

**Business Innovation Support Services for Creative Industries**

**Short study prepared for the European Commission (DG Enterprise and Industry)**

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*“Policies for innovation need to recognise the cross-sectoral and multi-disciplinary aspect of creativity which mixes elements of “culture-based creativity”, economic as well as technological innovation”<sup>1</sup>*

## **1. Introduction**

This “short study” has been prepared by KEA European Affairs, a Brussels-based consultancy specialising in culture, creative, media and entertainment industries for the European Commission (DG Enterprise and Industry). Its objective is to provide background information and strategic advice regarding the potential establishment of a European initiative to promote innovative creative industries throughout Europe. A specific focus rests on the provision of “Business Innovation Services” and how policy intervention at EU level could optimise such services provided to creative companies and thereby promote the societal and economic impacts of the creative industries. The short study was prepared in January 2010 during the preparation of an expert workshop held to deliberate on the potential scope and activities of such European intervention.

Creative industries (CIs) are increasingly considered as key sectors to unlock Europe’s potential in the knowledge economy. As illustrated in a study carried out by KEA European Affairs<sup>2</sup>, the cultural and creative sector is a dynamic trigger of economic activity and job creation throughout the European Union (EU). The number of people working for this sector in 2004 was evaluated at 5.8 million, equivalent to 3.1% of total employed population in EU-25. Moreover, the sector contributed around 2.6% to the EU GDP in 2003, with growth significantly higher than that of the economy in general between 1999 and 2003<sup>3</sup>.

Acknowledging the high innovative and economic potential of the CIs, the European Commission (EC) is considering the launch of a policy initiative – the European Creative Industry Alliance (ECIA) – which would be aimed at improving the efforts that are currently implemented or planned at regional, national and European levels in order to foster the development of CIs. To do so, the initiative would bring together policy makers and relevant public and private stakeholders in order to define and propose policy agendas and strategies supporting CIs at all levels, to be further implemented through regional, national and EU funding.

The final objective of the alliance would be to agree on “a new deal” for CIs, by cooperating in a number of areas of strategic interest. One of those strategic areas is the issue of “business innovation support services” (BISS), which will be more specifically examined in this paper.

BISS can be defined as services which address the practical needs faced by innovators. Such services can for example be related to the access to knowledge and creativity, to knowledge transfers, to the cooperation with other sectors and networks, to the sector’s access to markets and finance, or the definition of new business models. In other words, BISS aim at providing companies with adequate tools that enable them to innovate better by improving entrepreneurial skills, the quality of their work and the performance of products and services.

## **2. Creative industries – at the crossroads of creativity and innovation**

The delineation of the CIs’ has always been subject to discussions and the authors of this mini-study proposed an EU wide definition as part of The Economy of Culture Study prepared for the European Commission in 2006<sup>4</sup>.

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<sup>1</sup> “The Impact of Culture on Creativity”, study conducted by KEA European Affairs for the European Commission, June 2009.

<sup>2</sup> [www.keanet.eu](http://www.keanet.eu)

<sup>3</sup> “The Economy of Culture in Europe”, study prepared for the European Commission by KEA European Affairs with the support of Turku School of Economics and MKW Wirtschaftsforschung.

<sup>4</sup> Definitions of the CIs usually depend on regional differences and/or statistical purposes and have been proposed both at national and international levels. The main issue has often been to distinguish the “cultural” sector in which culture constitutes a final product of consumption (e.g. a concert, an exhibition, a book, a film) from the “creative” sector in

Currently, the European Cluster Observatory<sup>5</sup> is working on a new statistical definition which could be used for measuring the size of the sector European wide.

While these developments are important to better understand the sector's societal and economic value it is also essential to go beyond the issue of defining the CIs. The focus should be put on what constitutes their core business and explains why they are important drivers of innovation in other sectors. In essence, CIs distinguish themselves through the creativity and the aesthetic values they generate.

The importance of the cultural and creative sectors for Europe's competitiveness has been increasingly recognised by EU institutions<sup>6</sup>. The 2009 European Year of Creativity and Innovation sought to highlight the important links that exist between culture, creativity and innovation<sup>7</sup>. This is an important relationship to stress. For innovation has become a key factor for competitiveness and has long ranked high on the policy agendas of governments across Europe. However, until today, the vast majority of innovation support in Europe is directed towards technological innovation<sup>8</sup> and takes little notice of more creative, essentially people-driven, innovation.

The CIs' relation with innovation can be seen from different angles.

*First, CIs have great innovation potential and are one of the most dynamic emerging sectors in world trade.* In a recent report conducted for the EC, the authors of this study illustrate that culture is inextricably linked to creativity by developing the concept of "culture-based creativity"<sup>9</sup>. This concept explains how creative people (i.e. artists, craftsmen, creators as well as creative professionals) think imaginatively, challenge the conventional, call on the aesthetic, on emotions and on societal values and thereby unleash new ways of thinking and doing. To emerge, culture-based creativity requires personal abilities (namely to be imaginative and think "out of the box"), technical skills (often artistic skills and/or craftsmanship), as well as a conducive environment that encourages creativity, promotes investments in the arts and fosters citizens' participation in cultural activities.

In addition to meeting "functional" market demands, products and services supplied by CIs therefore serve aesthetic, emotional, entertainment and sometimes educational purposes. On a different level, creative people can also contribute to rethinking corporate strategy and innovation processes. For example, at Apple, designers work closely with engineers, marketers and manufacturers. They do not only design end devices to receive and produce media content but also contribute to innovation by researching the use of new materials and by developing new production processes. Whilst competitors have concentrated on squeezing manufacturing costs, Apple has perfected the differentiation of its products through a sophisticated design strategy<sup>10</sup>.

*Secondly, CIs are also important drivers of economic and social innovation in other sectors.* Creative businesses provide firms from other industries with "creative innovation services" that help them innovate more effectively, either directly via inputs into innovation processes (such as new ideas) or indirectly by addressing some obstacles

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which culture enters into the production process of other economic sectors and become a "creative" input in the production of non-cultural goods. See "The Economy of Culture in Europe", *op.cit.*

<sup>5</sup> Financed by the European Commission under the Europe INNOVA initiative, the European Cluster Observatory aims at providing a wide variety of data on clusters in Europe. See <http://www.clusterobservatory.eu>.

<sup>6</sup> For example, the European Parliament (EP) stressed in a resolution adopted in April 2008 that, "within the framework of today's "post-industrial" economy, the competitiveness of the European Union will also have to be reinforced by the sectors of culture and creativity". The EP called on the EC and the Member States "to set as priorities, policies based not only on entrepreneurial innovation, but on the innovation of cultural actions and creative economies". See "Resolution on cultural industries in Europe", 10 April 2008 (2007/2153(INI)), article 2.

<sup>7</sup> This link was also underlined recently by the Council of the EU in its Conclusions on "Culture as a Catalyst for Creativity and Innovation", adopted by the 2941th Education, Youth and Culture Council meeting of 12 May 2009.

<sup>8</sup> As acknowledged by the OECD in the Oslo Manual, Europe's innovation policy has developed for years "as an amalgam of science and technology policy and industrial policy". See Oslo Manual, Guidelines for Collecting and Interpreting Innovation Data, OECD-Eurostat, 3<sup>rd</sup> edition, 2005, p.15.

<sup>9</sup> The concept of "culture-based creativity" was developed by KEA European Affairs in the above mentioned study on "The Impact of Culture on Creativity".

<sup>10</sup> See KEA study on « The Impact of Culture on Creativity », *op.cit.*

to innovation (sometimes called “behavioural failures”), such as risk aversion, status quo bias or the inability to imagine the future as potentially different from the present<sup>11</sup>.

Almost all industry sectors benefit from CI's inputs: ICT, textile and materials, marketing and communications, manufacturing, construction, tourism and recreational services, public sectors, the building industry, clothing etc. By creating cross-sectoral “creative collaborations”, CIs help developing new innovative products and services.

Against this background, innovation support mechanisms to benefit CIs not only allow CIs to innovate better and more, but they also enable them to provide more innovative solutions to other sectors or industries, and therefore help Europe's overall economy to unleash its full innovation potential.

### **3. The specificities and needs of the creative industries**

“In order to promote innovation in the EU as effectively as possible, innovation support needs to (...) respond to the needs of innovative enterprises”<sup>12</sup>.

This ambition is even more important when it comes to providing innovation support to CIs as they are characterised by a series of specificities that differentiate them from other industries, and in turn generate particular needs when it comes to innovation support.

#### **3.1 A myriad of creative companies**

The large majority of CIs consist of small and medium sized enterprises (SMEs) or even micro-companies that produce unique products and services which are valued differently by each consumer. Because of this, the CIs are also high-risk industries that are hit driven (9 out of 10 films fail in the market place). Furthermore, creative entrepreneurs often lack business expertise and financial resources. Their businesses are almost exclusively privately-financed and benefit from little external finance. This explains why CIs are highly vulnerable to economic fluctuations and have difficulties to finance growth and diversification. It also explains why creative entrepreneurs focus on winning financial support on a project-to-project basis and often fail to develop long-term business strategies.

- ⇒ Creative people need to develop entrepreneurial skills in order for CIs to unleash their full innovation potential and achieve growth.
- ⇒ CIs also need to attract more external investment to develop ideas and, crucially, bring them to the market. However, creative entrepreneurs often find it hard to gain financial backing because investors are often reluctant to get involved in such high-risk sectors where business potentials are difficult to evaluate<sup>13</sup>.
- ⇒ Public procurement constitutes an important opportunity for the creative sector. However, CIs are often discouraged from applying for such contracts because of the complexity and bureaucratic character of public tender procedures. Creative SMEs often simply lack the personnel resources to undergo lengthy tendering processes.

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<sup>11</sup> “Nudging innovation. Fifth generation innovation, behavioural constraints, and the role of creative business - considerations for the NESTA innovation vouchers pilot”, Report conducted by Dr Jason Potts and Kate Morrison for the National Endowment for Science, Technology and the Arts (NESTA), 23 April 2009.

<sup>12</sup> European Commission, Commission Staff Working Document, « Making public support for innovation in the EU more effective: Lessons learned from a public consultation for action at Community level », 9 September 2009, SEC(2009) 1197 final, p.4.

<sup>13</sup> An important part of innovation in the CIs turns out to be “hidden”, i.e. it cannot easily be recorded by using traditional innovation indicators. On this specific aspect, see “Hidden innovation in the creative industries”, written by Ian Miles and Lawrence Green, NESTA Research Report, July 2008.

The creative process that lies at the heart of value generation in most CI enterprises is complex and rather intangible.

- ⇒ In order to deliver real benefits to the creative industries in the long term, the sector as well as policy makers will have to devise new tools and approaches that help to evaluate the innovation potentials of creative businesses.

### 3.2 The cultural and spatial dimensions of the creative industries

One of the main structural specificities of the CIs relates to the linguistic and cultural fragmentation of the sector. Therefore, the CIs' geographical development is often limited, with the notable exception of design and fashion (and some English-language media content). Furthermore, CIs often thrive in local and regional creative clusters. To be successful, creative companies depend on a high density of creative talents and "creative ecosystems" that enable knowledge exchange and open innovation.

- ⇒ Support to CIs can on the one hand help companies to overcome these cultural and linguistic boundaries in order to really benefit from a single market for creative goods and services.
- ⇒ On the other hand, BISS also need to take into account the unique local development needs of creative companies (it can, for example, be doubted whether a strategy to establish a cluster of creative companies on the outskirts of a city will ultimately be successful).

### 3.3 Limited knowledge of potential markets

Partly because of the above mentioned cultural dimension, but also because of the small size of most companies and a certain lack of business strategy skills, the European single market remains a distant dream for companies in many sub-sectors of the CIs<sup>14</sup>. However, digital technology and European integration provide creative entrepreneurs with new market opportunities.

- ⇒ Where appropriate, innovation support services should help European creative companies to access foreign markets and reach out to a larger potential customer base.

Furthermore, most CIs are undergoing a period of significant change brought on by the effects of digital technology. The "digital shift" creates many uncertainties but at the same time presents many opportunities. BISS should help creative companies to benefit from this transformation.

- ⇒ CIs need help to better understand and shape online consumption. While some digital media sub-sectors (e.g. social media producers) of the CIs are already today mastering the challenge of attracting vast amounts of users to their services especially traditional content creators would benefit from implementing more advanced digital media strategies.
- ⇒ BISS should help CIs develop new long term strategies for creation, distribution and exploitation. For example, the question of how to best exploit media rights on digital distribution networks is a long term challenge for many small and medium sized content creators in Europe. Foresight and strategic partnerships are needed to help them to best benefit from digital in the future.

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<sup>14</sup> The market share of non-national European film in cinemas in Europe is 8% (European Audiovisual Observatory)

### 3.4 The importance of Intellectual Property Rights

Smaller CIs often have limited knowledge on the importance of intellectual property (IP) and rights management. Indeed, IP is a fundamental asset for creative companies: it is a significant tool to trade and an incentive for individual creativity and investment in creation. It therefore requires proper valuation and better exploitation to ensure the sector's sustainability.

⇒ IP must be promoted as the main incentive for creation and investment into CIs.

### 3.5 The diversity of the creative sector

CIs are characterised by a number of sub-sectors and activities. The diversity within the CIs shows that designing adequate innovation support policies for the sector can be complex as innovation patterns vary across different branches. Effective innovation support mechanisms should take this diversity into account<sup>15</sup>.

⇒ A new tailored approach to designing innovation support policies is a prerequisite to match the different innovation needs and potentials of creative companies. A one-size-fits-all approach will not have the desired impacts.

⇒ At the same time, there are some important similarities between creative companies operating in different sub-sectors (they all depend on creative processes; they often depend on intangible assets; they share structural similarities etc.). A strategy that encompasses the CIs (as opposed to individual sub-sectors) can thus lead to knowledge exchange and innovation spill-overs.

### 3.6 The potential to promote innovation in other industries

Today's economy is increasingly characterised by the customisation of products and services whose success goes beyond their functionality and encompasses aesthetic, social or symbolic value. Therefore, the "intangible" value provided by CIs is increasingly important to companies throughout diverse sectors of the economy. Moreover, companies from the CIs have for long mastered the challenge of creating demand driven markets by shaping consumers' desires and aspirations (think, for example, about the importance of creating consumer demand in the film industry, where each product is new and consumers have to be convinced to see each product).

To some extent, learning to innovate in nowadays economy therefore means learning from the CIs.

⇒ Innovation support services that seek to enable creative companies deliver creativity services to companies outside the sector will at the same time foster innovation in these "recipient" industries. Their innovation effects can thus be multiplied.

⇒ CIs can be considered as a test bed for developing innovation support mechanisms that may later be applied to other knowledge intensive industries.

## 4. Policy intervention at European level - a step towards more creativity and innovation?

By bringing together and sharing best practices regarding policies implemented at different levels of support (local, regional, national, EU), a European initiative could help to optimise public efforts in order to develop the CIs throughout Europe and increase their innovation impacts on other industries.

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<sup>15</sup> "Hidden innovation in the creative industries", *op.cit.*

## 4.1 Rethinking innovation support for creative industries

Nowadays, the majority of public policies supporting CIs are managed either by Ministries of Culture<sup>16</sup> or, in countries where the issue is a regional competence, through cultural policies aimed at promoting local or regional cultural interests. Cultural support to CIs is of course essential to sustain a diversity and promote creativity throughout the EU. In fact, as illustrated in the previously mentioned study on the impact of culture on creativity, cultural diversity is an important backbone of an innovative and ultimately competitive society.

On the other hand, this tendency of the creative sector to be linked to cultural rather than to industrial policies has led to a situation where there are few adequate innovation policies that cater for the business requirements of creative companies. In turn, this exclusion of the creative sector from traditional industrial support might have contributed to the fact that innovation policy throughout Europe by large remains technology focused.

Against this background, future innovation policy at EU level should embrace the innovation potential of creative SMEs, focus on the marketability of creative products and services, and integrate users and creative stakeholders in innovation processes. The role that the CIs play in fostering a more creative and innovation-friendly society cannot be ignored in Europe's future innovation strategy.

*But what could such policy look like?*

First of all, creative innovation calls for softer, more sophisticated measures which are able to reach out to creative companies and creative individuals. Innovation policy designed to trigger creativity has to be simpler, more flexible and adaptable than traditional innovation support that tends to be targeted at larger beneficiaries more adapted to managing scientific innovation processes.

Likewise, support for creativity needs to be in line with rapidly evolving markets and able to support unpredictable creative outcomes. Different policy tools have to be used alongside project funding, such as prize-based incentives and public procurement of creative services. New approaches should be continuously explored to involve the most creative players and to reach out to the wider community of creative freelancers that work in the sector. Moreover, policy makers as well as funding bodies should live up to their commitment of user-driven innovation and involve creative companies in the design of new support mechanisms.

The shift from technological to more creative services innovation has already taken place through numerous public and private initiatives supporting the CIs at local, regional or national levels. Indeed, lessons can be learned from cities (such as Nantes, Aachen, Stuttgart or Eindhoven), regions (Andalusia, Baden-Württemberg, Piemonte, Basque country, etc.) and countries (Finland, Latvia, the Netherlands, United Kingdom) that have recently implemented innovation support programmes for CIs. Therefore, engaging with a number of lead regions and cities in the framework of a new pan-European initiative would appear to be beneficial<sup>17</sup>.

Some relevant programmes and pilot-projects supporting the CIs have also been launched at European-level. Although their importance for the creative sector has to be recognised, their objectives or nature remain limited to sustain cultural exchange. For example, the MEDIA<sup>18</sup> and Culture<sup>19</sup> programmes support sub-sectors of the CIs

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<sup>16</sup> With some exceptions, such as in Finland, which has made creative industries a priority of the Ministry of Employment and Economy, or in the Netherlands, where the Ministry of Culture works closely with to the Ministry of Economic Affairs in relation to policy developments. Similarly, in Germany, the Ministry for Economic Affairs and Technology is responsible for implementing the national cultural industries strategy.

<sup>17</sup> Not only because of the good practices such cities or regions are able to promote, but also because they are keen to collaborate and network. An example in this context would be the EICI, a network of European regions that focuses on exchanging best practices and local policy development for the creative industries ([www.creativity-innovation.eu](http://www.creativity-innovation.eu))

<sup>18</sup> MEDIA is the EU's support programme for the European audiovisual industry. Its objectives are to promote Europe's cultural identity through the European audiovisual sector, to increase the circulation of European audiovisual works and to strengthen the competitiveness of the sector. [http://ec.europa.eu/information\\_society/media/index\\_en.htm](http://ec.europa.eu/information_society/media/index_en.htm)

but rarely focus on innovation. A closer collaboration with existing innovation schemes such as FP7 and the CIP could be imagined.

With regards to innovation support at EU level the Knowledge Intensive Services Innovation Platform (KIS-IP) aims at accelerating the take-up of service innovations in Europe through several sectoral partnerships. The most relevant ones in the framework of this study are “BCreative”, “ImMediate” and “MOBIP”. A closer link between these innovative measures with national and regional initiatives would lead to more coordinated policy making for creative industries in Europe<sup>20</sup>.

## 4.2 Added value at policy making level

First of all, a European initiative could add value because of its holistic approach. By focusing on the whole creative sector, such a policy initiative would go beyond the sub-sectoral approach of innovation support mechanisms for CIs that are primarily prevailing in the EU.

By bundling the current efforts undertaken at local, regional, national and European levels in terms of BISS to CIs, a European action would create policy synergies between those levels (for example, a scheme that supports innovation in audiovisual distribution by developing the strategic skills of audiovisual professionals - as exists in the UK - is very much in synergy with the moderate, but nevertheless very important, Video on Demand support scheme provided by MEDIA 2007, the audiovisual support mechanism of the EU).

Moreover, support programmes designed to have an impact at local level can benefit from exploiting synergies among themselves. Such networking is already supported through the Interreg schemes and could be further improved by focusing on the specific needs of creative industries (a further example: many regions in Europe organise innovation accelerator events, where local entrepreneurs pitch their innovative concepts to business angels and venture capitalists. Widening the group of potential investors by linking up these initiatives would be of added value).

The implementation of a European policy initiative focusing on innovation services in the creative sector should also generate cross-border policy learning through the exchange of tools and methodologies in support of CIs, knowing that each administrative level (city, region, Member State, EU) has a distinct expertise in designing innovation support mechanisms and policies. The existing innovation support initiatives would therefore be optimised and their impact broadened.

This will undoubtedly constitute an important element to counter the linguistic and cultural fragmentation of existing support mechanisms for the European CIs and contribute to the creation of a “European Creative Single Market” which remains to be build because of the diversity of the sector.

Exploring BISS’s relation to the CIs should also help to overcome the traditional bias of innovation support mechanisms towards technological innovation in manufacturing and raise the awareness of the importance of non-technological innovation, which is primarily provided through the CIs.

As such, this policy initiative could be used to brand Europe as a place to create, to imagine and to promote talent.

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<sup>19</sup> EU’s Culture programme is supporting projects to celebrate Europe’s cultural diversity and heritage through the development of cross-border co-operation between cultural operators and institutions. [http://ec.europa.eu/culture/our-programmes-and-actions/doc411\\_en.htm](http://ec.europa.eu/culture/our-programmes-and-actions/doc411_en.htm)

<sup>20</sup> <http://www.europe-innova.eu/web/guest/innovation-in-services/kis-innovation-platform/about>

## 5. Potential outcomes at innovation support level

A European initiative that would stimulate a transnational cooperation could in the short to medium term have a tangible effect on the competitiveness of Europe's CIs. In most creative sectors, public support is primarily distributed at national and regional level, therefore leading to a highly heterogeneous policy environment.

Of course, such diversity is not in itself an obstacle. However, policy makers and innovation support professionals would certainly benefit from increased knowledge exchange between different sectors and administrative levels. Support programmes could be optimised and synergies between existing schemes could be sounded out. This could eventually also help to develop a single market for creative products and services. Policy silos between cultural, innovation, R&D, local development and education policies could be broken down – a key requirement to unleash Europe's innovation potential. Links between the creative sectors and the ICT industries and other sectors could be fostered and create significant economic knock-on effects.

On a different level, a European action to support innovation in CIs could help create a test bed for more progressive policy making in general as new - more creative and daring - policy ideas and support schemes could be tested and launched. We provide a short list of examples below.

Ultimately, such approach would increase knowledge-based and therefore sustainable employment in the EU, trigger innovation throughout the economy and potentially help to foster a more creative and resilient society. On another level, it would encourage creative thinking, risk-taking and progress – not only in business but in all other domains of contemporary life.

### 5.1 Potential new ways of delivering creative business innovation support services across borders

The initiative could be used to develop and experiment with better ways of delivering creative business support services by CIs to all industries, for example through voucher schemes to provide better access to all forms of knowledge and creativity. New BISS should in any case be able to increase “lateral thinking” in the process.

- ⇒ The establishment of **innovation vouchers** at national and regional level would help creative SMEs acquire professional skills they cannot afford (in technology, marketing, advertising, design, etc.) and trigger innovation in other industries<sup>21</sup>. Such schemes could be discussed at EU level and implemented in Member States and in the regions expressing interest in the creative sector.
- ⇒ Another way of promoting a more entrepreneurial culture in Europe through CIs would be to promote the integration of **design thinking in businesses**. In an increased number of major companies in the high-tech sectors, designers are working closely with engineers, marketers and manufacturers. Designers are not only stylists but also contribute to innovation in the use of new materials and production processes.
- ⇒ The European initiative would promote the use of design and/or art in business to develop competitive edges, for example through “**artists in residence**” **projects** in which companies invite artists to spend some time among their employees in order to encourage mutual exchange and dialogue. Such projects enable both sides – employees and artists – to discover different ways of thinking and producing. They also make employees think about their views on the company and their working environment.

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<sup>21</sup> See <http://www.keanet.eu/report/innovationvoucher.html> and <http://www.creative-credits.org.uk/>

## 5.2 Creative knowledge transfer mechanisms and multi-disciplinarity

As underlined above, one of the initiative's originalities would be to combine the current efforts undertaken at local, regional, national and European levels in terms of BISS to CIs. Therefore, the cross-sectoral and multi-disciplinary aspect of creativity and innovation will most certainly be increased, which will allow the identification of new support mechanisms, enabling for example the cooperation of CIs with research organisations.

- ⇒ The development of a **“creative broker”** facility whose role would be to enable creative entrepreneurs to reach new markets and non-creative sectors by providing culture-based creativity services could be envisaged.
- ⇒ The establishment of **creative clusters** composed of research centres and artistic schools could also be discussed. Indeed, the collaboration between artists, designers and technologists opens new ways to create innovative products and services and fosters innovative solutions at the interface of creativity and technology in a wide range of areas.
- ⇒ The initiative could reflect the setting up of **creative business incubators** (i.e. low-cost shared facilities for creative businesses which are linked to arts schools or universities arts departments) that offer opportunities for students to take their first steps in business in a supportive environment<sup>22</sup>.
- ⇒ On a different level, a European initiative could contribute to facilitating much more **exchange between policy makers, innovation support experts and creative cluster managers** (through workshops, training programmes, etc.). Each of these groups of professionals would benefit from learning about the working practices and programmes offered by the others (e.g. someone providing innovation support to technology companies may well be interested in knowing how the manager of a music industry cluster helps music companies to source and develop new talent, etc.).

## 5.3 Improve the creative industries' innovation capability and investment readiness

The improvement of the innovation capability and investment readiness of creative SMEs could be achieved through different measures.

### 5.3.1 Investment and access to finance

- ⇒ Investment readiness depends on the ability to **attract investors**. Larger companies rely on the innovation capacities of smaller ones to discover new ideas and new talents. This is an important feature of the CIs. These companies should be invited to act as “mentors” or “business angels” for CIs by helping them getting closer to the market needs. A European policy initiative could facilitate the setting up of schemes in order to facilitate the links between larger companies and the CIs.
- ⇒ In order to tackle the issue of access to funding, the **establishment of a “Creative industries bank”** specialised in financing (or in supporting the financing of) projects based on investment into innovation support mechanisms to the benefit of CIs could be considered. To do so, the European Investment Bank (EIB) could play a role because of its experience in managing risk with other financial institutions

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<sup>22</sup> A good example is provided by the *IADE* (Institute for Art Development and Education in Finland), which offers consulting services to SMEs and entrepreneurs in the creative sector and which created a business incubator unit, *Arabus*, to enable start-up entrepreneurs to acquire the knowledge and skills needed for business management and developing operations. Some of the tools used include consulting, precision training and a network of mentors. See <http://www.iade.fi/en/yrittajyysjaarabus>.

in the innovation sector. Financial institutions specialised in the creative sector (such as the IFCIC<sup>23</sup> in France or the Audiovisual SGR<sup>24</sup> in Spain), private banks (such as Ingenious in the UK<sup>25</sup>) and regional banks have also expertise which is often too focus on national activities.

- ⇒ All too often innovation support mechanisms attract the wrong kind of people: experts in writing tenders rather than in creating innovative products and concepts. The **reviewing of the existing public tender procedures** could be discussed in order to increase the involvement of creative SMEs in bids for public procurement (PP), which constitutes an important source of business opportunities for CIs.
- ⇒ When it comes to **public support given to innovation and research & development** a European initiative on BISS should initiate a broad discussion on how current funds are spent and who benefits from them. At European level, support programmes such as **FP7** and the **CIP** need to further embrace the creative industries as desired targets for innovation support. Often, programmes are primarily designed to cater for the needs of technology companies. The initiative should strive to involve the creative sectors in the planning for further funding periods (**post 2013**). A similar review of innovation funding could also be promoted at national and regional levels.

### 5.3.2 *Access to markets and competitiveness*

- ⇒ CIs have a poor understanding and knowledge of consumer markets in Europe in particular in relation to the digital economy. Therefore, a policy initiative undertaken at EU level could be used to **make available market information on consumer trends and practices** throughout Europe in order to help CIs access foreign markets and take advantage of the digital shift.
- ⇒ Such a European initiative could also foster the **development of business-to-business partnerships across borders**.
- ⇒ More generally, participants to the initiative could also discuss ways of **facilitating the translation of innovations and knowledge into (marketable) products, processes and services** that would strengthen competitiveness of European CIs.

## 5.4 Other potential outcomes

As a lot of creative SMEs do not see themselves as being part of the “creative sector”, dealing with BISS might be an issue for some CIs. Support should be given to help the creative sector being structured, which would then enable it to effectively participate to the proposed policy initiative.

- ⇒ Such support could, for example, be provided through the **creation of information desks** in Member States that could be associated with national Chambers of Commerce. Such “Creative industries desks” could be created following the examples of “media desks” for cinemas.

As underlined previously, the CIs’ innovation capacities remain difficult to evaluate. This is due not only to the nature of the sector itself, but also to fact that the overwhelming majority of indicators aimed at measuring innovation are focusing on technology (R&D expenditure, patenting, graduates in science and engineering, scientific publications, access to venture capital, etc.).

<sup>23</sup> Institut pour le Financement du Cinéma et des Industries Culturelles : <http://www.ifcic.fr>

<sup>24</sup> <http://www.audiovisualsgr.com>

<sup>25</sup> <http://www.ingeniousmedia.co.uk>

- ⇒ Against this background, the establishment of an indicator framework aimed at measuring the environment promoting creativity and innovation through CIs could be discussed. The development of such a “**European Culture-based creativity Index**”<sup>26</sup> would highlight the potential of culture-based indicators in existing statistical frameworks related to creativity, innovation and socio-economic development.

It was also mentioned that CIs have difficulties to understand consumer trends and practices throughout Europe, especially in the context of the digital economy.

- ⇒ **Studies** could be commissioned in order to provide CIs with better knowledge on some strategic issues, such as consumer behaviour online.
- ⇒ **Academic research** concerning the creative industries has emerged as an important field of study in the past decade. However, research findings are not widely enough shared and research initiatives duplicate the knowledge they produce. Networking and knowledge exchange would also benefit this domain.
- ⇒ Another focus should be **linking technological research with the development needs of the creative industries**<sup>27</sup>.

## Conclusions

Europe has enormous cultural and creative assets, a wealth of ideas, artists and creative people. European brands and creators are amongst the best in the world in technology, luxury goods, tourism, media publishing, television, music, computer animation, videogames, design and architecture.

Moreover, the variety of cultures and territories is EU's biggest richness and a significant source of creativity. It is Europe's diversity and its patchwork heritage that has shaped its destiny and will determine its future.

The challenge for Europe is to make the best out of its cultural diversity and competitive position in the context of globalisation. To a large extent, Europe's future is dependent on its ability to transcend local identities to harness creativity but also to ensure the presence of diverse local identities in an international context.

Against this background, the strategic importance of CIs, who represent highly innovative companies and are important drivers of innovation in other sectors, has to be recognised.

New innovation support mechanisms are needed for CIs to unleash their full “spill-over” potential and transform the economic performance and the innovation capacities of traditional industries.

To enable policy makers to define the appropriate instruments and incentives to adequately support innovative CIs and foster a single market for CIs some key “principles” should be considered: Flexibility will be required in order to tailor the innovation support mechanisms to the specific needs of the CIs. Furthermore, the fact that creative companies by large rely on the creative capacities of individuals will also have to be kept in mind. The “creative power” and the innovation potential of the CIs are linked to the creative freedom that these people enjoy. A policy scheme aimed at supporting creativity therefore requires a certain amount of faith and trust in the ability of creative talents to think laterally and generate new ideas.

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<sup>26</sup> This idea was developed in the study on “The Impact of Culture on Creativity” conducted by KEA European Affairs for the European Commission in June 2009.

<sup>27</sup> Such approach was pioneered by the FP7 funded EU project CReATE.

Such an approach also involves some risks due to the fact that CIs are not always producing “tangible” innovative assets. This implies the need to associate a network of financial and CIs’ experts and professionals at regional and national level who would be able to mitigate the risk taken by European and national policy makers when investing in the sector.

Finally, openness should be the rule of any scheme supporting business innovation. It should firstly be secured through the active involvement of SMEs and creative companies in the design of the new support mechanisms. Openness should also be guaranteed by involving the most relevant stakeholders in other fields such as education, art, sciences, technology and businesses. Multi-disciplinary interactions and the cross-fertilisation between educational, cultural and entrepreneurial activities should, therefore, be fostered.