your production?

Response to Covid 19

- Need to take second job
- Diversify revenue streams
- Relied on government grants
- Pivoted the business and created new opportunities
- Shifted business online
- Diversified products

Planning

- Need more interesting and unique products
- More online selling
- Must leverage new trends (eg NFTs)
- Plan to downsize and lower prices to increase demand
- Need to find markets outside Malaysia
- Need to plan for next crisis by learning how to get government assistance
- Must maintain savings for next crisis

Shortcomings

- Issues raised by Covid are not addressed by government
- Better appreciation of IP is needed
- Government needs to be more flexible and not treat creative industry as same as other sectors
- Creative sector cannot survive on revenue – will always need government assistance

5.1 FUNDERS' SESSION OUTCOMES

The nature of the funders' session was designed to be more free flowing than the

geographic sessions. While moderated, the conversation was allowed to explore topics away from the main area of inquiry to allow for as many insights to be caught.

The following responses were part of what was captured as representative of the conversations, with the divergence away from the initial areas of investigation being captured in the analysis in the next section.

1

What is your role & focus for being involved in the creative sector?

- Support livelihoods of all Malaysians
- Support B40 communities
- Greater focus on the social aspect of ESG
- Focus on the arts community
- Focus on small scale initiatives
- Nationwide focus on arts
- Lack of priority from government in prioritising arts (help to fill that gap)
- Lack of consistency and continuity from government
- Arts are important to support during economically hard times
- Creativity and arts are important to the human experience

2

How can all stakeholders drive the creative sector forward?

- Closer collaboration with government is not the most effective way
- Private sector is more effective
- Allow public institutions to become involved when things materialise
- Need impartial organisations to facilitate policymaking and research
- The artists create the economy not the government
- All funders have a role in driving the creative sector forward

3

What impact has your funding had on your aims and the sector?

- There has been economic and social growth in our target area
- Created greater awareness among younger population
- There is still a lack of understanding of the importance of design – there is a lack of emphasis in government and in the private sector
- The support by government is very focused on traditional arts, there is little support of contemporary art
- Beyond funding there are still many issues for the grantees in terms of a lack of capacity
- For funders itself, getting funding from the government is also a tiring and gruesome process
- Malaysia should battle to improve arts education
- The metrics used for assessing the impact does not value non-financial returns or impact such as social mobility

4

What collaboration is there in the creative sector?

- The voice of the artists is missing in the ecosystem, there is not one place that artists can go to for support, e.g., admin, legal
- Associations usually speak for the industry, and not much from the perspective of the artists
- The idea of unions could be explored, coming together to speak about what the artists need, and to focus on representing them collectively
- We should be moving towards more ecosystem awareness, from the perspective of building ecosystems, this may bring in more interest from the government
- There lacks a platform for convergence of all communities and stakeholders within the ecosystem
- We need to come together, make sure we are creating a movement that converges all stakeholders

5

Do you expect your grantees to have a business plan and/or co-investment?

- Most projects do look for co-investments and collaboration
- What is the role of the ESG, how can we use ESG to attract corporates to support this
- Maybe arts community can use the language of supporting 'Social' to get this moving forward
- When a corporate wants to start a foundation or wants to do good, they should look to it as a sustainability model, that foundation needs to run sustainably first before helping others
- If the foundation is not sincere, this will not be sustainable in the long-term because this takes effort to assist people who need it and keep this continuing
- Support needs to be provided for grantees on top of the grants, e.g., Impact measuring, branding and communication
- Common denominator of successful creative economies in these countries is the people behind it, Malaysia should build up on the people

5.2

POLICY MAKERS' CONSULTATION

This was aimed assessing how those in government and other policy making organisations view the importance of the

creative sector, what issues they see as hindering its' growth, their response to some of the aspects raised by the practitioners and funders, and what might be some areas of policy reform or action that might move the sector on an upwards trajectory. The policy makers were asked

to answer in an informal manner – it was anticipated that answering in this manner rather than with an official position of policy would elicit responses that would reflect the real-world behaviour towards the sector rather than policy that may be aspirational rather than factual.

1

Why does the Malaysian creative economy lag behind its neighbours?

- Lack of understanding and definition of the industry
- Potential contribution is seen as low compared with other industries
- Lack of budget for development
- Piecemeal development
- Lack of government identifying creativity as an economic driver rather than a “lifestyle”
- Lack of coordination between state and federal level

2

Is the creative economy important to Malaysia? Should we prioritise it?

- Identified as potentially an important sector
- 2015 study by ASM identified the creative industries as a key wealth creator by 2050
- Must be if Malaysia is to remain competitive in coming decades

3

What are the current policies that support the creative sector?

- DIKN (Dasar Industri Kreatif Negara)
- Multiple other policies related to creative industries at KKD, MCMC, MyCV, FINAS etc
- Policy is outdated and piecemeal.
- Lack of strategy and the right drivers

4

Does the education system help or hinder development and appreciation of the creative sector?

- It is a significant reason for Malaysia's underperformance
- Lack of investment in teaching creativity at school through to university
- Parents also need educating about the value of the creative industries competitive in coming decades

5

What policies do you think might improve things for the creative sector?

- Policies must be more holistic
- Greater protection of IP and education of the value of IP
- Export focused policies
- Financing for SMEs including start-up costs
- Greater focus in schools and higher education on creativity
- Work to change societal views of creative industries
- Mentoring and skills development of creative practitioners on business side such as marketing

06

CONSULTATION ANALYSIS

6.1 PRACTITIONERS' SESSIONS

Aspects Determining Location

As the consultations were all run in secondary cities it probably doesn't come as a surprise that the findings for all three were broadly similar. The main driving factors behind the vast majority of the respondents were personal reasons. In each city the vast majority - over 90% - were born or grew up in the city that they are now working. Many had studied and worked further afield – Kuala Lumpur, Singapore, UK and Australia in particular – but had chosen to return to their home city to work after a few years.

Many cited reasons such as returning to take care of aging parents, but more often they were driven by sentimental reasons – they missed their hometown, or wished to return to contribute to the city and their culture.

Beyond family and other personal reasons, the lifestyle and quality of life offered by a smaller city was a predominant factor. The pace of life in Kuala Lumpur, the cost of living and aspects such as traffic congestion all played a part in their decision making.

Considerations regarding work appear to be secondary to personal reasons. This may be a reflection of the secondary city status (most migration for work is typically from these cities to KL). But is indicative of the general consensus about KL – it attracts more talent, has higher wages and more opportunity in most industries. There is no reason why the creative sector should be any different. However there were some commonalities with those who cited professional reasons – the market is smaller and less competitive than KL, there was a

perceived gap in the local market, and that the smaller size of the city made it easier for them on a professional level in terms of networking, finding a niche, they found it easier to experiment, and the like.

Participants from all three cities cited that the city played an important influence on their work. While both George Town and Kuching participants mentioned their more open governments meant they felt they had more creative freedom, those from Johor Bahru did not share this viewpoint. Perhaps surprisingly, the location of Johor next to Singapore was not a major factor in people selecting it as a place to work.

Aspects Influencing Entry

The responses from across the three cities were again broadly similar. Most respondents cited family as being a key factor in their decision. Many came from families that were either in a similar field or were supportive of their decision. Many noted that their interest in arts and culture only came about once they went overseas to study, and came back inspired to work within the context of their local culture.



Many commented that their interest in arts and culture and creativity was in spite of their education. A common theme was that schools did not actively encourage an interest in creativity or an appreciation of the arts and that it was either through exposure in a family setting to music, art and the like, or it was an instinctive interest that seemed to come from nowhere but themselves.

Several participants noted that they had to go against their parents' wishes to enter their field – while others tried to appease their parents' by choosing a profession such as architecture that manages to combine a more traditional, career approach with a creative outlet for the practitioner.

A common entry point appeared to be a hobby that slowly evolved into a part time job and then full time. Similarly, several pointed to a previous job that was less creative and a sideways move into this field provided an outlet for their creativity.

Across all three geographies only a small minority chose the field for professional or career based reasons. Those few that did perceived a gap in the market and their

the potential for growth in their city.

Among participants from all three cities there was a broad agreement about factors that discouraged them from entering the creative sector. A lack of understanding and appreciation in Malaysia about arts and culture, an education system that places little importance on subjects such as art, and very traditional views of the job market all play a part in making a career in the creative sector a difficult choice for young people if they do not have the support of their family.

Venture Funding

There was little, if any, disparity with the funding of the ventures across the three geographies. The initial injection of capital to establish the venture generally fell into three categories. The first was that the participants provided funding out of their own pocket through savings they had made in a previous career, whether on their own or with a partner. The second was a small loan from family and the third was through a grant from local government or one of the national or international agencies such as Khazanah or the British Council.



What was clear was that there was no established avenues for funding a start-up – the grants given were project based but sometimes enabled the participant to start their venture. In this way, however, the creative sector is not different to any other start-up; it is difficult to secure bank loans for a new venture without some collateral or security. As with other businesses that have organic roots, most ventures started small, with low overheads, and slowly grew to something more substantial and permanent. This formula means that many similar ventures would have failed, which is true whether within the creative sector or another sector.

Most ventures that were surveyed indicated that ongoing funding continues to be problematic for them. Many talked about a continuous cycle of applying for grants from funding agencies, and the uncertainty and delays associated with that process.

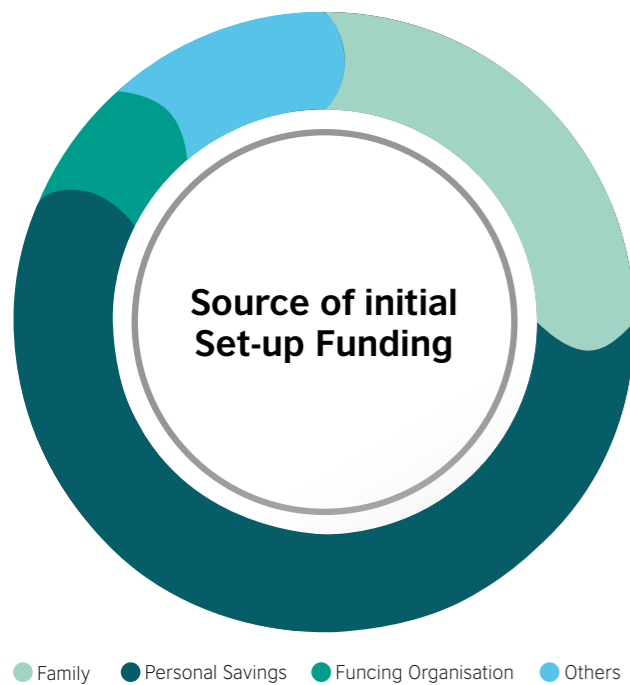
Taking up second jobs to make ends meet was a common theme, many taking jobs as Grab (e-hailing) drivers for example.

The need to diversify their product to take on corporate work to fund their more creative output was highlighted by many across several sub-sectors and from all three cities. However, many felt that this was a sub-optimal option as it was perceived to put pressure on their creative freedom.

A result of this problematic funding is that most of their day-to-day expenses are from cash-flow, which obviously reduces their ability to invest in new ideas or expansion plans.

Due to the uncertainties caused by the covid-19 pandemic many were forced to re-assess their model. Some were more innovative, looking at new funding models such as a subscription-based model or diversifying their product and their customer base.





A clear outcome of these sessions is the understanding that almost universally there is very little understanding of business and financial planning. The older and more established ventures seemed to have a better grasp of the business side of their industry (perhaps this is a self-selecting group as they have survived for many years). Financial literacy would help many of the participants better plan for uncertain economic times as well as for just managing day to day operations of their venture during less challenging times.

Percieved Importance Of Branding & Packaging

Across all three geographies there was a clear division in attitudes to branding, marketing and packaging. The participants that were involved in a more traditional form

of craft or art indicated that branding and marketing were not suited to their field. There was a perception that this would lead to a high degree of commercialisation and that the authenticity and artistic value of their work would be diminished as a result. This was particularly notable in Kuching, where modern society and traditional culture appear to be more entwined than in other parts of the country.

Away from crafts and art there was a general recognition that branding was important to help create an identity for the product. A number felt that the creator of the work themselves needed to be marketed rather than their work, and that an essential element of branding is the story-telling aspect – that it would create an image for the products by educating the public about the process of ideation and creation.



In spite of most being in agreement that branding and marketing were of importance their actions tell another story. Few seemed to take a businesslike approach to bringing their brand and products to a wider audience. Most were happy to promote their product through the social media platforms of Facebook and Instagram. Other avenues included participating in festivals or other events where they could display their work. All who responded indicated that marketing was done in-house with the main reason being a lack of budget.

Several participants indicated that word of mouth was an adequate marketing strategy, while other indicated that if they had no competition there was no need to market themselves at all. These positions will lead to reduced visibility of the product and therefore lower sales.

A perceived shortcoming was that there were few platforms in Malaysia for them to promote their work.

While some did indicate that they took marketing seriously, putting aside part of their budget for this, the majority would benefit from business coaching.

Market Reach

Across the three cities a trend was clearly articulated – almost all of the ventures' main market was located within the city they were operational, and if one extended the boundaries to include the state as a whole, it represented almost the entirety of their market. Many cited the difficulties of selling further afield – some talked about the difficulties and cost of postage and shipping. Even in JB, with Singapore across



the causeway, the majority of ventures only had small traction in the city state, with only a handful exploiting their location with significant sales there.

Many indicated that foreign tourists were likely to spend more on creative products than locals, and as a result many sought locations such as like hotel gift shops and events such as festivals that are frequented by tourists. For some, even local Malaysian tourists were more prepared to spend on creative products than locals from their own city.

In terms of distribution channels most had an online presence, but in most cases this was simply the general social media channels of Facebook or Instagram. Many commented that the nature of their work requires a physical presence and so while promoting their products online, actual sales took place at physical locations such as galleries or independent shops.

Most agreed that they were competing in a global marketplace, however the majority seemed to be inward looking, commenting that markets such as Singapore were more interested in ‘international brands’ than Malaysian products. This is perhaps a self-fulfilling prophecy – the belief that overseas markets are difficult in which to establish a foothold and service results in a focus on the local market, ignoring the opportunities offered abroad. The marketing strategy for many of the ventures seems to reflect this

Product Relevance

The responses to this line of questioning, of how their product stayed relevant in a changing market fell into a number of different categories. The first tied the question back to the role of social media and new media channels to promote their products.

The second was again the use of social media to stay ahead of trends locally by exploring what was being done elsewhere.

A third was the role of technology and how it might apply to their venture. The ventures that were more open to new technology were the sub-sectors such as architecture, film and photography because they are exposed to technology and software on a daily basis.

A final category of response was that technology had no role to play – that arts and crafts were better served if they were not incorporated into the process. Authenticity of product and process were key ideas, but in some cases it appeared to prevent any kind of innovative process, that the traditional method and form was adequate and modifications were not needed.

Many shortcomings were identified within this theme. Research was limited as access to data was not readily available. Better



● Advances in software/hardware ● Social Media only ● Plays no role

government statistics are needed to help the creative sector.

There is also a reluctance to innovate as there is a perception that IP rights are not well protected in Malaysia. The resulting perception being that the creative sector in Malaysia is stuck in the same place it was 30 years ago compared to Thailand and Indonesia that are innovating at an increasing speed. Things won't change unless there is some organisation that can oversee protection of IP rights.

Skills & Talent Availability

The responses on the availability of a skilled workforce and opportunities to upskill themselves were the same in all three cities.

All cited difficulties in finding suitably skilled staff, blaming the education system for not encouraging the right skills, and a lack of focus on the creative sector. The early separation of arts and science subjects was given as an example that fails the creative industry – having both can lead more young people into the creative sector.

Others mentioned that even basic skills were lacking in younger applicants – interpersonal skills, problem solving, and attention to detail.

Some believed the problem emanated not just from the education system but from society as a whole – Malaysia was not interested in art and so there were few opportunities for people to learn.

All three cities noted that the economic pulling power of Kuala Lumpur made retaining staff difficult – it is impossible to match salaries paid in KL. Those that do have skills and wish to remain in their city often will become freelance or create their own venture, meaning they are either expensive or unavailable to work for others.

A sentiment strongly articulated by the majority of respondents was that the government needs to do more to assist with creating the right skills in the workforce and of upskilling those in the creative sector. It was felt that Malaysia lags behind its peers in providing the necessary training.

A final aspect that was commented on was the need for general business and entrepreneurial skills would be helpful for most of the participants.

Future Demand & Scalability

The ability of the ventures to expand their production or to scale up to meet increased demand appeared to present a number of problems for most of the ventures.

On the one hand many felt that the idea of scaling up would not be compatible with their artistic endeavours and wouldn't be considered. They would rather stay small and focused on what they were currently doing. By increasing their size they felt they might lose their job satisfaction. Or by scaling up the quality of their product might be compromised. Others, in the crafts, believed that scaling up was possible, but it would be slow as additional artisans would be needed to be trained to work on the project. There would be no economies of scale though increased production.



The lack of economies of scale were cited by others – as much of the work done is manual, there would not be savings by increasing the quantity produced.

In analysis it might be argued that the issue of scaling up is one faced by all small businesses. While there may be issues specific to some of the creative sector, the lack of business mentoring available, and entrepreneurial skills could be the issue that is preventing some of these ventures being in a position to increase output.

Changes Needed In The Creative Sector

It might not come as a surprise that most comments here were focused on the role that government plays, and how it might improve things.

Firstly, an overhaul of the education system is desired, with a greater focus on combining arts and sciences. There needs to be greater exposure to arts and from a younger age to build an appreciation **or** arts and culture.

Secondly, there needs to be greater transparency in government and with funders. Decisions of how grants are allocated need to be more open, and there needs to be reduced bureaucracy in the process of all interaction with government (be it in the planning process, grants, etc)

Thirdly, there needs to be a shift in the current attitude to arts and culture. Rather than tying it to **tourism** there is a need for policies that can build up the creative sector in a sustainable manner.

An issue with funders is that they are project based – this creates a great deal of economic uncertainty for those within the sector. There is an additional worry

that funders will become increasingly ‘profit focused’ with their grants, which will have a negative impact on creativity.

From a broader perspective there needs to be a greater appreciation for the arts and culture in society as a whole. There is a perception that some of the output is not desirable, either because of design that is seen as old fashioned, or quality of materials or manufacture that is not seen as high standard. This perception needs to be addressed, with recognition going to many of the excellent artisans, artists, craftspeople and other creatives that are finding appreciation overseas but less so at home. Complementing this there needs to be greater effort made to safeguard Malaysia’s cultural heritage.

The ecosystem needs strengthening - more platforms that can showcase their work, with more festivals that connect artists and their work with the public so audiences and appreciation of the arts can be developed.



6.2 FUNDERS’ SESSION

Aims

The funders were comprised of foundations and organisations that were both government-linked and from the private sector. The government linked organisations tended to have aims that were aligned to policies that reached beyond issues of creativity and culture. For example these aims tended to focus on poverty alleviation and social mobility with particular attention being paid to the B40 (bottom 40% of income earners) Those that were linked to government, unsurprisingly, had aims that were aligned with the policies of the day.

The creative sector (especially arts and crafts) is targeted by funders as a relatively simple way of reaching those low-income earners, and with obvious, visible outputs. The funders themselves face difficulties securing funding for their grant programmes from their parent organisation (usually a government-linked company) and need to provide evidence that their grants are having impact on those they are targeting. A result of this is that funding tends to be on a project basis – the beneficiaries of grants are awarded a lump sum to produce a certain output. A secondary reason for support of the creative sector through grants was a recognition that the creative sector is underrepresented in the Malaysian education system and in the general awareness of the public. There is a sense amongst the funders that **there is not done to** support the creative economy through government policies.

[To be clear, some of the funders have multiple avenues of support to a wide range of areas of impact. These include education, community development or environment for example. These areas all compete for funding with the creative sector funding.]

One particular outcome of the focus of the funders was that there is not an ‘art for arts sake’ approach. Traditional arts and crafts are well represented in grants, while contemporary art receives significantly less funding. This has led to a certain degree consistency in output of these traditional forms, with continuity of method and design being favoured over innovation.

An aspect of the current funding model is that with it being on a project basis, there is little in the way of capacity building. Skills such as marketing or business management are not offered to the grantees. Additionally, the process – multiple forms and supporting documents is beyond the capabilities of many that might be targeted. The possibility of waiting several months for the grant cycle before awards are made, and a further wait before funds are disbursed adds to the perceived burden of the process. The funders recognised that this is not the most ideal model, and further commented that there was the identification of ‘grantpreneurs’, those who were competent at completing the application process and win multiple grants from different organisations.

Enhancing The Creative Sector

There is a recognition from the funders that they themselves are not always best placed to work with the communities that they are trying to support. The need for intermediary bodies or organisations that

can play the role of community liaison would improve the disbursement of funding.

There is also the recognition that government organisations are not the most suitable for pushing forward the creative sector. Experience over the past years has created the impression to some funders that the government is out of touch of what is needed in the creative sector, and greater involvement could actually harm the progression of the sector.

A central body that would run independently of the government and funders, and act in the interests of the creative sector, whilst promoting the aims of the funders, is needed.

Impact

There is evidence that funding can have an impact on the wider community, beyond those receiving the grant. An example is in Downtown KL with the grants being awarded by Permodalan Nasional Berhad (PNB), with the area in the streets near the new development PNB118 have seen a noticeable increase in economic activity and footfall in the area due to their support of the creative sector. An important aspect has been the educational side – working with older residents and former residents to use history to help activate the space, whilst educating younger members of the community who are unaware of the history of the area.

The formula for funding is not providing the grantees with all the assistance they need – there is a lack of ability in terms of business administration and the legal aspect of their work (such as intellectual property rights). The funding model does not address these

issues. In countries such as France there are many associations that provide this sort of assistance to the various different sectors across the creative economy.

In addition to a lack of assistance in the business and legal aspect of their venture, the funders identified the fact that there is little in the way of capacity building. Greater exposure is key for the grantees and the creative communities to raise their capabilities. The funders should add capacity building as a priority focus in their initiatives.

The way that impact is measured is in itself an issue that needs to be examined and perhaps adjusted. Currently the government is looking at financial returns as the main metric. In Australia, for example, social mobility is identified as an aspect of impact that is worth measuring. Data measurement is important, however the social return on investment is not captured by the funding organisations.

The funders identified that for things to change the government needs to be influenced to move to a broader array of metrics.

Design

The importance of design does not appear to resonate in the wider economy. There is a lack of understanding of the importance that design plays on product development and marketing but in the past it has been seen as a distinct sector and not included in the creative industries.

Over the past decade the number of university graduates in design has increased, however only 20% of these graduates go on to enter the industry. A lack of opportunities locally has led to a brain drain (especially to Singapore), where design has more

recognition as an important element of product development. Overall, there is an undervaluing of design in Malaysia.

Collaboration

While there is a certain amount of collaboration between some funding organisations, there has not been a concerted effort to coordinate their work in this area. Grantees might be funded by multiple organisations, ‘gaming’ the system. Organisations such as the British Council and Alliance Francaise continue to collaborate with multiple funding organisations and work together on programmes. The other funders tend to work on their own for most programmes.

One significant aspect of the efforts of collaboration is that the voices of the artists and creators are missing from the ecosystem. There is not a place where the creators can go for support. Overseas there are unions or associations that take this role, playing an advocate for the artists.

If the desire is to build and strengthen the creative ecosystem, then there is the need to get representation of the artists. An ecosystem that each funder plays a role and has representation of the artists could be of more interest to the government. However, there is the danger that it could become an echo-chamber. There is the need for a platform that allows all stakeholders to come together, not just funders but all those engaged in the creative sector. This needs to be done in a way that those outside of the industry can see and feel the impact and demand for this. Funding would be needed to formalise this programme, but it is possible to

start to bring the stakeholders together and seek funding once the idea is fleshed out. Using a festival might make the most sense to commence building such a platform. By bringing together the stakeholders to the festival, there would be the opportunity to discuss what form this platform might take. Think City has already been doing something similar with the Downtown KL Collective initiative – this might be something that could be built upon to create a nationwide platform.

Government

The predominant theme from the funders was that the creativity and arts is not appropriately valued by Government. The Government has a multifaceted role to play in assisting the growth and long-term resilience of the creative sector. In countries such as Indonesia there are opportunities provided by the government to the creative sector to support and build up the economy. The common denominator of successful creative economies is the people behind them. More is needed to be done by the Government to help build capacity of those in the creative sector.

Arts education at school level is not seen as a priority, and while there is increasing demand from schools, ministries do not see enough value in it to provide the necessary support and funding. Even for the funders themselves, applying for funding from the government is a laborious and tiring process. Tax incentives are available, but applying for them is a complicated process and they are not widely known about.

Another example of this undervaluing of the creative process is that artists are often asked to perform at events for free



(by both government and corporates), with their exposure being the ‘payment’. There is little incentive for the artists to come and perform if these are the conditions, and it is also sending a message to those wishing to enter the field that they will be undervalued – creating barriers to many that may have an interest.

The perception of censorship by local government also hinders the creative sector. The Penang government, for example, is seen as more liberal than many other states, and that plays an important role in the success of the George Town Festival. Scaling up successful programmes such as that may be difficult if the artists are concerned about censorship in other parts of the country.

The position of the government appears to be that the focus for culture, creativity and arts lies in attracting tourism to the country. This leads to a particular emphasis on traditional art and craft serving a specific consumer, rather than feeding into the economy in a broad sense.

Private Sector/Corporations

While the private sector plays an important role in funding the arts scene, especially through their foundations, there is more that can be done to help raise awareness of the creative sector. ESG (environmental, social and governance) aligned investing is becoming more prominent in Malaysia. As with CSR the common factor is that there is no mention of arts. How can these be used to attract corporate investment in the arts? If the creative sector were to use the language of supporting ‘social’, this might be a way for them to raise more funding for their sector.

6.3 POLICY

Introduction

This was aimed at assessing how those in government and other **policy making** organisations view the importance of the creative sector, what issues they see as hindering its’ growth, their response to some of the aspects raised by the practitioners and funders, and what might be some areas of policy reform or action that might move the sector on an upwards trajectory. The **policy makers** were asked to answer in an informal manner – it was anticipated that answering in this manner rather than with an official position of policy would elicit responses that would reflect the real-world behaviour towards the sector rather than policy that may be aspirational rather than factual. Difficulty was faced by the authors in soliciting a high number of quality responses.

Identification Of Creative Sector

A shortcoming identified during the assessment of the responses, and an indication of the fact that work around the creative sector is still in its infancy in Malaysia, was the fact that the creative sector itself is not clearly defined. Those interviewed were, for the most part, uncertain about what was included in the definition in Malaysia. It was commonly agreed that that the sector comprised of arts and crafts, especially traditional arts (including performance arts), with design and fashion. Many responded that they were surprised to see industries such as architecture and software development included. This is perhaps a result of the fact that many indicated that

the current focus of the sector was on how it might enhance tourism, through increased spending and visitor numbers, rather than the role it might play in augmenting other key areas of the Malaysian economy such as manufacturing. The definition offered by UNCTAD was posed by others - “the interface between creativity, culture, economics and technology as expressed in the ability to create and circulate intellectual capital, with the potential to generate income, jobs and export earnings while at the same



time promoting social inclusion, cultural diversity and human development”. While all encompassing, this does not in fact help define which specific parts of the economy are thought of as included in the creative sector in Malaysia by **policy makers**.

EDUCATION

It was noted that the education system was a significant reason for the diminutive size of **sector** when compared with Malaysia’s neighbours. Lack of investment at all levels of education from young primary aged children through to tertiary education were underinvested and were seen as a low priority for development. However, respondents were also positive about this issue noting that it was not an insurmountable obstruction, and that while it would take time for change to run through the education system it was more a matter of political will than any other obstacle that would prevent this from being possible to implement. Comments were made that ‘creativity’ in Malaysia is positioned not as an economic driver or real business needs to be in quotation marks – **only one there at the moment**’, but rather it is seen as a lifestyle element, something entwined perhaps with more liveable cities. Teaching needs to include the skills associated with the creative sector more broadly, and what will be increasingly important in the future. Creative, technical, scientific, and entrepreneurial components need to be introduced to the syllabus. There is currently a disconnect between the creative and artistic abilities of the practitioners and their ability to commercialise their product. Better marketing and a commercial focus on their product will increase their ability to get

funding. More needs to be done to engage with government, educators and parents through showing examples from overseas of the numerous economic, individual and societal benefits gained from having a strong creative sector on the economy (especially jobs and for SMEs), personal and community wellbeing, and the tourism sector.

CREATIVE SECTOR POLICY

Support through grants and festivals was highlighted as an area of importance in the existing policy framework. The efforts made during Covid-19 were mentioned as being examples of support by the government for this hard-affected sector.

Education was raised again as being an area of policy that needed addressing. Adjusting the syllabus to make more creative subjects part of the compulsory curriculum, which would need the hiring of more teachers. Comments also included making a start immediately – not making ‘perfection the enemy of good’ – it would be better to get an imperfect system off the ground and fix through trial and error, than try to perfect the system first. Many schools within the private sector have already placed an emphasis on growing the children’s interests in arts and more creative subjects, and the state curriculum could leverage on what is already being done and apply it to the state school system. MDEC have made progress on this front with their Creativity @ Schools initiative which by end 2022 had engaged around 3500 students over 6 years, and has reached a significant milestone in that the programme has been officially adopted by the Ministry of Education for all 4–17-year-olds in the country.

Other comments highlighted the piecemeal approach to supporting the creative

industries. The potential of this sector has been undermined by comparisons with more traditional parts of the economy such as oil and gas, manufacturing or healthcare. This has resulted in restraint in budgetary support of the creative sector ecosystem, with a lack of data and statistics for the subsectors preventing a holistic and systematic approach to support through policy decisions. The result has been a fragmented and disjointed approach with a lack of clear roadmap of where the nation is heading.

STATE & FEDERAL INTERACTION

Recognising that many policies need to come from a federal level, states are left with a narrower range of policy tools and actions that can assist the sector. The success of festivals in various cities reveals the appetite of the public for more creativity in their lives. Funding is the perennial issue for state and local governments, with limited budgets to host festivals or other activities. A loosening of rules would make it easier for the private sector to step into a supporting role, to develop, collaborate and **organize** creative activities on the ground.

CATALYSING THE CREATIVE SECTOR

Growing the creative sector from under 2% of GDP to similar levels of Malaysia’s neighbours cannot happen overnight. A clear strategy needs to be developed into a 10- or 15-year road map and plan of action. The existing base and infrastructure should be strengthened and used as a base. Focusing on their needs and strengths will create a strong base which can then be used to expand.

More is needed to be done to establish accurate and robust data and statistics for

both the creative sector as a whole and its subsectors. DOSM and Bank Negara are needed to lead this initiative, providing information at a national and regional level. GNI, GDP, trade balance, employment, multiplier factors are needed to enable the right decisions to be made, not only by **policy makers**, but also funders, investors, educators and the practitioners themselves.

COMPARATIVE ANALYSIS OF REGIONAL POLICY

The United Nations Conference on Trade and Development (UNCTAD) highlighted the increasing importance of the creative economy to act as a driver of development for all countries but especially the global south. UNCTAD Creative Economy Report 2022 noted that “the creative economy remains a critical sector for sustainable development”, but also notes there is a significant imbalance between the developed world and developing countries such as Malaysia. Globally, the value in trade of creative goods increased by around 25% in the ten years to 2020, however, in the same period the trade in creative services saw four times the growth with the trade in services more than doubling and were worth twice that of creative goods. Encouragingly, amongst developing countries, Malaysia ranked as the sixth largest exporter of creative goods, ahead of its neighbours such as Thailand and Singapore, with furniture contributing a significant portion to those exports. However, this comes with a caveat as the majority of Malaysian furniture exports

are as manufacturer of foreign designed products rather than that of locally designed goods. This implies that the real creative sector is actually smaller than the statistics would suggest. Despite the success of the furniture segment the Malaysian creative sector lags behind its neighbours in Southeast Asia in terms of its contribution to GDP. How these neighbouring economies have been able to grow their creative sector over the past decade or so while Malaysia has seen relative stagnation is subject to a comparative review of government policies in Thailand, Philippines and Indonesia.



Thailand

Malaysia's neighbour to the north has long had a deep and robust indigenous culture, with music, dance, art, and crafts playing a significant part in their cultural identity. In more recent times tourism has played a role in enhancing their cultural sector over the past thirty years, which the Thais have been adept at both marketing their cultural products to tourists and adapting their designs to cater for contemporary use. This versatility and focus have been a virtuous cycle for Thailand, with their creative sector supporting tourism, which in turn has grown exponentially since the mid-1990s, creating a greater market for their creative and cultural

economy. However, it is only in more recent years that Thailand has identified the potential of the creative sector as being a significant driver of the economy.

The cultural and creative sector contributes almost 8% to Thailand's GDP, with an annual growth rate that outperforms the economy as a whole, and wages that are, on average, significantly higher than the national mean. In the early years of the century Thailand's government began to recognise the importance of the creative economy, and over the past twenty years they have initiated a number of policies with the aim of catalysing the creative sector. In 2004 the government founded the Thailand Creative & Design Centre (TCDC), an organization to support and promote knowledge of the creative economy, with the government actively encouraging entrepreneurs to establish small and medium enterprises, those considered to be prime movers in terms of the creative economy. Initially based in Bangkok, the TCDC also opened branches in secondary cities such as Kon Kaen and Chiang Mai, with the primary focus being the promotion of cultural products based on "Thai identity," for example cultural tourism, traditional Thai medication, Thai massage, Thai food, as well as support for the software, film and music industries, and Thai design.

Since then, Thailand has taken steps to make the creative sector a central part of the country's development, with a creative economy master plan establishing the Creative Economy Agency (CEA) in 2018 to enhance entrepreneurship, build an ecosystem for creative personnel, and create connections with wisdom, culture, and production sectors which are factors in driving the economy.

The CEA's role is to be the key driving force of Thailand's creative economy, with objectives of promoting and developing the sector and its enabling factors through the enhancement of creativity and innovation through local communities, developing spaces with a conducive atmosphere for creativity and assisting entrepreneurs, functioning as a centre that gathers and processes information and statistics for policy-based decision-making. As part of this scheme a number of Creative Districts have been introduced, designed to encourage the clustering of creative businesses, artists, designers, and other stakeholders to foster collaboration and innovation. These creative districts have become a focus for a range of other policies such as joining the UNESCO Creative Cities Network, grants and funding for start-ups and existing businesses, the establishment of international trade shows such as the Bangkok Design Week, and other export driven initiatives, enhanced education to develop skills and creative entrepreneurship, as well as stronger protection and enforcement of intellectual property rights.

The strategy taken by the CEA in Thailand is one of export orientation – how might they assist those in the creative sector to improve their products' quality, design and desirability to overseas markets. Such a strategy is opening Thailand's creative economy to the robust competition of the world stage, which will ultimately strengthen the resilience of the sector as they find their niche in international design and trade.

Philippines

The Philippines have set themselves the ambitious target of being ASEAN's leading

creative economy by 2030. Currently the creative sector accounts for 7.3% of the Philippine economy, employs more than seven million people, and is ASEAN's leading exporter of creative services. Filipinos are known for their creativity, with musicians, singers, designers, and craftspeople gaining recognition on the global stage, and the country is developing a reputation as a leading design centre in Asia, with a diverse pool of creative talent, offering significant potential for growth. However, the Philippines is faced with a number of weaknesses in growing the creative sector - there is a general lack of knowledge and cohesion within the creative sector, and tied to this is a slow digital adoption rate that hinders their reach. Constitutional restrictions, such as limitations on foreign ownership in certain industries such as media, impede the full development of the creative economy, and logistical problems related to trade facilitation, including supply issues and slow goods clearance, need to be addressed.

The Philippines is looking to address these issues through the implementation of a selection of strategies. The first and most crucial being the development of a comprehensive understanding of the creative industries through sector mapping including the knowledge industries that overlap with creative services. Other areas for improvement include the provision of financial support to subsidise production costs for small businesses and entrepreneurs to ensure continuous production capacity, enhancing digitisation efforts to enable creative sectors to distribute their content online, and greater government support through legislation to promote creative goods and services, and

develop industry-wide strategies.

More recently the Philippines has introduced the Creative Industries Development Act which aims to promote the growth of the creative industries in the Philippines through various measures including tax incentives and creative education. A second major initiative is the creation of the Creative Economy Council of the Philippines which is a non-profit organisation working to boost the creative economy in the Philippines through market intelligence, strategic planning, and international trade expansion.

Specific steps that have been taken to boost the creative sector. These have involved:

- The inclusion of two cities in the UNESCO Creative Cities Network with the recognition aiming to highlight their commitment to fostering creativity, cultural heritage, and sustainable development,
- The strengthening of intellectual property protection including initiatives to enhance copyright enforcement, protect traditional knowledge and cultural expressions, and support creators in safeguarding their works,
- The piloting of various funding mechanisms and grants that have provided financial support to individuals, startups, and businesses in the creative sector to facilitate the development and expansion of creative projects,
- Policies that preserve and promote the rich cultural heritage within the creative sector, such as the support of traditional crafts, arts, and cultural practices while integrating them with modern creative expressions,
- Training programmes, workshops, and

capacity-building initiatives to enhance the skills of creative professionals which have helped to improve the quality of creative output and promoted entrepreneurship within the sector.

- Various programmes that provide mentoring, incubation, and access to resources to help startups succeed in the creative industry,
- Encouraging and enhancing collaboration and networking among creative professionals, industry players, and stakeholders through festivals and conferences that bring them together,
- A specific targeting of the media sector encouraging the production of local content and fostering the growth of the film, television, and music industries, and
- A major effort to promote the export of Filipino creative products and services internationally through trade fairs and other international events linked to the creative industries.



Indonesia

Creativity is closely connected to the Indonesian way of life, with rich tradition and

a vibrant multicultural population being the most significant assets for the country's creative economy. Indonesia first recognized the potential of the creative economy in the wake of 2008-2009 global economic crisis, when the country established the Ministry of Tourism and Creative Economy. UNCTAD had noted that during the crisis, internationally the creative sector had been particularly robust, suffering less and rebounding quicker than other parts of the economy, and in response Indonesia aimed to build a more resilient and diverse economy. The country is among the first to establish a ministry which specifically handles the creative economy. In 2019, the Indonesian Parliament adopted a law on the Creative Economy, which will be used to implement a roadmap for the creative sector over the coming decades with the aim of becoming 'one of the world-class centres of digital and creative economy by 2045'. This roadmap has three fundamental stages:

1. The creative economy and digital economy become a new source of economic growth. Quick wins are achieved by focusing on some flagship subsectors. The Government of Indonesia has incorporated the creative economy into the national and regional development plans and is highlighted as a key element of Indonesia Vision 2045.
2. The creative economy and digital economy are drivers of the innovation-based economy. Steps being taken to boost the sector's competitiveness, increasing the added-value of the sector, and exploring and expanding to new subsectors, especially digital-based subsectors, such as virtual reality and AI.
3. Indonesia as one of the world class centres

of digital and creative economy. This would be realised when the creative and digital economies contribute significantly to the national economy, the creative economy is Indonesia's main export products, and Indonesia becomes a regional and global hub for exchange.

To achieve these ambitions, Indonesia has implemented a number of policies and programmes which are driven by BEKRAF (Indonesia's Creative Economy Agency). BEKRAF's role is to create an ecosystem that helps creative businesses in Indonesia thrive and become a significant part of the national economy. BEKRAF covers six key functions: research, development, and education; access to capital; infrastructure, marketing, facilitation; regulation of intellectual property (IP) rights; inter-governmental relations; and interregional relations. They collaborate with other government agencies supporting the creative economy to ensure alignment and effectiveness.

BEKRAF's goals include establishing a supportive regulatory framework for creative businesses, helping them access necessary investments, and running various initiatives within different creative sub-sectors. An example of this can be seen in the film sector, where they support young filmmakers by providing opportunities for skill development and pitching ideas to investors, which have resulted in several financed films. Foreign investors are also interested in co-producing films in Indonesia due to its large market. Similar programmes have been run in the music industry, to support software development and in the fashion industry.

As with Thailand and the Philippines,

Indonesia has recognised the role that intellectual property rights play in the creative economy in adding value to products. Without IP protection, products become mere commodities. Raising awareness about the strategic use of IP assets has been a top priority for BEKRAF. Only around 11% of those in the creative economy have acquired IP rights, and to address this BEKRAF organises regular IP awareness activities across the country, providing creative businesses with knowledge about IP and connecting them with potential investors. To complement this BEKRAF has also launched a mobile phone app offering basic information about IP rights. Users can easily access information about relevant IP rights for specific products, the necessary steps to obtain these rights, and associated costs – this serves as a practical tool to enhance IP understanding among small businesses and artisan communities, helping them protect their IP interests and leverage the value of their IP assets.

Parallel and complementary to the BERKAF programme has been the creation of the Indonesian Creative City Network (ICCN). Launched in 2015, this network of cities and districts is based around 10 principles that are based around equity, sustainability and liveability. Recognising that each city has its own unique potential and problems, as well as needing appropriate solutions, the ICCN mapped out a formula that can be applied as a solution for city development that is oriented towards local creativity based on experience and good results from creative city initiatives in Indonesia and other countries. These include initiatives such as cross-forums, city-wide creative ecosystem, regional government creative committees, branding management and design action.

Malaysia

As early as 2009 Malaysia began talking of the creative economy. Since then, a number of initiatives have been developed to assist the creative sector at a national level. These have largely taken the form of a range of platforms and development structures that have been set up to aid the development of the creative economy. These include:

- National Creative Industry Policy (DIKN) aimed to drive growth of Malaysia’s creative sector by fostering creativity, innovation, and entrepreneurship. It focused on various sub-sectors such as arts and culture, media, design, and heritage. DIKN was the first key policy document to outline the development of Malaysia’s creative industries. However, after the Ministry of Information, Communication and Culture was renamed the Ministry of Communications and Multimedia Malaysia, the policy unfortunately lost its relevance and its website mysteriously disappeared. The DIKN was also accused of not carrying out its duties well, with a main issue being the lack of a workable definition of the term ‘creative’.



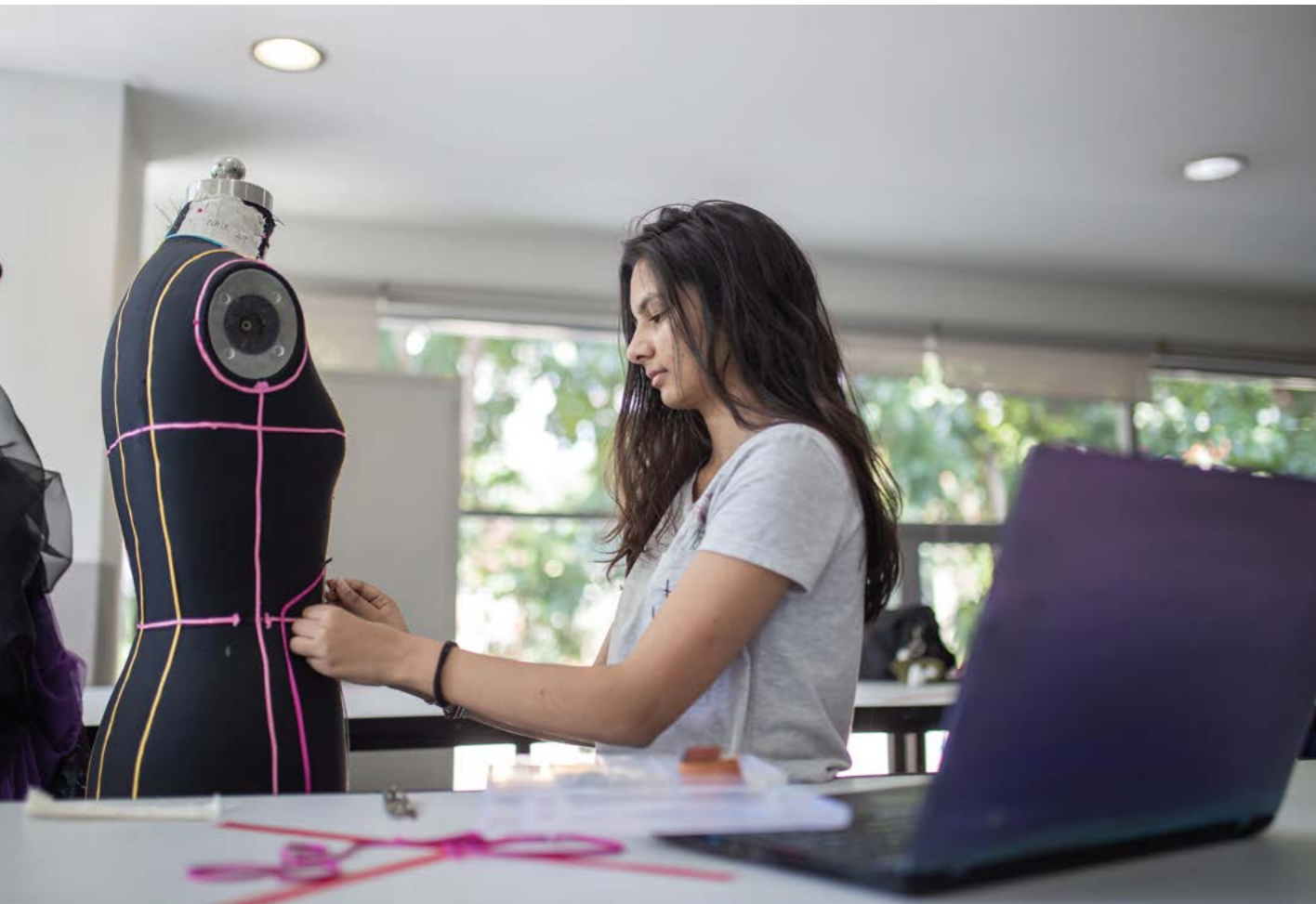
- MyCreative Ventures was established to provide loans to creative businesses. It provides the governance for a range of targeted sector development initiatives, including the Cultural Economy Development Agency (CENDANA). CENDANA was a key outcome of the Kuala Lumpur Creative Economy Blueprint, the country’s first strategic baseline mapping study for the creative industries. This recommended the establishment of an arm’s length development agency for the creative economy – with a focus on empowering, energising and reorganising the sector. As a result, CENDANA was established to ‘build a vibrant, sustainable and ambitious cultural economy for Malaysia’ through enabling the creative sector with resources, expertise and data. With a goal to transform Malaysia into a cultural destination, it aims to function as a connector between creators, regulating bodies, private investors or businesses, policymakers and consumers.
- Creative Industry Development Fund (CIDF) was established to provide financial assistance to individuals, businesses, and organizations within the creative sector. It offered grants and funding support for projects, capacity-building initiatives, and

market development, and was aimed primarily at the digital economy.

Other initiatives taken in Malaysia tend to have been scattered across different organisations such as funding bodies like Yayasan Hasanah, or regional development agencies like IRDA. Through these agencies and other organisations such as CENDANA, MaGIC, and MCMC there have been programmes introduced such as

- Cultural and Arts Funding including exhibitions, performances, festivals, and heritage preservation efforts.
- National Film Development Corporation Malaysia (FINAS) has played an important role in supporting the local film industry by providing funding, resources, and regulatory support for film productions.
- Craft Development through the preservation and promotion of traditional crafts and supporting craftspeople and artisans.
- Creative Hubs and Incubators: Creative hubs and incubators were established to provide a conducive environment for creative startups, professionals, and entrepreneurs. These spaces offered resources, networking opportunities, and support for business growth.





Comparative Analysis

At first glance the policies of the four ASEAN countries appear to be quite similar. All recognise the need to build capacity of those in the industry, to educate, and to work with existing strengths and abilities. Likewise, all four countries seemed to recognise the need to bolster the creative sector around the same time, soon after the 2008 financial crisis. What, then, are the differences that have led to Malaysia's creative economy being a fraction of the size of its neighbours? It is not the role of this paper to speculate on why differences exist but rather to identify

key elements of the different approaches so that action might be planned accordingly.

1. The first is the prioritising of the creative sector. Indonesia and Philippines have bold ambitions to be realised in the coming two decades that they hope will place them within the most creative economies in the world. Thailand is already becoming a known centre for creativity. All three countries have identified that creativity not only drives the creative sector, but also enhances other parts of the economy, adding value to a wide range of products

and services. Malaysia, on the other hand, would appear to be placing less emphasis on the creative sector. While encouraging certain aspects (such as the digital economy), for the most part it appears to be of lower priority than other parts of the economy.

2. Strong, cohesive policies and the means for implementation are key features of the three neighbours. Each has a strategic roadmap for how the creative economy will grow over the coming years and have set in place the institutions needed to realise this. Malaysia has several policy frameworks that do not amount to an overall strategy. Much of it appears disjointed and piecemeal in approach.
3. An export driven approach is found in all three of the countries of comparison. This both sets a high benchmark for quality of design and production if they are to compete with the global industry, but also means that the approach is more business focused. In Malaysia much of the creative sector is aiming its products at the domestic market, and often lacks the innovation needed to compete in international markets.
4. Finally, Malaysia's neighbours are making efforts to embed the importance of creativity, innovation and good design into the wider economy. Conversely, Malaysia would appear to be keeping the creative sector separated from the rest of the economy by not taking significant steps to integrate the two sectors.



07 SUMMARY

7.0 SUMMARY

PRACTITIONERS

The findings from the sessions with the practitioners found there to be little difference between the responses from the three different geographical locations. Based upon this it is a fair and reasonable assumption that their views are representative of those working in the creative sector in the urban areas across Malaysia. Rural based artists, artisans and craftspeople might face different circumstances that are not reflected in these findings.

The first finding of note is that those in the creative sector are not driven to work in a specific place by employment, business or market reasons. The place of work is nearly universally driven by personal decisions related to family or sense of belonging, with secondary reasons being about either the relative creative freedom they feel in that location or the reduced competition **the face** compared with a larger city such as Kuala Lumpur or Singapore.

A second key finding is that the forces driving them into the creative sector are nearly entirely personal or cultural. Their education has almost no influence on the decision to enter their field, and their choice could be seen as being 'left field' or in cases almost rebellious to choose this path. With traditional crafts and arts, the strong ties to **their culture they felt where** highly influential in shaping the choice they had made.

Funding of their venture, both the establishment of their venture and working capital ongoing is an issue almost universally.

Funding comes almost exclusively from friends and family, with second jobs being common to cope with times such as during the Covid-19 pandemic. Many took commercial projects to subsidise their more creative output, and many relied upon grants from organisations such as **Cendana**, Yayasan Hasanah and the British Council, which tend to be on a project basis rather than for general expenses. This combination of financing options means that practitioners are rarely able to invest capital in their ventures. For many, survival is the best they can hope for.

For many practitioners, this struggle for survival is accompanied by an attitude to business management that could best be described as complacent. An apparent aversion to the perceived commercialisation that a focus on packaging and branding would bring was widespread, leading them to believe that their value as artists would diminish if they went to great lengths to promote themselves or their portfolio. Most used generic social media platforms (Facebook and Instagram) as their main source of marketing, and few had embraced online sales – preferring for their Facebook page to guide potential customers to their physical space.

Similarly, this diffidence towards marketing of their brand or products extended for the most part towards their customer base. Most indicated that their market was located physically nearby. Typically, around 80-90% of their market was within the city in which they were located or the state. While in some cases these included tourists (from within Malaysia or overseas), few of the

practitioners actively sought markets around Malaysia or abroad. Many cited that postage or shipping made sending internationally prohibitively expensive. Even those situated in Johor Bahru, on the border with Singapore, were focused more on the internal market than their neighbours across the Causeway.

Beyond looking at their traditional market, when focusing on how their product might stay relevant to changing market needs and/or tastes, in all three locations, only a minority identified this as an important aspect of their venture. For the most part their research meant following trends in places like Singapore. A significant proportion of them believed that staying relevant meant promoting their product on new social media channels such as TikTok, or innovating the way in which they communicate their message (such as 'how to' videos posted on to YouTube). The fields on the more business end of the spectrum such as architecture did spend a significant amount of time to research new trends and tools (like software and modelling techniques), while the more artistic participants indicated that there was no need to innovate their product, that art and crafts are timeless and don't need to innovate to remain relevant, and that they need to stay true to their tradition.

Directly related to this aspect of innovation was the ability of the practitioners to upskill themselves and seek talented individuals to work with them. Other than the more formal fields such as architecture, there is a notable lack of locally provided upskilling programmes for the practitioners. Most indicated that they looked online for tutorials and the like for personal

upskilling, and training of existing staff or colleagues was done by themselves. Hiring new staff with skills was regarded as highly problematic – few young people have the right skills, with some commenting that even basic interpersonal skills were lacking from graduates. Those that might have the relevant skills looked for work in higher paying locations like Singapore or Kuala Lumpur, leaving the secondary cities with access to a small pool of talent. Most blamed the situation on three interrelated factors – the first being the lack of appreciation of the value of art and creativity within Malaysia as a whole, the second being the education system which marginalises the arts and creative subjects. These two represent a vicious circle which in turn lead to the third factor, which is that the creative sector is broadly undervalued meaning that jobs tend to be poorly paid, are low in social status, and therefore it is difficult to attract graduates into the industry.

This lack of talent is one aspect for the practitioners that hinders their ability to increase their output and scale up their venture. Many cited that those with talent either moved to Kuala Lumpur, or if they stayed in the secondary city were often working freelance (and therefore more expensive) or had set up their own venture. For more mundane tasks it was possible to hire unskilled workers and train them with the necessary skills, but these jobs typically had a high turnover, with workers not wanting to stay in jobs that might be highly repetitive. This lack of talent aside, there was an overall lack of interest in scaling up their venture. A number associated it with commercialisation

and to be avoided, others cited concerns of the inability to maintain quality, while others noted that logistical problems that would arise from the need to collaborate with others in Kuala Lumpur or overseas. Almost universally there was the sense that they lacked the internal ability to significantly increase their production and were reluctant to work with others to do so.

Like the majority of businesses all faced cash flow problems during the Covid-19 pandemic. A combination of government grants, secondary employment and personal savings were enabled these ventures to continue. Very few (like many businesses) had made any provision for a situation such as that caused by the pandemic. All recognised the need to build the financial resilience of their venture, however more than a year after the final lockdowns few had been able to make significant progress in this regard. While all talked about the need to have greater savings for the next crisis, few seemed to be in a position to make much ground on that. More strikingly fewer still seemed to see the need to re-evaluate their business model or strategy to deal with such eventuality in the coming years. There was some recognition that they needed to look further afield for markets and resources, however this conflicts their actual strategies for seeking new markets as noted above. A small majority had made better use of online marketing and sales through generic platforms but by and large there was a general feeling of pessimism – downsizing and reducing pricing was a strategy for some, and others commented that the sector could not survive without ongoing government

support. While they recognised the impact of the pandemic on the ecosystem, many seemed to believe that their fate was not within their control.

All commented that the government had a greater role to play in creating a better ecosystem for the sector. Conversely, they also considered that the government hindered the creative sector. Most argued for an overhaul of the education system, a combining of the arts and science subjects, and more focus on the arts in all levels of schooling. From a broader perspective a greater understanding and appreciation of arts and culture are needed, and with that better protection of Malaysia's cultural heritage. Many pointed to examples such as Singapore making submissions to UNESCO to protect cultural heritage that is shared with Malaysia (and Indonesia), whilst in Malaysia the public show outrage for this 'theft' of our cultural assets.

Across most subsectors the practitioners argued that the creative sector is different to other sectors of the economy, and as such needs special protection and assistance from the government.

FUNDERS

The agencies and organisations that are engaged with assisting those in the creative sector through grants and other forms of funding are for the most part doing it as part of larger programmes that are addressing the lack of social mobility in the bottom 40% of income earners, or to tackle other social issues such as urban regeneration. The main focus of these initiatives is generating income for those in the lower income brackets.

The funding is predominantly made through a grants process that is allocated towards the development and delivery of a project. The grants process is somewhat complicated, as recognised by the funders themselves, and they also acknowledge that the system might prevent many potential grantees from applying, through lack of confidence or inability to complete the application process. In reality some funders recognised that there was the necessity to work through the application process with potential grantees. This difficult process combined with a cycle of many months leads to many possible applicants giving up or not even bothering to start. Conversely it also leads to a small number of grantees managing to game the system – learning how the system works, what the funders are seeking, and being able to successfully apply for multiple grants from different funders.

The funders' identification of the creative sector, while all having an understanding of its breadth, is in practice fairly narrow, with the majority of grantees being artists or artisans doing traditional cultural activities and crafts. This appears to reflect their aims of poverty alleviation, rather than the support of the sector for other reasons such as enhancing the wider economy.

There are also some misgivings about their own suitability to best serve the needs of the creative sector. There was a strong sense that government is not well suited to assist with what is actually needed for the sector, but that there is a place for an independent third party that can act as a bridge between the creative communities and the funders. The impact they have on the creative sector is measured in economic

terms. While they acknowledge that the impact could be wider (such as the impact on the local community), currently they are not actively seeking to have that impact. As the grants they disburse are usually on a project basis, there is generally no funding of the general running costs of the recipients' venture. This leads to some practitioners surviving from grant to grant, without the ability to move beyond this cycle. The funders recognise this as a weakness in this funding model.

The needs of the creative sector, beyond receiving grants for projects, is not well addressed by the funders, but they are recognised. Beyond economic stability there is the need for the interests of the creative sector to be heard. Currently there is no organisation that represents the various communities in the way that a trade union or association could do. Without a unified voice, the sectors are splintered and are competing with each other to be heard and have their issues addressed, rather than working together in an organised manner to improve their situation.

The funders do little in terms of capacity building of those in the creative sector. Business management as well as skills related to specific fields are left for other organisations to cater for, a gap that is not yet addressed by government in a meaningful way and is therefore left to the private sector to manage on an ad hoc basis.

The funders are in many ways trying to achieve the same aims, but for the most part they are working in silos – whilst there is some collaboration between them on events such as festivals, there is not a coordinated effort to align grants and other forms of

funding. Some grantees may be able to receive funding from multiple agencies, while others unable to receive any funding due to lack of expertise in the application process.

All identified the government to holding the key to unlocking the potential of the creative sector. The education system is geared towards the STEM subjects, and the separation of science and arts streams is a missed opportunity to foster greater creativity in the non-arts subjects. Little is done to generate an appreciation for the arts and the art subjects, with art, drama, music and the like being marginalised in the curriculum. The government can also make more use of tax incentives for the private sector to invest in both the arts and creative sector businesses. The government continues to use metrics based on economic performance, failing to recognise that other metrics such as social cohesion or social mobility that are used in some countries overseas might be equally valid.

Other than tax incentives from the government, there needs to be encouragement for private corporations to engage with the creative sector under ESG programmes. The private sector has shown some willingness to support the arts (such as the George Town Festival), but this can be enhanced (again through tax incentives for example), but there are indications that there is some reluctance on the part of some of the private sector to support the arts due to the perceived potential of controversy should art be subject to censorship. There are not clear guidelines about what is acceptable, with places like George Town and Kuching being somewhat more open than other parts of the country.

POLICY

The difficulty obtaining high quality responses from the **policy making** sphere tells a story in itself. Funders and practitioners were both forthcoming and candid in their responses and their enthusiasm to take part in the process indicates that on the ground there is recognition that the current ecosystem is not fulfilling the role that is needed.

There is a relatively narrow view of the creative sector with an emphasis on the arts and crafts and how that ties into cultural tourism.

Education is seen as a significant challenge, with inadequate investment from primary to tertiary levels. Creativity is seen as a lifestyle element, and without political will it is hard to see how there will be the necessary change. A shift in mindset in **policy makers**, educators and parents is needed, and there is the need to incorporate creative skills in the education curriculum.

Existing creative sector policies focus on grants, festivals, and support during crises like **COVID-19**. A piecemeal approach and a lack of data have hindered the sector's potential, resulting in budgetary constraints.

To catalyse the creative sector a long-term strategy is needed - strengthening the existing base and infrastructure while focusing on needs and strengths is crucial. Accurate data collection and statistics are needed at national and regional levels to inform decision-making by policymakers, funders, investors, educators, and practitioners.

The paper highlights four key differences between Malaysia and its ASEAN neighbours (Indonesia, Philippines, and Thailand) in their approaches to the creative economy:

Priority on the Creative Sector: Unlike the neighbouring countries which have prioritised the creative sector as part of their long-

term development plans in recognition that creativity adds value to various sectors of the economy, Malaysia places less emphasis on the creative sector, rendering it lower priority compared to other economic areas.

Policy Cohesion and Implementation: The three neighbouring countries have strong, cohesive policies and institutions in place to implement their creative economy strategies. All have clear roadmaps for growth. In contrast, Malaysia has multiple policy frameworks that lack an overall cohesive strategy. Its approach often appears disjointed and piecemeal.

Export-Oriented Approach: Indonesia, the Philippines, and Thailand adopt an export-driven approach, setting high standards for design and production to compete globally, with a focus on the business aspects of the creative sector. Malaysia's creative sector policies often target the domestic market and may lack the innovation needed to compete internationally.

Integration with the Wider Economy: The neighbouring countries are actively integrating creativity, innovation, and good design into the broader economy. They see the creative sector as an integral part of economic growth. Malaysia, on the other hand, appears to keep the creative sector somewhat separate from the rest of the economy, lacking significant steps for integration. As a result, the economy as a whole misses out on adding value to their products and services.

These differences suggest that while Malaysia and its neighbours share some similarities in recognizing the importance of the creative sector, the means of implementation have diverged significantly. A lack of a cohesive national strategy and roadmap in Malaysia being key reasons why the creative sector in the country has not shown the growth elsewhere.

08 CONCLUSIONS

8.0

CONCLUSIONS

The purpose of this report was to look at the creative sector and attempt to identify what was preventing its growth to match those of Malaysia's neighbours. Through analysis of the feedback from the session with practitioners and funders it is clear that there are a multitude of hinderances to the sector's growth. These fall within four categories:

CREATIVE PRACTITIONERS

The majority of those working in the creative sector lack business acumen and the basic skills to run their venture. Those coming from more professional sectors (architecture, graphic design, and publishing for example) were the most likely to have the skills necessary to run a successful venture. This is apparent from the findings:

- Location of their venture was determined by personal reasons rather than business/market reasons,
- Branding and marketing were under-utilised through a lack of disdain and lack of strategy to incorporate it into their business model,
- Their market was, for the most part, where they were operating. Little was done to find markets further afield,
- Few resources are applied to research and development,
- Few were able to build their venture to a larger scale if the opportunity arose, and many were against the idea,
- Despite the impacts of Covid-19 on their business, and awareness that their venture needed to be more resilient, few had taken steps to make their venture itself more resilient, rather they talked of other sources

- of income,
- Few had embraced technology other than general social media platforms for marketing,
- While there was a spoken desire to collaborate with others, little was done to seek partnerships with those from outside their location, and
- Many felt that it was the role of the government to support their industry, and that it could not survive without it.

SOCIETAL PERCEPTIONS

In Malaysia there is still a great emphasis on the STEM subjects. Since independence an education in one of these subjects was seen as a way into a higher paying career, and that legacy continues today. Parents still encourage their children to do well in maths and science, and the arts subjects are seen as less important.

This marginalising of arts at home leads to a lack of appreciation for the value of the creative sector. This devaluation of creative output can be seen in the way that artists are often asked to perform for free (their exposure being their payment), or how intellectual property is disregarded as something of value. Illegal downloads of over RM1 billion worth of movies alone each year or fake designer goods being sold openly at *pasar malams* are examples of how little IP is valued.

FUNDING

The funding of the creative sector is, by and large, to help accomplish goals related to poverty reduction and provide the B40 with assistance. This lack of scope hinders the wider creative sector. Traditional arts

and crafts are often favoured and there is little support of contemporary art, nor the support of art for arts' sake. There is little coordination between the different funding agencies meaning that there is not a holistic approach to the communities' needs. Grants tend to be given on a project basis, often leaving practitioners in a financial situation from which they cannot break free, and the grant process itself can be complicated and time consuming and daunting to the potential applicants.

The funders themselves are not always in the best position to work with the communities, and there is a need for a third party that can work with both funders and the creative sector, assist with the grants process.

Beyond the project grants, it is clear that the practitioners need assistance in business management, and a focus on capacity building could have a long-term positive impact on the individual practitioners and the sector as a whole.

GOVERNMENT

Where Malaysia finds itself is the result of half a century of policy that has marginalised the creative sector. Decisions made twenty, thirty or more years ago might have made perfect economic sense at the time, but these decisions are not best suited for the world in 2023.

A comprehensive review of the whole creative ecosystem is needed, with a strategic plan put in place to transform the sector over 20 years or so. This would include a review of the national education system - how arts subjects are taught, how they can be aligned and integrated with science subjects, a greater emphasis on

extra co-curricular subjects like drama, music and art, and teaching an appreciation for arts would all be important steps to building a more supportive ecosystem for the creative sector.

Support of the creative sector through offering capacity building courses in business management, marketing and the like as well as course aimed at the specific skills they need for their field.

A greater emphasis needs to be placed on how the creative economy might better add value to the wider economy. Stronger IP protection and more emphasis on design would be good starting points to start to build improved integration between the creative sector and other aspects such as manufacturing.

As indicated earlier there is an appetite for collaboration on the part of local practitioners. Easing visa controls for visiting creative partners would make these more attainable and offering tax relief to the private sector to support such initiatives.

RECOMMENDATIONS

The scope of this report is to identify aspects of the creative sector that the British Council and its partners might be able to have an impact upon. The authors have identified the following points as worthy of exploration.

1. CAPACITY BUILDING

There are obvious weaknesses within the capacity of many of those working in the creative sector. Mostly these relate to

business management, but there are also weaknesses regarding the implementation of new technology and ideas into their work.

A series of online toolkits that are accessible for free or low cost would be able to cover aspects of business and marketing. To complement this could be workshops or online tutorials on a regular basis that deal with new technology (for example) and how it might be applied to various subsectors.

2. FUNDING AGENCY

There is the need for an independent third party that can act as a bridge between the creative communities and the funding organisations. The role of this third party would be to assist potential grantees with the application process, ensuring that they can have the highest standard of proposal possible, while guiding the funding organisations through the applications and assisting with the decisions made. By working with multiple funders this third-party agency would be able to help them coordinate their efforts for maximum impact.

3. COLLABORATION PORTAL

The practitioners have an interest to collaborate with others from the creative sector. The creation of a Collaboration Portal could match local practitioners with those from other parts of Malaysia or abroad. In the long term this portal could include collaboration with those in the non-creative sectors looking to coordinate with those in the creative fields.

This collaboration portal could be part of a wider, more comprehensive, site that incorporates the other recommendations (capacity building, third party funding agency and advocacy).

4. ADVOCACY & POLICY

As a neutral third-party the British Council is well placed to offer advice on how to grow the creative economy. A series of advocacy engagements with policy makers and policy white papers, there is the possibility to shape the policy landscape over two to four years.

For the longer term, there is the need to draft a strategy framework. The need for this is quite urgent. A holistic look at the creative sector is needed, with a plan developed that would be implementable in smaller components (such as 5-year targets).

The findings of the report suggest that the ecosystem of creative sector in Malaysia is in need of a thorough root-and-branch overhaul. As that is beyond the scope of the British Council it is suggested that these four interventions could pave the way for the policy reform that is required.

While some of these proposals might be outside the remit of the British Council, where their strength might lie is bringing together other organisations, be they Funders, GLCs, private sector or NGOs, to help establish a more coordinated approach to the creative sector.

It is clear there needs to be a unified voice that represents the creative sector so that their actual needs can be addressed. Many practitioners commented that they have attended multiple meetings and workshops over the past few years, yet nothing seemed to change. There is a real appetite within the creative sector for transformation, and getting their support is crucial. It is suggested that these ideas are taken back to a small focus group of practitioners and funders for further development.

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