

Innovations in the Creative Industry Entities

Helena Majdúchová^{1,*}, Mária Kmetý Barteková¹

¹University of Economics, Faculty of Business Management, Department of Business Economy, Dolnozemska cesta 1, 852 35 Bratislava, Slovakia

Abstract. The aim of this contribution is to define the essence and specifics of innovations in the creative industry entities, to summarize and compare the results of two surveys carried out so far in this area and to outline the direction of further research carried out under the conditions of Slovak creative businesses. In the EU Member States, there are huge expectations associated with the creative industry. It is assumed that the CI will contribute to the recovery of the European economy and to the growth of its competitiveness. Based on the following findings, we can conclude that innovations in the creative industry is relatively little explored. Integrating creative industry into a broad sector of traditional industries can increase the competitiveness of enterprises to innovate and increase the economic value of their products and services.

1 Introduction

In the current economic environment, we record a gradual reduction in the share of traditional robust industrial production. The rapid development of new technologies and increased globalization are bringing a significant shift from traditional production to services and innovations. This creates considerable space for the development of so-called “creative industries”. The creative industry (CI) with its unlimited growth potential is considered as a path to sustainable development [1]. The developed countries of the world, including the European Union, have adopted a great number of documents and strategies underlining the importance of these sectors. According to European Parliament resolution (2010/2156 (INI), the creative industry is one of the main drivers of growth in the EU, creating new jobs, playing a key role in global value chains and stimulating innovations, adding value as an element of social cohesion and serving as an effective tool in the fight against economic recession. The professional and scientific community agrees on the opinion that the creative industry is gaining a strategic place in the political programs of the EU Member States. If Europe wants to remain competitive in a rapidly changing globalized environment, it must create the right conditions for creativity, together with innovations, to become an integral part of a new business culture [2].

The aim of this contribution is to define the essence and specifics of innovations in the creative industry entities, to summarize and compare the results of two surveys carried out so far in this area and to outline the direction of further research carried out under the conditions of Slovak creative businesses.

* Corresponding author: helena.majduchova@euba.sk

Innovations are the basis for improving the world we live in. This is a simple formula/fraction. Utility is added in the numerator (e.g. speed, increased safety, better organization, easier work) and in the denominator is the elimination of harmful effects (e.g. air pollution, workplace injuries, weight reduction, etc.). In the business environment, the creators of innovation are persons that combine their own creativity, the ability to turn ideas into first prototypes and entrepreneurial spirit in themselves [3,4].

With the advent of rapid industrial growth in the last two decades, many studies have looked at the contribution of creative businesses to the economy, particularly in terms of employment, regional and urban development [5-8]. Recently, the attention of professional and scientific circles in this area has focused on studying the role of innovation in the creative sectors in two different ways. Part of the studies dealt with innovation activities in enterprises belonging to the creative industry [9,10] and part of the researches [11] dealt with the role of creative sectors in creating innovation in the economy and especially by blending the inputs of creative sectors that can be used in innovative processes in other industries. Both areas of research provide evidence to identify the three challenges of the creative industry: First, as the definition of the creative industry implies, it is the main source of innovative ideas and thus contributes to the innovation potential of the economy and the creation of new products and services. Second, the creative businesses offer services and products that can be an input into other businesses' innovative activities, both within and outside the creative sectors. Third, creative industry entities are an intensive technology user and thus encourage this segment to be constantly changing and innovative [12]. The creative enterprises are cross-cutting entities that influence other sectors by their activities. The role of creative industry for the innovative performance of the economy is twofold. On the one hand, creative businesses can develop and implement innovation as part of their business activities, thus contributing directly to the innovative performance of the economy. These innovations include new products and services offered to customers (product innovation), as well as new management and business practices that increase the efficiency or quality of their outputs (process innovation). On the other hand, creative businesses support innovation in other businesses through creative inputs.

2 Stating of the Problem and Methodology

It can be stated that published studies show that the level of innovation in the creative industry is very diverse. Many creative businesses provide mostly services and they consider themselves to be service businesses. However, this opinion cannot be broadly endorsed. Many creative businesses produce books (publishing houses), DVDs (recording studios), paintings (galleries), advertising posters (advertising studios), which are classic products and some of them can even be considered industrial products. On the other hand, they can be regarded as specific goods with certain characteristics. For example, they are easier to reproduce and copy than technology products. Their value is not in physical form (artifact), but in their content. For example, film production is an extremely demanding process involving many people. The value of the film is in providing an experience for the viewer, i.e. in its content. But copy the movie itself on DVD is not a problem. This fact complicates also their statistical reporting. As studies show, many innovations in the creative sector have a hidden character. Hidden innovation is named the innovation, which is not possible to measure with traditional innovation indicators. Combs and Miles (2000) argued that service innovation is measurable in the same way as product innovation and that most service attributes are essentially close to industry characteristics. They claimed that services could be statistically documented according to the methods and concepts developed for production [13]. They called this approach the assimilation of services into traditional frameworks. On the contrary, the 'demarcation' approach argues that service

activities are highly distinctive. Their dynamics of development and special characteristics require new theories and tools, or analyses based on traditional tools need to be interpreted differently. Given that fact, services are linked to low R&D spending, research intensity alone as a traditional indicator of innovation to identify high-tech or knowledge-intensive services is a weak indicator and new indicators need to be used as for example labour force qualification profiles [14]. Hertog has even gone so far as to completely abandon product/process resolution and identify the four dimensions of service innovation:

1. Service concept - innovation can include the idea of service development that is innovative and delivers 'new value'. Many innovations bring intangible characteristics, e.g. new type of bank account, information service with new content. Others include new ways to solve problems e.g. the organization of different ways of selling in retail.
2. Client interface - clients are often involved in the "production" of services and are often directly physically present in their production (hairdressing, tourism or theatre). Sometimes clients are directly the producers of the service, especially when it comes to providing experience and skills – e.g. rollercoaster ride or teambuilding management training.
3. Service delivery system - often overlaps with dimension 2, where service delivery involves changing the link between the service provider and its client - delivery is one of the interactions that take place on this interface.
4. Technological capabilities - new information technologies are particularly important to support services, especially in areas such as financial, health and, of course, communication and computer services.

Each service innovation typically involves a combination of these four dimensions, and an innovation that has only one dimension is usually very small.

A study by Toivonen and Tuominen (2006) provides insights that can be used in the creative industry. They differentiate between 5 innovation processes, which differ in the extent in which is formalized the innovation process and cooperation [15]:

1. Internal processes without a specific project. Innovation often occur unintentionally, unplanned and gradually, especially in areas where services are adapting to new challenges.
2. Internal innovation projects. Project based innovation efforts are carried out internally within the enterprise and are mostly about improving the service system.
3. Innovation processes with pilot customer. The new idea is usually born in an innovative enterprise providing services that is looking for a pilot customer who not only evaluates the service but also provides the resources to use it.
4. Customized innovation processes where the client is the key entity for which a solution to its problem is sought. It is basically a service for a specific order. The problem may be that the innovation associated with such a process is difficult to reproduce due to its individuality.
5. Innovative processes financed from external sources. In particular, the use of public funds.

In the wider context of innovation, there are works which suggest that service innovation takes several forms [16]. The mentioned authors have attempted to determine the taxonomy of innovative service styles:

- *Vendor-dominated style*. These are mainly personal services such as hotels, restaurants, laundry rooms, repairs, barbershop. These services are often provided by small businesses with little or no scientific research background and low ability to generate innovation. Competition is not a key determinant and is more related to skills, design, trademarks and advertising. These services are local in nature.

- *Style of intensive information networks.* They can be large companies such as transport companies or travel agencies, wholesale and distribution. These include large-scale, high-workload processes that use IT to increase their efficiency. Another style is represented by businesses such as financial services and communications, which are focused on services provided via information networks. While most of the IT equipment and hardware used by these services inevitably come from manufacturing vendors, large networking companies themselves can carry out conventional research and development, often to work on the design, specification, configuration and integration of information and other systems.
- *Scientific and specialized delivery styles.* These are mainly business services that bring new business models. They often cooperate with universities and have a high share of R&D expenditure.

Miles (2007) added the following styles to the previous styles. *A knowledge-based professional style* that is closely linked to professional business services such as accounting, auditing, legal services, advertising. These services are high-level vendor-focused and belong to the most intense IT users [17]. However, they require intensive innovation, often mediated by professional associations (providing best practice information, training and so on).

Public Service Style. These are services such as health, public administration, etc. In these services we often record our own research and development and are connected to universities.

An interactive style that characterizes knowledge-intensive business services that are closely related to clients in producing innovation. During the solution, there is a considerable flow of information and knowledge exchange between the service provider and the client. Problems are defined and redefined and new solutions are being developed, whereby the supplier acquires knowledge of the local problem and circumstances encountered by the client and transforms them into general knowledge to create new perspectives [18].

Creativity was defined as "creating new and useful ideas in any field" [19]. However, not all creative ideas will be linked to innovation. We encounter creativity in all areas. But the creative sectors are the ones where creativity is the basic producer - the process of creating new cultural and creative goods [20]. Creativity can be the production of something new, but it is also a process of drawing on wider cultural contexts. As we said for the creative sectors, product content is key, not physical artifact. Their products often contain text, graphics, pictures, music content and so on. This content may be distributed in different ways depending on the media we use. And it is in this space that innovation can arise [21].

The following figure represents the diamond that Green et al. used to display the six dimensions that were identified in their research. They claim that four of them (those that make up the horizontal plane) are typical for the creative industry (although they allow their use in other sectors as well). These four places are considered as places where hidden innovation appear in the creative industry: Cultural product - it is a product that carries cultural values and information (film, video game, sculpture, theatre scene, etc.). In this case, there may be some overlap with technological innovation; Cultural concept - this is information related to the product representing tangible or less tangible ideas; Delivery - this is how we distribute the product to the consumer; User interface - this is how the consumer communicates with the product to gain experience and skills. Other dimensions of innovation are Technology and Organisation of Innovation Production. These two dimensions are very similar to conventional innovation and to conventional innovation

research. It can be stated that these 6 dimensions are a combination of hidden and common innovation.

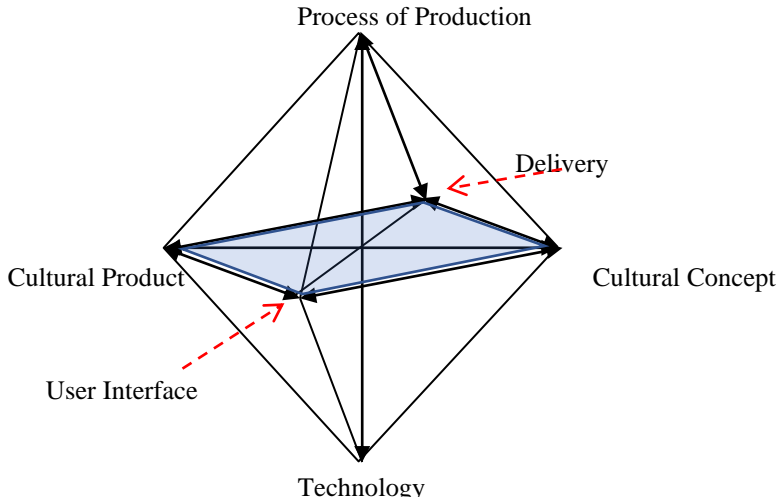


Fig. 1. Diamond of Innovation in the Creative Industry
Source: L. Green, I. Miles, J. Rutter. *Hidden Innovation in the Creative Sectors*. London: NESTA. (2008).

3 Results and Discussions

Despite the widely discussed topic of the contribution of creative businesses to economic development, there is surprisingly little comprehensive research to present the behaviour of creative businesses and the factors that influence their activities. In the next section of our paper, we would like to summarize the results of two surveys. The first is the results of a survey carried out in Austria in 2008 [22]. There were addressed 2,203 companies in the field of architecture, design, advertising, software and consulting. Austria is a country immediately adjacent to the Slovak Republic, with broad economic, cultural and political cooperation between countries. From this point of view, we consider the results of this survey inspiring also for the Slovak environment. The second survey is from the environment of the UK. Creative industries are a national strength in the UK, the sector contributed £101.5bn gross value added (GVA). The sector generates 5.3% of the UK economy. These are fast-growing sectors, increasing by 45% over years 2010-2016. The survey was conducted in the following sectors of the creative industry: advertising and marketing, architecture, crafts and design, film, TV, radio and photography, IT, software and computer services, publishers and publishing. The survey was conducted in the United Kingdom (2017) by the Ministry of Trade, Energy and Industrial Strategy, which examined the innovation processes of businesses in different sectors over a three-year period (2012-2014).

The research carried out in Austria's creative enterprises brought among other things the following interesting results [22]:

- Personnel qualification is an important aspect of creativity, with education being an important factor, while graduates in science, mathematics and technology have shown significantly higher propensity for process innovation, market innovation or directly to carry out their own research and development. Graduates of the humanities and cultural sciences showed a markedly positive attitude towards the implementation of their own research and development.

- In the creative business group, the level of creativity is positively linked to the ability to apply their own challenging innovation activities, while enterprises with low creative potential rather chose an imitation strategy.
- Creative businesses that use inputs from other creative businesses have proven to be more capable of creating their own innovations and conducting their own R&D than those that abandon creative purchases from other businesses. This can be described as a specialization effect, because the use of creative input from other entities allows you to focus on your own strengths.
- Creating collaborative networks of creative businesses rather encourages process innovation and imitation product innovation and does not support the introduction of market innovations or in-house R&D.
- Innovative activities of creative businesses are conditioned by the sector in which the enterprise operates: the software enterprise has the highest tendency to carry out its own R&D; on the contrary, a business in the architecture sector is at least likely to introduce any kind of innovation. Design enterprises are prone to introducing imitations.
- An important factor influencing innovation efforts is the size of the enterprise. Larger creative businesses have advantages in realizing their own R&D and implementing innovation. In this context, the authors emphasize the change in the economic policy of supporting innovation in the segment of creative businesses, which should more fully take into account the specific situation of innovation and particularly in the innovation of various sectors of the creative industries.

Creative businesses are faced with many constraints that hinder the full exploitation of their creative potential. The survey showed two significant constraints: lack of time and financial resources. Lack of time is related to the size of the business, because in small businesses there is often a multiplication of roles, i.e. one worker performs multiple functions, increasing their workload and stress at work. In particular, the lack of financial resources tends to be a barrier to the development of their innovation potential in small enterprises, which is related to the limited opportunities to raise external capital from banks or private investors. Direct public support for innovative activities in the creative industry is certainly a way in which public policy can overcome these constraints.

What can we learn about the innovative performance of creative industries from the UK research? Gkypali and Roper (2018) stated in their research study the following conclusions:

- All sectors of the creative industry implement the most of organizational innovations. Architecture, crafts, design and publishers are also prone to implement product innovations. Process innovations are implemented in the businesses of creative industries at least.
- Intellectual property protection requires the creation of a robust regulatory framework for creative industries to ensure a fair return on investment and provide sufficient incentives for creators. A balance needs to be struck between protecting the intellectual and creative output of businesses and imitating and exploiting the ideas of others. Trademarks and copyrights have emerged as the most popular means of protection. Publishers and IT, software and computer services are the most active industries in using intellectual property protection tools.
- Creative businesses have a high proportion of employees with higher education achieved. The IT and software industries mainly employ graduates in engineering and science.
- In terms of innovation barriers, the survey identified a high business risk, funding for innovation and a lack of skilled talent. The survey showed that up to 33% of

creative business partners come from the local environment and only 14% from Europe [23].

4 Conclusion

Based on the finding stated above, we can conclude that innovations in the creative industry is relatively little explored. They are characterized by certain characteristics, which are often immeasurable and immaterial. Innovation often occurs when it responds creatively to the needs of the consumer in seeking solutions to their individual problems. Many innovations arise directly in the workplace during the creation of new or even conventional products and cannot be recognized or replicated. Creative industries require innovative solutions, but many new solutions are one-off and tailor-made. In sectors requiring new knowledge, professional associations play an important role in setting new rules and procedures. The innovation process in the CI is characterized by close cooperation with the consumer, networking and partnerships with other entities (e.g. universities, innovation incubators, cooperation with competitors) and requires considerable skills for cooperation, team building, conflict and problem resolution.

The added value of creative activities and sectors significantly increases the competitiveness of other traditional industries and creating a multiplier effect in the economy. New products and services are being created. Integrating creative industry into a broad sector of traditional industries can increase the competitiveness of enterprises to innovate and increase the economic value of their products and services. However, the weak inter-sectoral interaction and weak cooperation prove to be a barrier. Therefore, neither mechanisms nor support instruments were created. In the environment of the Slovak economy, creative economics studies are focused on emphasizing the importance of this sector for economic development. There are no studies to follow the innovation process of the CI. In our opinion, scientific research in this area could focus especially on examining what kinds of innovations are carried out by creative enterprises in Slovakia, which factors influence the creation of innovations, what tools they use to protect them, how they cooperate with other sectors of the economy, how to stimulate the business and academic environment to create partnerships and etc.

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