

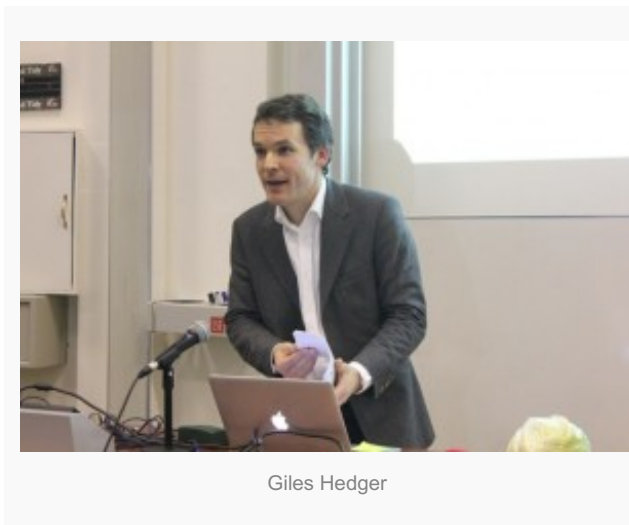
# How Creativity Creates Wealth: a fairy story (guest blog)

blogs.lse.ac.uk/polis/2012/11/26/giles-hedger-report/

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“I am an economic creationist,” proclaims Giles Hedger, Group Managing Director of Leo Burnett Group UK, about 15 seconds into his lecture *The Elves and the Shoe Maker – A Parable for a High Value Economy*. And indeed, why not put your message squarely on the table up front when, as Hedger points out, “In this age of Twitter commentary, you’ve got to get the first soundbite in early”?

*Polis Intern Christine Flamsholt Jensen reports on the latest Polis Media Agenda Talk.*



*The Elves and the Shoe Maker* is a children’s book from the Ladybird Books series — books which are highly evocative of childhood for generations of Britons including, as it turns out, our own Charlie Beckett. So, like his on-screen fellow-adman Don Draper (more on him later), Hedger is aware of the rhetorical power of nostalgia.

Hedger uses the children’s story of a destitute shoe maker whose luck turns when elves make beautiful shoes for his business during the night, to frame his vision of “an alternative economy – a high value one.”

## Alternative Economy

It’s clear that Hedger perceives an urgent need for this alternative economy: “I believe” he states, “that we are sleepwalking into what I call a flat-pack economy... Too much of what is bought and sold,” he elaborates, “is simply too much the same.”

One of Hedger’s key points is, that, contrary to any perception we may be lulled into by “the smoothing effects of technology and by the new glamour that exists around creativity,” the process of value creation is not new. Rather, it is “pre-industrial”, it is to do with process, with “graft” and with “good old-fashioned artwork”.

If we forget this, warns Hedger, “we will innovate around the periphery of things, we’ll look at services and we’ll innovate to make services better” and our economy “will resemble an airline whose lounges are fantastic, but whose aeroplanes are obsolete.”

## Human Wealth

Hedger’s argument is reminiscent of a maxim which, like the fabled shoe maker, belongs to pre-industrial times, namely that of 16th century political philosopher Jean Bodin: “Il n’est de richesse que d’hommes” or “mankind is the only true source of wealth.”

Jean Bodin would have agreed with Hedger that “there is actually, controversially, *no such thing* as a value chain.”

“True value is only ever created at source,” states Hedger.

## Problem Solving

Rather than value added to the core product in a fixed sequential process, Hedger posits, design is about problem-solving: “If you haven’t solved a problem then it is unlikely that you have created anything real.” Further, good design “is in the end about solving the problem *completely*.”



Giles and the Elves

Thus, “value is not assembled; value is created.”

Having made a rousing case for an old-fashioned, elbow-grease, craftsmanly interpretation of creativity, Hedger demonstrates the coherence, nuance, and scale of his vision by articulating further. Referring us to Disney’s recent acquisition of the Star Wars franchise, he argues that the profits George Lucas will have made are, “simply a 35-years delayed pay check for the genius that was created at source,” and should not be seen, as he is sure Disney will, purely in terms of potential cash flows. Hedger warns that, “If we always defer the value of things into some sort of future cash flow, we will never acknowledge what goes on when something is created, or, indeed, how valuable it is... We will always undervalue the beginning of the process – and we will always

overvalue the end of the process – and we will make gross miscalculations about the future.”

### **Invisible Creation**

Having thus debunked yet another creative industries ‘truth’, Hedger moves on to what he calls, “the most important point I’m going to make: most of the value we create is invisible.”

Like the seams on the elves’ shoes – when a creative product is achieved to a high enough standard the manufacturing process is concealed and what you do see is “little markers that indicate the presence of something that you can’t see.”

A case in point, Hedger points out, is consumer electronics giant Apple. Outwardly “intuitive and user-friendly”, “democratiz[ing] creativity”, peer inside the company and, “you wouldn’t find some kind of loose, democratic, sloppy sense of design or creativity. What you would find is gold-standard, inch-perfect, virgoan standards of design and creativity.” And this leads us to the paradox that “The way these things appear on the outside is not what makes them successful in the first place.”

### **Meaning Of Things**

Which seems like an apt point for a segue back to Don Draper. It turns out that -yes- Admen *do* watch *Madmen*. Hedger’s observation on the Draper character is: “People who can explain the meaning of things, get listened to.”

No description fits more seamlessly with Giles Hedger himself.

This article by Polis Intern Christine Flamsholt Jensen

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