

# The indigenous business model

## A year in Work Shop

### Introduction

Irene McAra-McWilliam set up the Work Shop project (ref.1) to stimulate growth in Scotland's work sector. It was designed to investigate indigenous business (ref.2) and look at how innovation can promote new ways of work for a preferable future (ref.3) within Scottish enterprise. The Institute of Design Innovation, has been working in this space for over 6 years with the research project "Creating Cultures of Innovation" (ref.4) and engagements with rural communities. This body of knowledge begun the investigation into the future of indigenous business. The Work Shop project took Irene McAra-McWilliam's key concepts, and previous existing knowledge and with guidance, in the early stages, from a business consultant (ref.5) constructed a strategy for the verification of the knowledge and expansion to create a model and strategy for small to medium indigenous business. The standard provision for business globally is based on the North American Business model (developed from the industrial model), which predicates itself on profit maximisation and growth. This project is to design provision for Indigenous business, which is based on the old craft model.

As a corporation gets larger you find the diversity in job roles decreases until you see mono-jobs with high degrees of specialism. In small indigenous business people have multi-job roles and have to operate as a polymath to achieve a successful business around their passion/skill. This is the biggest down fall for this type of business, it takes structure and commitment to engage with the administration and marketing. Often the business in question are too focused on product or service development and production, to give due diligence to these areas.

The industrial model of business is very mobile, they develop supply-chains that give them the best price and the largest amount of flexibility and reliability in that supply. Because of this the physical manufacturing plant can be located anywhere. The deciding factor in this system tends to be where the labour is cheapest. Our definition of indigenous pertains to its connection to place and landscape, for example the whisky industry, if you took a distillery and placed it in another region with raw supply it could make a whisky. But without the local grain, water and people it would not be able to make its current product. For an artists this may just be inspiration from the environment but for a textile maker is the wool from the land and the colour for the dyes.

The cultural values of the indigenous business is based on expressive freedom and creativity, we found that most of the small businesses have passion as their focus to starting their enterprise and the reason they keep it small is to maintain a level of control that protects their freedom. By staying small and agile they retain the ability to dynamically change depending on their perception of market need and personal values.

The ecology of indigenous business is communitarian in nature. They have local supply chains that leverage personal relationships. Often friends or family run the businesses that make up this supply and it is very common to have friends or family inside the business itself. This often leads to a very organic, informal work culture where the personal qualities of the individuals reflect on the perception of the business.

The industrial model of work can afford to take big financial risk, they have the resource to gamble on many factors like global trends and new technology. The indigenous businesses takes the majority of its risk in Innovation. They are expert at taking available resource and techniques and looking at them from new ways to develop new products and services. Because they have to be polymaths

they have the advantage of knowing the capabilities within their business and how problem solve in sustainable ways. The down side to this is their communitarian nature, the small business is all to happy to share their innovation openly, this can a of great benefit to other small business but more often you find larger corporations taking the innovation of small business and financially backing it to their own advantage.

The core of the North American Business Model is that of growth. There are key indicators of this in the size of premises you have, amount of people you employ and the profit you turn over. A SME setting up in Scotland under this growth model is 80% likely to fold within the first two years (find reference). However if it takes a slow burn approach (risk adverse and slow paced) 80% of the business become sustainable. For a small business this long term sustainability is very important to the wellbeing of the enterprise, given most are set up with a passion as their core the longevity of the enterprise is really high value, not because it is providing income but because it is exposure to belief, they want to share the passion.

For big business marketing is a multi-million pound industry, with the levels finances they have at their disposal and dedicated teams they can invest vast amounts of money to find their clients. The reason for this expenditure is the methods of marketing distribution are general in their audience. Although a TV Add might reach millions of people only a small percentage will be interested in the product. Because of its small size Indigenous Business is agile and can Taylor marketing to different target groups, being bespoke in this way can lead to far higher percentage of relative sales for the amount resource expended.

Worth of a product or service is often very difficult to negotiate for the indigenous business. It is tied in with market need and how well they market their product/service. However the majority of small business do not associate the correct worth due to the hidden costs. Very few of these businesses had done a cost analysis of their enterprise and fail to take into consideration the hidden values. In a larger corporation the system survives on numbers, you can beak down all activities into dominations of financial value. Making it relatively easy to measure the amount of value put in vs the amount it is sold for, allowing for a balance in favour of profit. For the small business it is very difficult to account for all the other costs of running the business. Part of this is they know they are good at their core practice and have a 'per hour value' for it, but for example, when it comes to book keeping or marketing, because they are not good at it they value it low. Because they are not good at that area it also takes longer, resulting is lost capital.

In the industrial model space is an indicator of success, the more space you have the more successful you are. For the Indigenous Business flexibility is the key concern for space. Many of these small business work from home, garage or out of a van. They do need a larger amount of space but for short periods of a day week or month, currently there is not enough provision for this type of felix space. Economically they can't afford to have space that is not used.

In the 1980's there were two phrases coined, economies of scale and economies of scope. The North American Business Model is based on economies of scale, which is all about growth and efficiency. Economies of scope was about distributed networks and collaboration. Scope is difficult to measure and takes systems like the circular economy into account (Ref.6), because it is not easy to associate value to scope, it was discarded from government policy. However this is one of two keys that can prove value in the indigenous Business Model. And indeed going forward the area that needs the most expose to the make the Model sustainable and to grow.

The Second key to promoting the indigenous business model is that of wellbeing. David Rliey from the Well Institute at Gartnaval Hospital in Glasgow, has proven the value in preventative health care and is very interested in the value of the Indigenous Business on health and wellbeing. 80% of

people in the North American Business Model have a impact on the NHS as a direct result of their job. Depression, obesity, anxiety, heart disease and diabetes are some of the associated issues. The value in creating happy health people and business, speaks for itself. However as a cost saving benefit for the nation promoting happy people though Indigenous Business has a high net worth.