

# Reflections on a Governance Model for Creative Industries

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We are witnessing the industrialization of culture on a global scale - entering a time when the creative arts skills will be right at the centre of wealth creation, and thus of business, and thus of governance.

Simon Evans, speech delivered at the Creative Clusters Conference 2007<sup>1</sup>

## Introduction: The Creative Economy

Together with the increasing importance of information in the global economy, the notion of the creative economy has emerged and is generally accepted as an increasingly important part of economic activities worldwide. Structural changes associated with the creative economy are engendering new opportunities as well as patterns of exclusion and inequality that challenge existing governance models.

The dominating importance of information in the global economy makes it imperative that concepts of culture and creativity be reassessed and repositioned at the centre of public policy. The proliferation of ICT has brought with it a gradual but fundamental change of the way culture is perceived by societies at large, especially in their role as consumers of cultural goods and services. The mobilization/involvement of larger

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1 Simon Evans, speech delivered at the Creative Clusters Conference 2007.

segments of the society in cultural activities is associated with increased demands for support to an ever growing number of cultural institutions, projects, and individuals.

While aware of the growing economic importance of culture and information, many countries are, however, uncertain just how to engage proactively with the culture sector as part of economic development plans. Overall, there is a feeling that traditional ways to support culture are perhaps no longer sufficient but the lack of data on other aspects of culture than fine arts and heritage (in relation to which information has primarily consisted of inventories and archives) hampers a wider analysis of the sector's needs. Similarly, the crafts and artisan sector remains largely outside the realm of Government planning and intervention/support.

The businesses and industries that make up this new creative economy have given rise to differing or overlapping definitions with creative industries, content, knowledge or copyright-based industries, and cultural industries, as some of the main categories applied. In everyday usage these terms are often used almost interchangeably though there is a growing consensus on the different connotations and perspectives implied with each of these terms. Within this consensus the cultural industries are separate from creative industries or even embedded as a particular segment within the wider notion of creative industries. What is common for all the 'new' industries covered by these categorizations is that knowledge, education, creativity, and intellectual property, are very prominent features of product development and profit.

As economic and cultural policy must become ever more integrated, the need to understand the sector better has become pressing. In the following, we will look at the ways creative industries are understood in separate contexts, and the different interests and policy perspectives they engage. Taken together they represent society's increasingly complex perception of the role of culture and creativity in the spheres of both economy and civilization, and provide elements to the identification of a new governance model for the creative economy.

## **Four Discourses on Creativity and Economy**

Creative industries are also referred to as cultural industries, knowledge industries, information industries, copyright-based industries, etc. Behind this semantic confusion there are at least four distinct discourses within which the use of the terms is understood differently.

## An Economic Discourse

The economic discourse is probably the simplest and to a certain extent the best known. The economic discourse is an expression of mainstream economic development in recent years and is closely connected to the ideas of globalization and free trade. The very high growth rates reported from the knowledge or creative economy in recent years stem primarily from studies based on this wider concept of creativity. The universal acceptance of the economic model of creativity is expressed in the progress made towards identifying standard indicators for the so-called copyright-based, creative industries.

The economic discourse operates with a very broad definition of creativity and creative industries centering on copyright and other intellectual property rights as a key to profit and economic growth. A model developed by WIPO<sup>2</sup> illustrates this approach to creativity. The model includes four categories of creative industries where the ‘core copyright industries’ and the ‘partial copyright industries’ correspond best with other definitions of creative industries, and the ‘interdependent copyright industries’ (e.g. TV and broadcasting) and the ‘non-dedicated support industries’ (e.g. ICT and transportation) indicate a much broader economic approach to these industries that is only loosely linked to culture and artistic creativity.<sup>3</sup>

Many of the most successful cities throughout the world have adopted this economic model of creativity as a base for economic development strategies and have invested heavily in the development of large-scale projects planned to accommodate the new creative industries in the form of ‘creative industry parks’ or other infrastructure investments – much as one would support any other industry. In many cities, however, there often seems to be a gap between the articulated and official policies concerning culture and creativity and their implementation. The use of cultural districts in economic development plans provides good and tangible examples of this discrepancy. Hence very few projects acknowledge the complexity, resources and diversity that foster unique cultural districts, and the ability of their cultural uniqueness to enhance the quality of life and attract tourists and others is far too often taken for granted. The associated rapid modernization process, the scaling-up of activities, the top-down urban renewal, and the measures of cost-

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2 WIPO: the World Intellectual Property Organization.

3 Source: Guide on Surveying the Economic Contribution of the Copyright-Based industries, WIPO, Dec. 2003) see: [www.wipo.int](http://www.wipo.int) (31.1.2009).

effectiveness, associated with this development is often at the expense of or even contrary to the needs and interests of the very culture and environment that is necessary to nurture the creative industries (Youn 2007). The development of creative industries in this context, therefore, also emphasizes the problems associated with urban migration: slums and urban poverty; environmental degradation; waste; the need for people to leave their homes for long periods of time to seek work, and the consequent breakdown of local communities.

## **An Urban Development Discourse**

The urban development discourse originally emerged in European cities as a strategy to combat unemployment and urban poverty in localities where the old heavy and manufacturing industries no longer provided the economic basis and employment opportunities as before. The strategy focused on the generation of jobs, especially through new technology-based information industry development and the fostering of more attractive cities. How this attraction is defined differs from place to place but the concept of creativity embedded in this discourse is more closely linked to the notion of culture than it is in the economic discourse. Enterprises built on the new technologies such as design and new media enterprises were an important strategy for example for the redevelopment of many European urban areas in the 1980's and 1990's. Today, the urban development discourse continues to capture the reorganization of power and space in the global economy, especially in terms of the adaptability and flexibility required by the new, constantly changing economy, which the cities are particularly well placed to respond to.

The key quality of culture in this context is its ability to improve the quality of our lives and surroundings by making them more stimulating and filling them with beautiful and stirring objects and in the process making them more diverse, interesting, and attractive for creative industry development and talent migration. The discourse is imbued with certain values and life style ideals and focuses on the individual as a source of creativity and innovation, and on the creative industries as a particular attractive opportunity to cultivate and free this 'creative capital', expressed in its most radical form in the notion of the 'Creative Class' (Florida 2002).

Within the context of urban development, the approach is essentially not too different from our intuitive understanding of the concept of culture and related industries. Here the line between art and commerce tends to be ideological rather than analytical and so the discourse tends to encompass a wider spectrum of policy goals. Creative industry devel-

opment is often considered part of the inherent dynamic of urban spaces, and it is indisputable that the urban environment provides the ideal conditions for the kind of clustering that sustain many successful creative enterprises. The urban development discourse tends to define cultural or creative industries – enterprises whose core activity, whose value is based on a traditional cultural skills: singing, dancing, acting, telling stories, making images, in a word: art and culture, empowered and organised by technology and management, and cultural goods whose primary economic value is derived from their cultural value.

Despite the importance of place highlighted among other by followers of Richard Florida's theories, the high tech opportunities created by the new economy are not limited to the concentrations in cities and to dedicated regional developments. Capitalizing on strengths in on-going research and educational institutions and supporting the birth and growth of innovative enterprises, locations around the world are developing high tech [creative] sectors.

Some of the major urban centres in the world, such as the port cities of Hong Kong, London, and New York, have long been dominating the international economy and have been main factors in the globalization of the world economy. This development has to a great extent built on already existing economic activities in trade and international finance – upgrading and strengthening these by the strategic employment of information and technology.

Recently, they have all presented themselves as creative cities – hence demonstrating a slide towards a more culture-based understanding of creativity and creative industries. Different models have been adopted in other cities throughout the world where technological development have been strategically employed to adapt or revitalize old manufacturing industries within the cities.

The initiatives that cities are developing and carrying out to engage with the new economy are, in other words, as varied as the cities themselves. Hence, the notion of the creative city has also inspired cities to re-invent themselves, often by raising architectural monuments as a way to shape and demonstrate identity, competence and, not least, economic power – this is true for European cities like Bilbao, Berlin, Paris, London, and for New York, Beijing, Shanghai and Hong Kong in China and perhaps most of all for cities and 'new' destinations like Abu Dhabi and Dubai.

## A Discourse based on Notions of Cultural Diversity

Though it represents a challenge to cultural diversity, the globalization of economy and trade have also created the conditions for a renewed dialogue among cultures and civilizations based on human rights and respect for their equal dignity. Hence, in parallel with the growing focus on creativity and information-based industries as key investment areas of the future, there has been a growing recognition of the potential and importance of culture and, especially, of cultural diversity as a strategic component of economic growth and competitiveness. The shift in the definition of culture itself also reflects a heightened recognition of the importance of cultural diversity as a key to leveraging competitive advantage.

The concept of 'cultural diversity' stipulates that plurality is the necessary requirement for freedom and that in political terms such pluralism is inseparable from a democratic society. It is in many ways as fundamental an expression of our time's perception of humanity and civilization as the concept of human rights. The very concept of cultural diversity has, however, been the topic of much heated debate – especially in relation to the economic aspects of culture with the discussion of the extent to which cultural goods and services are different in kind from other goods and services (the cultural exception) being a focus of contention. Differences of opinion have pinned the US against France and Canada, and the regulatory authority of WTO against that of UNESCO and WIPO.

The linkages to cultural rights on one hand, and trade issues on the other, make cultural diversity a particularly difficult issue in terms of cultural policy. As a resource for innovation and creativity cultural diversity is of course linked to the creative capital necessary for creative industry development. The disagreements on definitions and terminology, however, emphasize some of the complexities surrounding the concept of the creative industries and their implications in different ideological and economic contexts and the various underlying discourses described here. They also point to the inherent contradiction between market interests of nation-states in creative industries as a factor that may, quite against the intention, lead to the harmonization of the diversity concept and the consequent marginalizing of cultural minority groups (*ibid.*).

## A Discourse on Culture and Sustainable Development

Finally, the notion of culture as an inalienable component of sustainable development focuses, on the one hand, on principles such as participation, aspiration, and diversity as the success criteria for any development project while, on the other hand, it opens up the sphere of culture to the economic transactions that are part of cultural industries. Creativity and cultural industries have therefore also become a key concept in discussions of sustainable development, especially in developing countries.

As part of the development agenda, examples of creative industries – or cultural industries as is the preferred terminology in this context – are most often seen as small-scale community-based industries such as cultural tourism, crafts, music, and heritage preservation – in other words a more narrow perception of culture and creativity than found in the policy debates of many industrialized countries.

Within this context, the business unit in the creative industries sector is (in contrast to more traditional, larger scale industrial development) typically quite small, often family businesses<sup>4</sup>, which means that the product origination takes place in many, diverse units while the production mostly is on a smaller scale. In this respect, the cultural industries are particularly suited to contribute to community regeneration and correspond well with the practice in more traditional societies.

Offering not only the possibility for income generation, the cultural industries provide opportunities for employment that are easier to reconcile with family and community obligations. Cultural industries need qualified and informed workers and stimulate the upgrading of such skills and knowledge. The creative process in itself encourages participation, which spills into the community at large.

By recognizing the social impact of cultural industries not just as an output attribute of the consumption of these goods and services but as an end in itself, it becomes possible to link support for cultural industries to strategies for social/community regeneration as a development goal.

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4 Obviously, this is in particular true for the start-up phase of many Creative Industries and more generally for the cultural industries and does not apply in the same way to the larger-scale Creative Industries in for example the media and leisure sub-sectors.

## **The Re-Evaluation of Creativity in the New Economy**

What we observe in the context of this new economy is the emergence of distinctly different modalities and opportunities for work, increased participation of the non-formal sector, new business models and forms of capital – as well as the erosion of traditional organizational and social patterns where many more people are self-employed and some are excluded. These changes, which also include new consumption patterns related to cultural goods and services, are in fact the effects of fundamental, structural changes in the international economy and the way we work and live, comparable to the changes that followed the industrial revolution.

Over the last decades, the distinction that existed between culture and more traditional concepts of manufacturing industries is breaking down. We are moving towards an understanding of culture and creativity that centres on the productive and innovative capacity of knowledge and information – rather than a more traditional concept of culture as linked to the classical or fine arts. In the new economy, creativity has become an enterprise sector, which holds great potential for economic growth, market expansion and profit generation. These trends are observable throughout the world in many different forms, altering the existing patterns of dependence and dominance, under-development, and the regional inequalities determined by the relationship between the new centres and peripheries in the international economy and trade. These developments have, naturally, put a new emphasis on policy development for creativity in recent years.

Yet in order to successfully promote creative industries as a sector of the creative or knowledge-based economy, the context of a place as well as the differences between the discourses described above and the industries they focus on must be considered carefully. There is a tendency to overly simplify the kinds of characteristics that are important in general to attract and nurture successful creative enterprises and to consider the impact of the creative economy exclusively as an urban development issue.

Smaller economies would therefore seem almost by definition to be barred from participating in the creative economy. Nevertheless, because the creative economy is not just a question about arts and culture-based industry development but a much more comprehensive and fundamental phenomenon of the global economy, smaller economies wherever they be simply must relate to these new economic trends and formulate strategies for survival and growth – or risk to be permanently left behind



or excluded from the economic changes taking place, predominantly in the more dynamic urban economies.

While the creative or information economy affects the global economy everywhere, the strategies for the promotion of the creative industries have largely sprung from urban areas where the ready availability of a wide range of skills and human resources, more sophisticated technological infrastructure, and easy access to information and other resources needed in the creative industries have allowed a minimum of policy intervention, and investments to be directed either towards status bearing and iconic projects, or towards business incubators and other mechanisms aimed at strengthening the emergence of new business enterprises. Other aspects of the policy environment not directly aimed at creative industries such as the deregulation or regulation of markets and labour, or investment in infrastructure, have different impact and meaning in different contexts determining the viability of creative industries development in a particular locality or region.

Hence, the policy environment and investment strategies that allow engagement with the creative economy depend on the resources, identity and potential of a locality or region and are therefore not the same everywhere. A few examples: while it is true that access in a location to a high quality workforce is certain to attract enterprises not all businesses in the creative economy are dependent on highly qualified staff or attractive locations – as demonstrated by the call centres and back office services. In India and in other places, these industries provide an excellent opportunity to tie the benefits of the new economic growth to a wider range of the population. Similarly, it is often stated that a very high percentage of people engaged in the creative industries are self-employed. While this may be true for some places it is only true in certain contexts – as indicated by the proliferation of multi-national companies such as Time-Warner News Corporation (the world's largest media conglomerate) and the Walt Disney Company, Vivendi, Microsoft, and large companies like for example Nintendo, Lenovo, Acer, and Sony, that drive the creative economy in many East-Asian cities and elsewhere.

Whereas large multi-national companies such as these are very profitable and run their business much like any other industry, many activities especially in the cultural industries may appear to have only a limited commercial potential. Similarly, the large multinational creative enterprises would perhaps seem to have very little interest in cultural policy while other segments of the creative industries are much more directly dependent on policy support and investment. Traditionally, funding and programming in the cultural sector have been directed towards projects, institutions, and large enterprises, all heavily dependant on

public initiative and financing. The sustainability of the creative industries depends, however, on a different and more comprehensive model of investments.

In fact, in many countries most of what could be considered creative industries is part of the non-formal economy. Many of these enterprises lack the capital needed to scale up their activities and operate as demand-driven sustainable businesses. Major problems in this context include that the entrepreneurs in the creative industries seldom are able to present a convincing business model, and that many of the professional skills involved – e.g. choreography, dancing, drawing, editing, weaving, doll-making – simply are not perceived as leading to profitable businesses. While this may be changing in some places under the influence of success stories of one kind or another, many skills and professions related to the creative economy are not even recognized as business categories in legal terms.

Consequently, in many countries, small creative industries do not have access to credit facilities or to the loans and investments that would make their businesses more viable. By mainstreaming and professionalizing the non-formal sector and the traditional professions, it would become possible to extend privileges and support mechanisms as they apply to other sectors of the economy, for example in terms of more general recognition and access to financing that would allow the producers to build-up the necessary stock to be able to trade in a different manner and reduce their dependency on brokers, and in the process ensure a sounder basis for business development and a more equitable reward.<sup>5</sup>

Creative industries, like any other industries, are only truly sustainable if they contribute to building the asset resource base. This they can only do through the integrity and authenticity of their products. In the long run, the creative industries depend upon the vitality and strength of the culture sector and the investments in cultural capital (knowledge and heritage) and so cultural policies are important for all segments of the creative industries. The sustainability of the creative industries therefore depends on the safeguarding of cultural capital and the development of

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5 Singapore is currently implementing an integrated continuing education and training system, the Singapore Workforce Skills Qualifications (WQS) system, which aims to identify the need for specialized training and accreditation needed to boost development of industries through the systematic enhancement of workforce's employability and competitiveness. The Creative Industries Workforce Skills Qualifications Framework (CI WSQ) is a component of the continuing education and training activities programme that target skills development for the creative industries in particular. See also Stöber/Ooi in this volume.

the cultural asset resource base. Hence, comprehensive cultural asset management is a prerequisite for sustained growth in the creative industries sector – and, in a wider perspective, for sustainable economic development and vibrant community life. It is therefore necessary to maintain the principle that cultural assets are inter-generational capital and that their viability may legitimately be sustained by public investment.

All of these factors and many others are part of the context that determines the viability and investment needs of different creative industries. Policy decisions need to balance the requirements for the cultivation of a sense of identity with economic and other policy objectives. These decisions depend on the context – the location, resources, values, aspirations and identity of a particular location and community. For any individual company or city, greater specificity is therefore needed. Companies vary in their location requirements depending on what exactly they are doing and their place in the chain from research to production. Planners and policy makers need to understand such differences between companies as well as a region's or city's own resources and potential in order to focus on realistic development possibilities and identify an appropriate and effective strategy.

Creativity and innovation feature in all creative industries but the interventions needed to stimulate development and the overall goals may also differ depending on the social context. Rural areas and not-so-modern urban areas often display a differing set of values and aspirations from the technology-rich urban centres, and the development of creative industries as part of the economy will consequently take different forms. As the creative economy gains momentum also outside the urban mega-cities it is quite possible that we will see a diversification of the values and norms that is typically associated with the creative economy.

## **Policies that Work**

So what are the elements of a governance model for the creative economy? What are the goals and dreams for an aspiring creative city? What are the implications for economic and social development in poor areas? Concerns and priorities such as employment opportunities for all, economic growth, and cultural vitality in a sustainable environment that incorporates history and culture with innovation and beauty – how are these goals best achieved?

Most of the international experience on creative industries development cites the need for innovation, flexibility and efficient cooperation

with authorities as key thereby highlighting the difficulties associated with the cross-sectoral character of creative industries development. Most important of all, is the need to adapt a sufficiently wide policy framework to accommodate the great variety of scenarios as demonstrated in the policy models briefly referred to below.

Richard Florida's prescription for creative cities – vibrant, aesthetically appealing urban settings with workable transportation systems and affordable neighbourhoods – is support for the Three Ts: talent, tolerance and technology as drivers of creative industry development (Florida 2002, 2007). Florida's Creativity Index model was later adapted by Hong Kong to reflect different values and policy objectives by including and emphasizing the importance of the cultural and social capital in creative industries development in addition to the three drivers identified by Florida.

As part of an analytical framework for cultural industry sector analysis UNESCO has identified five drivers of culture-based creative enterprise development. The drivers are key agents of change in very different kinds of environments and include: 1) social organization and values (e.g. press freedom); 2) human resources development; 3) cultural asset management (e.g. access to information); 4) technological development; and 5) infrastructure and policy environment. The drivers are:

These policy models demonstrate governance models for creative industries development. As the role of culture change, the need for administrative change to accommodate the integration of cultural policy and economic policy will become more and more important; any governance model for creative industries will need to reflect this. In this new context, the usefulness of cultural indicators will depend on the extent to which they allow policy makers to evaluate the environment needed for cultural and creative industries to thrive.

## Perspectives

Mostly, when we discuss creativity it represents something good and positive – a complex package of cultural, social and, increasingly, economic opportunities. But for many people around the world the rise of the creative economy raises the spectre of new inequalities and social indignities where creativity is reserved for the others, where work, if it can be found, is not creative at all, and where the cities are ghettos of slum and poverty.

A gulf is opening up between the beneficiaries of this new economy and the so-called creative class – urbanites who are articulate, speak

English and other international languages, have access to continuing education, understand the internet, are confident with the shorthand of global branding and celebrity, – and the emerging non-creative under-class.

The challenge for any governance model for the creative industries is to recognize the more comprehensive administrative restructuring that is part of this development, and ensure a governance model for creative industries that is sufficiently complex to address these unintended results associated with the creative economy as well.

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