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POLICY FOR THE SUPPORT OF CREATIVE ECONOMY

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Creative economy has become an important part of the development policies for more than a decade. Traditional approaches and tools of regional policy have not sufficiently operated in the creative economy framework. The paper presents the first insight of authors on this topic. The first part is focused on creative economy as a policy object in theory and in the EU policy level. It is followed by examples from two countries oriented on SMEs policy tools and on institutional framework. On a basis of the case studies the paper also looks at policy tools and their status in Slovakia. The final part contains proposals for policy tools in two areas – tools oriented on small and medium sized enterprises support and tools for creation of a specific creative economy development conditions (regulatory framework, supporting institutions and intellectual property rights area).

Keywords: creative economy, regional policy, policy tools, institutions, JEL classification: O30, O38, R58

Methods

This paper presents the first outcomes of the research within the project KRENAR¹. Its focus is to define policy recommendations in order to stimulate creative activities. The project aims to understand the task of creativity in economy; its objective is to contribute towards discussion about policy orientation at various spatial levels (national, regional and local). The authors have used experience of domestic and foreign research projects and their outcomes as well as international and domestic literature in the same or similar research topics.

One of the research aims is to evaluate ways towards the policy oriented on creative industries' development. The target is to identify changes in tools used in developed economies and to confront outcomes with the status and possibilities of their application in regional policy that support creative economy in Slovakia; and based on this confrontation, to propose changes in the ways of policy application.

Main method used in the paper is a method of comparison with the aim to compare status of the policy supporting creative economy at various levels in Slovakia with the situation in chosen countries (the UK and Finland) mainly in the creative SMEs and in intellectual property rights areas. The outcomes of the Slovak status as well as those from the chosen countries are used as suggestions for improvement and also for the introduction of new forms of policy support in Slovakia.

EVALUATION OF THEORETICAL AND PRACTICAL APPROACHES Creative Economy as Policy Object

Current theories and their practical applications point at the concept of endogenous regional development. The fact

that success is possible to be reached only by cooperation among economy, research, education and policy at all levels is generally agreed. Endogenous theories of regional development encompass special tools for regional economy improvement, competitiveness growth of small and medium sized enterprises, innovation promotion, new firms formation, attraction of new stakeholders to regions, human resource development and infrastructure development and modernisation. New tasks and methods have emerged in coordinative task of regional policy: the task of mediator in exchanging experience and best practise, benchmarking, management of networks and clusters, and new task in regional marketing and management.

As mentioned above, innovation plays an important role in the endogenous development concept, where considerable role besides other factors is played by creativity. Creative economy² is an economy, which besides traditional (exhaustible) sources also uses human creativity, accepts institutes of creative industries, creative class and creative cities, whereby freedom is an integral part of economic development. Talent and abilities belong to basic factors influencing development (Howkins, 2001). This economy has very high portion of creative individuals on total number of employed and great amount of research and education institutions that participate in knowledge creation (Florida, 2002).

Regarding the object of the policy, it is necessary to look at definitions of creative industries, creative class or creative activities in the creative economy. However, uniform definitions of neither mentioned terms nor creative economy exist.

Using adapted DCMS classification, there were 12,936 active economic entities in the Slovak Republic registered

1 Creative Economy – National and Regional Conditions and Stimuli. APVV-0101-10 project; period of research 5/2011 – 10/2014, 3. stage, WPs 5,6.

2 A term creative economy is used as a wider term comprising two basic approaches towards creative economy: orientation on creative industries with firms which product depends on creativity and on cities with the task to attract creative individuals and to use creative potential of the creative cities in order to solve their problems.

in a Register of Economic Subjects of the Slovak Republic issued by Infostat in 2012 (Chovanec, 2012). From those 12,936 entities operating in the creative economy there are as many as 4,095 without any employee and 71.9% enterprises have up to four employees. As these data show, categories of small and medium sized enterprises and micro-businesses are those categories where most of the economic enterprises operating in the creative economy in Slovakia belong to. This is true not only for Slovakia, but for the most EU countries, as studies show (e.g. The economy of culture in Europe or The impact of culture on creativity).

It could be assumed that there are two groups of policy tools influencing these economic entities in the market economy. The first group of policy tools is focused on general business development conditions influencing SMEs and the second group of instruments specifies at support of creativity in these entities.

As the creative economy represents a separate part of economic processes and business environment, its development could be supported by specific tools that respect economic peculiarities in formation of creative products and services.

In order to create favourable conditions for creative industries development, it is required, according to the Report of OMC – Expert Working Group on maximising the potential of Cultural and Creative Industries especially that of SMEs, to activate public policy in specific action areas:

- Raising general awareness about the importance of the CCIs (e.g. mapping).
- Inciting creation of creative industries segments (e.g. uses of best practices and statistics to demonstrate the importance of the CCIs).
- Fostering development of the creative industries (e.g. promotion of entrepreneurship, fostering incubation, promotion of digital infrastructure etc.).
- Supporting new business models and clusters (e.g. accessing the finance in the creative industries – venture capital, digitalisation of cultural heritage).
- Linking creativity and innovation (e.g. organising knowledge transfer networks, inciting business to employ creative professionals).
- Bridging to other sectors and social goals (e.g. urban regeneration, cultural tourism, local and regional development projects).
- Supporting exports and internalisation of policies and initiatives in the CCIs (e.g. European and international dimension, protecting and promoting cultural diversity and intercultural dialogue).

These recommendations name basic components of the public policy system leading to creative industries development. Elaboration of the recommendations in relevant state policies at government departments could become a basis for the creative economy development in the Slovak economy.

Next part of the article follows this line of thinking; therefore, it deals with evaluation and application possibilities of specific tools for the creative economy support in two chosen countries and also in the Slovak economic conditions. As the economic subjects belong mainly to the sector of small and medium sized enterprises,

the focus is on the tools supporting creative SMEs' business environment; this means formulation of general as well as specific conditions of the business environment in the creative economy. Further, it evaluates the area of the property rights as an important tool for the creative economy development.

Regulatory conditions of the creative economy development in selected countries

The situation in creative economy is researched in Great Britain and in Finland. The UK is one of the first EU Member states that have formulated a comprehensive creativity strategy. Finland should be considered as an example of the Nordic approach but it has a lot of peculiarities that makes it worth to look at.

British view on creative industries

As the UK administration is attributed to the term creative industries, it could be supposed that the strategic document for the creative industries "Creative Britain: New Talents for the New Economy" published by the Department for Culture, Media and Sport in 2008 was prepared and elaborated in details with the aim to establish Creative Britain. It examines all aspects of policy ranging from education to research and innovation aspects and it also promotes the UK as the world's creative hub.

Chapter on creative businesses growth and access to finance contains three key areas:

- Two types of projects would be supported in order to deliver the whole programme: financial venture capital programmes and education and training entrepreneurial schemes for SMEs.
- Regional beacons would be established at the regional level in order to be closer to regional actors and to understand their needs.
- An access of the creative businesses into equity finance, venture capital and debt financing is very important in order to increase investment flows into the sector.

There are also several commitments oriented on support of regional and local levels in order to create suitable environment for creative hubs. Similarly to national level, strategic framework at this level would be created in order to align resources and plans and to orient on priority projects. 'Menu for local infrastructure' (e.g. flexible office and rehearsal space or protecting existing venues) would be created for those local authorities wishing to develop and enhance local creative infrastructure. Creativity hubs in the city regions as 'mixed media centres' with cinema at their heart would be developed. Especially in London, live music venues would be protected as a part of the cultural heritage.

Even though level of intellectual property (IP) rights protection in Britain has exceeded international standards, there are new challenges caused by digital technologies. In order to help IP to ensure that 'new innovation can be spread widely so that a consumer can benefit while providing the right incentives for creators to create', following measurements should be taken:

- Consultations and probably new legislation on IP in case of internet in cooperation with service providers and rights holders in order to take action against illegal file sharing.

- IP action plan for its enforcement would be prepared for all governmental levels.
- Better understanding of the value and importance of IP would be promoted both through formal channels of education (schools) and public campaigns.

The above mentioned measures and key areas have been applied in practice via stakeholders from public but also private sectors. At the national level, there are several bodies, mainly DCMS with the direct responsibility for the culture, the Department for Business, Enterprise and Regulatory Reform (BERR), National Development Agency, advisory body Business Council for Britain and funding institution Arts Council England. There are also specialized industry and subject associations, such as British Fashion Council, D&AD, UK Film Council, Design Councils, Work Foundation, Arts and Humanities Research Council, Intellectual Property Office.

The regional and local levels are represented by Regional Development Agencies and also Local Government Association.

Finland in the creative industries sector

Government in Finland realised an importance of the creative economy³ in the end of 1990s. In that time it was through the light of international competitiveness with creative economy sector as a key strategy as could be seen in the report *Staying Power to Finnish Cultural Exports*, published in 2005. Most of its proposals are focused on elaboration of framework or supportive programmes, on financial support aimed at venture capital and finally on possibilities of VAT lowering. However, the very first proposal stresses the inevitability of strategic coordination of existing structures and resources.

In 2007, *Development Strategy for Entrepreneurship in the Creative Industries Sector for 2015* was published by the Ministry of Trade and Industry⁴ with the goal to fulfil a gap in national development strategies oriented specially on entrepreneurship in CIS.

Strategic goals are focused on following areas:

- Developing operable environment at both regional and national level with an important role played by networks and their improvement.
- Launching of enterprise advisory training programme in order to obtain sufficient information about creative entrepreneurship and its development; and management trainings in business thinking, management of technology.
- Copyright legislation and/or competition legislation should be rebuilt in order to best suite Finnish market.
- Consultancy model (with at least one person able to advice on creative economy) oriented on new and micro companies should be applied in all Finnish regions.

3 As the international definition of the creative industry sector was unclear, Finland was advised to create its own definition and delineation with meaning-intensive production as a criterion Cultural export is a sector in the creative economy and is a profit making industry (*Staying power*, p. 18, p. 29).

4 since January 2008 it is the Ministry of Employment and Economy

- Finding new financial models for funding risks, prototypes and market research.

The whole programme should be secured by stakeholders. Administration is mainly secured by state level with the direct responsibility of the Ministry of Employment and Economy, the Ministry of Culture, the Ministry of Foreign Affairs, the Ministry of Education; others have been the Ministry of the Interior, the Ministry of Transport and Communications, the Art Council of Finland and the National Art Councils.

Regions have been represented through provinces, regional centres, provincial art councils and municipalities.

IDEAS FOR CREATION OF THE SUPPORTIVE POLICY

Except macro-level, there are also very specific regional components in the business environment creation. It relates to the newest regional science knowledge about regional conditions in the process of creation the business environment at regional level as well as about competitiveness of creation, spread and application of innovation in the regions. Analyses show that SMEs are important entities securing regional employment, main needs of regional inhabitants as well as critical cooperation among regional enterprises. In doing so, they use conditions of a given region (natural sources, quality of working potential, regional infrastructure in its widest sense) that markedly influence development and effectiveness of business environment and thus, businesses in the region.

National government in creative economy should create conditions for development of natural creativity, support innovative and invention projects, creative education, networking and education towards quality and freedom of choice.

Conditions of creative economic development are specific in the following areas:

- conditions are formed both at central government and regional and cities levels with the aim to reach creative economy synergy;
- the creative economy contains more sectors with the significant part of SMEs, self-employed persons and sole-traders;
- these economic entities have a low need of capital;
- products and services have high value added;
- as the nature of the creative industries shows, their interests would not be represented by one partner;
- thanks to its multitude and structure, creative economy actors are able to react operatively (positively or negatively) on changes of the environment they operate in.

The following part of the paper deals with general conditions of doing business in the creative economy followed by specific conditions.

General conditions for the business support of creative economy development

From the quantitative aspect, the SMEs sector in Slovakia quite quickly approached the trends in the developed market economies and currently is comparable to the situation in the other EU countries (Buček a. i., 2008). However, qualitative aspect is much more demanding for

adaptation. Removal of the barriers and support for the aims with development impulse for the SMEs in order to improve their competition abilities in the global economy based on knowledge are very important for the future economic development.

Slovakia is considerably lagging behind exactly in this areas considered to be important sources of business competitiveness. Low innovation ability could become a big obstacle of competitiveness in the single European market, where the ability of flexible adjustment to changing customers needs is a must. Indeed, firms have been operating in the environment that does not motivate their innovative activities. Lack of finance in public and private sectors, in research and in technological development, weak inter-firm connections and fragmented innovation system do not provide enough stimuli for innovation.

More dynamic increase of new SMEs will be more and more dependent on existence of high-class business environment. Inadequate conditions, meaning business-unfriendly environment, are considered an elementary barrier in the SMEs development by several analyses. Creation of favourable conditions for SMEs development can not be replaced with preferring SMEs, but it is necessary to understand it as creation of such business environment enables fast and effective growth of SMEs. Thus, coordinated approach, based on cooperation of ministerial departments and regional and local governments, education institutions, business associations, media, financial community and private sector, would be essential for securing an effective SMEs development.

Protection of business environment in creating conditions for creative businesses is an important principle, in which careful consideration of every legislative or administrative measure has its place. Direct negative impact on the creative industries is caused by an increase in tax or social allowance load of self-employed or micro-businesses, reinforcement of environment regulation or creation of new administrative burdens. A part of the creative industries is able to be developed dynamically only because of the fact that administration does not impose any redundant barriers.

New possibilities of financial sources drawings will also be important for the creative economic development. Structural funds (SF) drawings focused on innovativeness can also bring vivid effect not only in the creative industries development but also in positive marketing of a country (and that has positive effect on export, tourism and foreign investments). Due to these positive effects, it is necessary to create suitable conditions for SF drawings for creative businesses in the programming period after 2013.

Investment stimuli and financial tools for business activities also have to accept specific requests of creative industries subjects. They should be adapted to low capitalisation, brand value as a property, high risk of doing business in the initial phase, a need to simplified access towards information about funding possibilities, and also simplifying procedure in project application. An important task in the creative economy development could be played by public-private partnerships, too.

Aid to SMEs is executed by a number of supportive programmes. As there is a variety of them, it is not useful to deal with all existing programmes in details here⁵.

In order to define the supportive policy for the creative economy development, it is also important to define the tasks of its stakeholders.

The task of the national government is mainly to create stable and motivating environment for creation and introduction of products and services based on creativity and innovation. The policy should be oriented on regeneration and development of research and on support of innovation in the private sphere. As Markusen and Gadwa (in Markusen 2012) suggested, 'a central government can encourage local creative placemaking with grants and technical assistance.'

As far as the national government secures basic support, bodies at regional and local levels are ultimate for some important areas of supporting policy. Efficient policy at these levels should build physical, information and knowledge infrastructure together with the institutions playing important roles in creation and implementation of cluster oriented development strategies; and to set up research and industrial parks and business incubators that support competitiveness based on creativity and innovation. 'Urban and regional planning interventions should include spaces dedicated for nurturing of creative talents (e.g. artists studios, live/work buildings), changes in zoning practices that permit mixed uses, and aspirations for decentralised cultural hubs that will attract more patronage from many neighbourhoods' (Markusen and Gadwa, in Markusen 2012).

Existence of specific infrastructure is the key for the creative economy development. The creative industries need suitable space for cluster initiatives, incubators and knowledge and technology transfers. Searching for and enabling of such localities for the creative subjects could become a basis for development of not very attractive places, outskirts and abandoned zones.

Specific conditions for the creative economy support

Beside the general conditions mentioned above, it is important to deal with and evaluate specific conditions affecting development of creative economy, particularly in two areas. To begin with, conditions of the regulatory environment, which affects economic subjects, and secondly, conditions in the area of socio-legal protection of intellectual property rights of businesses operating in creative economy.

Conditions of the regulatory environment

Many sectors of the creative economy are distinguished by self-regulation, representing certain sort of voluntary initiative. This allows service providers, social partners, NGOs and consumers to create and customize joint standards for needs of each other.

As a failure of self-regulative mechanisms is possible in case of extensive connections and relations both within the

⁵ pp. 8–9 of this research are adapted from ANRPOBA research

creative industry as well as between industries to each other, co-regulation exists. Co-regulation represents legislative framework that (in its minimal way) is connected with self-regulation and mechanisms of inter-state regulation. When self-regulation fails, the co-regulative access is suitable to be used. Self-regulative and co-regulative instruments play significant roles in protection of products and services consumers in creative economy.

The regulative framework for the creative industries in Slovakia is specified above the European standards level that does not stimulate development of new products and services. The strict regulative framework has negative effect on foreign investors' arrival, whose appearance is otherwise stimulated by economic conditions (e.g. equal tax). However, as the case of the UK shows, the property rights are also protected above the international standards.

Economic and legal protection of intellectual property rights

Basic problem in the Slovak sector of creative industries, where outcomes are protected by intellectual property rights, is not an absence of legislative tools, but mainly low awareness of subjects concerned (the same situation is in the UK), imperfect application in civic and trade arrangements, non-application of enforcement tools provided by the Directive of the European Parliament and of the Council no. 48/2004 on the enforcement of intellectual property rights, as well as the whole length of legal proceedings.

The basis of enforcement is the fact that a subject has to be aware of its law and might not get to disadvantageous situation by its own action because of the legal illiteracy. Therefore, it will be necessary to establish a system oriented on education in the area of legal protection, mainly of the beginning enterprises – artists (legal prevention, continual information about their rights). In the UK, education of the creative entities has been done through formal channels education (schools) and also public campaigns.

Institutions supporting the creative economy development

The creative economy overreaches powers of a single ministry. As the experiences from abroad show, it is suitable to create permanent coordination body consisting from representatives of ministries as well as other institutes of public and private sectors operating in the creative economy. Concerning current competences division, the mentor could be either the Ministry of Economy of the Slovak Republic or the Ministry of Finance of the Slovak Republic. It comes out from the fact that creation and application of measures in the creative economy will depend mainly on these two ministries.

There are two important associations as partners for communication with the government at national level: Creative Industry Forum and Round tables organised by the British council. Creative Industry Forum is an association of entities active in the creative industry. Its activities are carried out by conferences (Bratislava 2009, Košice 2010, Trenčín 2011) focused on popularisation of creative industry, copyright and other intellectual property rights and on possibilities of creative economy development in Slovakia.

British Council organised round table on the future of creative economy in Slovakia in February 2012. Representatives of state administration met in order to continue in initiatives started by the report Starting-points of conception on cultural and creative industries in the Slovak Republic (Ministry of Culture 2011). Representatives agreed on strengthening the creative economy issue within their powers and on the preparation of creative industries development strategy in Slovakia.

At the local level there are two cities active in the creative economy development in Slovakia: Bratislava and Košice. Development of the creative industry is a part of the Plan of economic and social development of the capital Bratislava for 2010–2020 (www.bratislava.sk), where an aim of shaping Bratislava as a city of culture and creative industry is defined, too. Measures are stated quite widely: from implementation of tools supporting creative economy into city plans and policies (elaboration of the city creative index, analysis of the creative potential, projects supporting creative industries) through primary support of projects focused on restoration and exploitation of cultural heritage in the Bratislava city, cluster support of the art up to measures to enhance development of information and communication technologies.

City of Košice have updated its Program of economic and social development for 2008–2015, where one of the visions is that city will be sought out as an international cultural centre and centre of cultural tourism, so simply cultural and creative industries will be an important part of the city economy. This vision of the Košice city has the direct connection to the project The European capital of Culture – Košice 2013 (www.kosice2013.sk).

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