THE GROWTH OF THE CREATIVE INDUSTRIES AND IMPLICATIONS ON THE BUSINESS ENVIRONMENT AND CITIES

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ABSTRACT
This paper seeks to highlight the significance of the creative industries and their contribution to value creation in the business and economic success of cities. The links between creative capital, quality of life and competitiveness have made the creative industries a serious economic factor for consideration especially in the area of city viability. As creative industries continue to take centre-stage in the new economy, there is a greater need to emphasize on the intangible, invisible assets and the importance of relational networks. These have implications for value creation and identity within the firm and set in place transformations that will have impact on city viability.

Key Words:
Creative industries, intangibles, value creation, relationship and networks, intrinsic motivation, work environment

INTRODUCTION

The creativity industries are moving centre stage. Why are they suddenly important and why do they matter now? Each sector in the industry when seen in isolation is small but the inter-connected set of activities is huge! The creative industries have become one of the biggest employers for both creative & non-creative people in many advanced economies and these cultural product sectors are showing annual growth rates of between 5 to 20% (Creative Clusters, 2004). They are deemed to be environmentally friendly and add to the quality of life in places where such industries congregate (Scott, 2004). This further enhances the image and prestige of the place (Scott, 2004) and such considerations have become crucial factors for multinational enterprises in their location decision, which in turn affect the process of value creation in global cities. In that sense, the contribution of the creative industry to a modern economy is multi-faceted.

The emergence of creative industries is related to the rise of cultural industries, which comprise all those sectors that cater to consumer demands for entertainment, edification and information (such as motion pictures, recorded music, print media and museums), ornamentation, self-affirmation, social display and so on (such as fashion clothing or jewellery) (Scott, 2004). The rise in the consumption of such cultural goods equates with the
growth of leisure time, education and disposable income (O, Connor, 2002). Increasingly, these goods are consumed more for their aesthetic and semiotic (sign) value (Scott, 2004). The sign value consists of the images associated with the product like the mark of status, luxury, power, or style that makes the product desirable to the consumer (Baudrillard, 1988). These intangible, invisible externalities add to the quality of life in places and enhance the image and prestige of the local area (Scott, 2004; p. 477). Allen Scott (1999) gave the example of the entertainment industry in Los Angeles where new signs and images constructed by the media and advertising to structure consumption choices are constantly being bombarded at the consumers. He argues that these eventually become commodities themselves.

Hence, there is a growing trend towards the identity and reconstruction of places as centres of consumption rather than as centres of production. Cultural industries are becoming a principal and growing element of many metropolitan cities like New York, Los Angeles and London (Scott (2004) and the symbiotic relationship between place, culture and economy is played out in places such as Los Angeles and Paris (Scott, 2000).

In recent years, the rise of the knowledge-based economy has also given rise to debates about the relationship between information, knowledge and creativity (Flew, 2002). The consumption of cultural goods is closely related to the ideas of innovation and creativity as knowledge and information become increasingly central to the mode of production in the industries, a term coined as ‘informational mode of production’ by Castells (1996). There is a recognition that the creative industries provide the content on which IT feeds on. It is not surprising therefore that creativity has become both the language and currency in today’s knowledge economy (Howkins, 2001) and creative industries have become the defining platform for the unfolding economy.
CREATIVITY AND THE CREATIVE INDUSTRIES

Creativity by itself does not generate wealth but it has the potential for wealth and job creation through the generation and exploitation of intellectual property (DCMS, 1998). Towse (2003: 170-1) observes “the guiding principle that is increasingly adopted for unifying the cultural industries is their reliance upon copyright law to protect the creative or cultural content, the intellectual property. Thus industries protected by copyright have become virtually synonymous with the cultural (or creative) industries…” Towse (2001) further asserts that creativity is central to the cultural or creative industries and plays the equivalent role in these industries to that of innovation in other sectors of the economy. New value creation also originates from the creative conversion of data into information and knowledge (Golledge, 2002; Landry, 2000). According to Florida (2002a), creativity is now the decisive source of competitive advantage in the knowledge economy.

A common denominator of all the creative industries is the aesthetic attributes, which are the decisive elements of product and service differentiation and value. These industries are characterized by products with a high aesthetic and symbolic content, reflecting “the tendency for cultural production to be increasingly ‘commodified’, while commodities themselves become increasingly invested with symbolic value” (Scott, 2000: 3). Therefore creativity does not reside only in the arts or media but is a central & increasingly important input into all sectors where design and content form the basis of competitive advantage in the global markets (Flew, 2002). Hence, competition in these industries broadly speaking shifts from the “use-value” of products to the "sign-value" of brands and luxury goods (Lash and Urry, 1994: 122; du Gay, 1997).

There has been lots of debate about the definition of this industry variously known as creative industries, the cultural industries, copyright industries, content industries, arts
industries or the creative class. In order to understand the origin of the definition of creative industries, one has to go back to the co-related term, which has been used inter-changeably with the creative industries and that is the cultural industries. While creative industries are a relatively new phrase, the term cultural industries have been in use for a long time.

Apparently, Adorno and Horkheimer (1977/1944) might have been the first to use the term ‘cultural industry’ in their critique of mass-produced art. Hesmondhalgh states that “the cultural industries have usually been thought of as those institutions (mainly profit-making companies, but also state organizations and non-profit organizations) which are most directly involved in the production of social meaning and they include television, radio, the cinema, newspaper, magazine and book publishing, the music recording and publishing industries, advertising and the performing arts” (Hesmondhalgh 2002: 11). Throsby (2001: 4-5) defines cultural industries through the cultural activities that involve some form of creativity in their production. According to him, cultural activities are concerned with the generation and communication of symbolic meaning and their output embodies at least potentially some form of intellectual property. In Australia, the Australian Bureau of Statistics (ABS) classification of the cultural industries include heritage, visual arts, performing arts and design, the graphic arts, new media, publishing, music production and film production (Brecknock, 2004).

The term ‘creative industries’ has been favoured due to its emphasis on the economic value of the products and they were to form the commercial or commercializable applications of creativity (Hartley, 2004). It was eventually adopted and developed by the Creative Industries Taskforce in the UK to refer to ‘activities which have their origin in individual creativity, skill and talent and which have the potential for wealth and job creation through the generation and exploitation of intellectual property’ (DCMS, 1998) and it includes thirteen sectors such as advertising, architecture, arts and antiques market, crafts, design, designer fashion, film, interactive leisure, software, music, performing arts, publishing, software, television and radio. This definition of the sector is in itself problematic because certain sorts of activities are classified as ‘creative’ while others are not. There is a value
judgment on what constitutes a ‘creative’ activity and the definition is biased towards an art model definition. For example, sports, which is a highly creative activity, is not included in the definition. While individual creativity is significant in sectors such as publishing or art, others in the design fashion or architecture requires teams of people to translate an individual vision (Oakley, 2004). Moreover, not all products lend themselves to intellectual property concerns. In many cases, it is the collective basis and consumption of the product within a place that gives it the economic value. The definition is definitely more evaluative rather than descriptive. According to Oakley, different industries work in different ways and hence need different sorts of interventions (2004: 72). Landry (2002) believes that the core definition includes the following: music: classical, popular, folklore; visual arts: painting, sculpture, public arts & decorative arts; publishing sector: books, magazines, newspapers; audio-visual & media sector: film, television, photography, video, broadcasting; performing arts: theatre, dance, opera, live music etc.; cultural tourism; multimedia: combining sound text and image; crafts; cultural heritage: museums, heritage sites, festivals; design: architecture, graphics, industrial, fashion, advertising.

**CREATIVE INDUSTRIES AND ITS SIGNIFICANCE**

One of the evidential bases to support the growth of the creative industries is to look at the size and growth of this industry. The creative class is now ascendant in the economy. Based on Florida’s (2004) estimates, the creative class numbers between 100 and 150 million for 45 nations worldwide. Florida (200a2) asserts that creative capital begins most fundamentally with the people he calls the ‘creative class.’ The key characteristic of this creative class is that its members engage in work whose function is to create meaningful new form such as new ideas, new technologies, new business models, new cultural forms, whole new industries that really matters and a new creative context (Florida, 2004). The creative class includes a super-creative core of people in science and engineering, architecture and design, education, arts, music and entertainment and also a broader group of creative
professionals in high-tech sectors, business and finance, law, health care and related fields (Florida, 2004). These people engage in complex problem solving that involve a great deal of independent judgement and require high levels of education or human capital (Florida, 2004: 8). The US creative class numbers around 39 million, about 30% of entire US workforce (Florida, 2004). According to the Creative Industries Mapping Document of UK (DCMS, 2000), employment in the creative industries grew at a rate of 5% per annum, compared to 1.5% for the whole economy, over the period 1997 – 2001. In Europe, the Creative Class makes up more than 25 per cent of the workforce in seven of 14 nations and comprises nearly 30 per cent of the workforce in Belgium (29.97%), the Netherlands (29.5%) and Finland (28.6%) for the year 2000. The US economy registered an equally high percentage share of the GDP for creative industries at 7.75%. The New Zealand creative sector’s GDP for 2000 stood at 3.1% of GDP and Australia’s contribution for the same year was 3.3%. Hong Kong’s creative industries contributed over HK$46 billion to the local economy in 2001, accounting for 3.8% or GDP.

<table>
<thead>
<tr>
<th>Country</th>
<th>Year</th>
<th>Share of GDP</th>
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<tr>
<td>Hong Kong</td>
<td>2001</td>
<td>3.8</td>
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<tr>
<td>UK</td>
<td>2000</td>
<td>7.9</td>
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<tr>
<td>New Zealand</td>
<td>2000</td>
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<tr>
<td>Australia</td>
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<td>3.3</td>
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<tr>
<td>US</td>
<td>2001</td>
<td>7.75</td>
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<tr>
<td>Singapore</td>
<td>2000</td>
<td>2.8</td>
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Table 1: The contribution of the creative industries to the GDP for various countries.

Sources:
- Creative Industries Fact File, Creative Industries Division, Department of Culture, Media and Sport. Http://www.culture.gov.uk/creative_industries/default.htm
The creative industries have become the new high-growth economic sector in the new economy. They are also the world’s most profitable companies – for example, in 1950 the economic world was dominated by industrial manufacturers & raw material suppliers such as Ford, General Electric but in 2000, it was dominated by completely new players such as AOL Time Warner, Microsoft, Disney, Bertelsmann, News Corporation, entertainers, publishers, software designers. Many cities are embarking on a national branding to reposition themselves as a creative industries powerhouse in the world (Stuart Cunningham, 2003). The growing importance of the creative industries has led to a resurgence of interest in understanding how they work (Healy, 2002). American economists such as Richard Caves (2000) and Richard Florida (2003) have led studies in these areas and supported their analysis with data collection. The resulting evidence of the links between creative capital, quality of life and competitiveness of cities have made the creative industries a serious economic factor to be considered for cities to be viable in the new economy. It is therefore not surprising that urban development and regeneration programs have become key priorities for government worldwide.

There has been a considerable body of research and development done in building the creative/cultural industry sector in the UK (DCMS, 1998, 2000), Europe (European Cities and Capitals of Culture, 2004) and Australia (The Australian Academy of the Humanities, 2002). For example, the ‘European Capital of Culture’ action of the European Union is a powerful tool for cultural development that operates on a scale that offers unprecedented opportunities for acting as a catalyst for city change (European Cities and Capitals of Culture, 2004). In the very different situation of South Africa, Johannesburg’s Newtown project seeks to bring about physical regeneration of the area through city-sponsored encouragement of, and investment in, the creative industries and cultural activities (Landry, 2000: 37)
In Asia, Singapore is a notable example whereby major public policies and investment have been undertaken to institutionalize creativity in the country (Kong, 2000).

**CREATIVE INDUSTRIES AND ITS DYNAMICS**

The dynamics and functional characteristics of the creative industries are essential in understanding the mobility of creative capital and multinational corporations to particular cities and in the process highlighting the importance of location and quality of place. There is a need therefore to understand the city as an arena for consumption, entertainment & amenities – a city that competes for people & firms, a city of symbols and experiences (Florida, 2003).

Leadbeater and Oakley (1999) argue that the creative process is sustained by inspiration and informed by talent, vitality and commitment. The corporate form of industries is one that is flexible and network-like and subscribing to a contractual and transactional model of production (Storper and Christopherson (1987). Such project-based work often involves complex, non-routine and collaborative efforts of diversely skilled individuals (DeFillippi & Arthur, 1998). The labour markets are highly mobile and uncertain (Healy, 2002) and the nature of employment is usually part-time, temporary and freelance (Scott, 2004). The volatile, dynamic and risk-taking nature of the industries often results in intensive social networking activities among the skilled creative workers (Scott, 2004).

**CREATIVE INDUSTRIES AND VALUE CREATION**

There are two global trends that catapulted the role of creative industries (Bourdieu, 1984, 1990, 1997; Throsby, 1999) in value creation. The first concerns the intangible aspects of creative capital, which include images, symbols, patterns, cultural heritage, and artefacts that can be converted into commercial products and services (Robbins, 1991). Such a conversion
has shown to have re-generative effects on cities throughout the world. Recent examples include the music industry in Stockholm, Sweden; the film industry in Vancouver, Canada; and the media, architecture industry in Sheffield, United Kingdom (Tams, 2002; Power & Hallencreutz, 2002).

The second global trend is the existence of well-developed cultural capital and thriving creative industries, which help to attract global human capital, especially talented knowledge professionals. Cultural capital includes tangibles such as institutional infrastructures like specialized associations, training establishments, apprenticeship programs and intangibles such as ideas, beliefs, traditions and values which define a community and that can create a flow of services that contribute to the production of tangible, cultural goods and services (Throsby, 1999). The value contribution of cultural capital and creative industries is closely linked to the relationships and networks that enable and sustain the creative process in the knowledge economy (Leadbeater and Oakley, 1999). In that sense, the product value of creative industries is socially and institutionally defined. Members of the creative class share a common creative ethos that values creativity, individuality, difference and merit (Florida, 2003). They prefer cities with urban diversity which often allow for unplanned and haphazard, inter-network contact and where the labour market is marked by high demand for qualified personnel, cultural diversity, tolerance, and low entry barriers, high levels of urban services such as amenities, good public services, aesthetics and cultural activities (Jacobs, 1969).

After work, the creative class wants to have interesting and challenging activities available to them. They want to live in places that have a good buzz, a term being defined as ‘a highly efficient technology of communication; a means of overcoming coordination and incentive problems in uncertain environments; a key element of the socialization that in turn allows people to be candidates for membership of ‘in-groups’ and to stay in such groups; and a direct source of psychological motivation’ (Storper and Venables, 2004). Such ‘buzz’ cities
are often important nodes of highly developed international business and culture networks, with high levels of international travel-and-meeting activity, and high concentrations of both high-skilled and low-skilled immigrants (Storper & Venables, 2004: 366). The association between the mobility of creative people and the knowledge professionals to cities with quality of place has been highlighted by Florida’s works (2002b) in which he created a Bohemian index to illustrate the importance of well-developed creative industries and a large pool of creative people in attracting the world’s major multinational enterprises to cities. It is no coincidence that the ranking of the top ten US ‘Bohemian’ cities also turned out to be the major high-technology areas which include Seattle, Boston, San Francisco, Washington D.D., Los Angeles and New York (Florida, 2002a).

Urban and regional planning researchers such as Storper (1997), Florida (2003) and Scott (2000) recognize the needs of talented knowledge professionals for locational amenities and the existence of cultural industries and cultural capital (Bourdieu, 1984, 1990, 1997; Throsby, 1999). The quality of life generated by the presence of creative industries and cultural capital further enhances the image and prestige of the place (Scott, 2004). These have become crucial factors for multinational enterprises in their location decision, and they in turn affect the process of value creation in global cities. A large number of multinational corporations have tended to concentrate their headquarters in very large, global cities like London, Tokyo and New York due to access to regional, national and international markets including a highly skilled labour force and a range of sophisticated, specialist services (Nakagawa, 2002). In addition, global cities serve as cultural capitals for music, art and theatre and are thus heavily courted by media firms from around the world. This lends credence and importance to the spatial logic of the cultural economy and the ways in which locational concentration and quality of place (Castells, 1996) would enhance the competitive performance and the creative potentials of firms and in the process add value to the growth and development of global cities.
In many cases, creative industries have helped policy makers combat industrial decline (Landry, 2002). For example in 1990, Glasgow was awarded the title of the ‘European City of Culture’ and that has metamorphosed Glasgow and redefined Glasgow as a major centre for culture, recreation, tourism and conference business (Glasgow City Council, 2000). It demonstrates a good example of urban regeneration through culture. The activities associated with this title help neighbourhoods, cities, regions and nations shape & communicate their identity. Cultural activities such as public art & animation help build citizen confidence and participation motivates & empowers people. The involvement in cultural business introduces new approaches to new urban problems such as alienation, integration of minority communities.

CREATIVE INDUSTRIES AND ITS IMPLICATIONS FOR BUSINESS AND CITIES

Researchers such as Richard Caves (2000) and Richard Florida (2003) have illustrated how the links between creative capital, quality of life and competitiveness have made the creative industries a serious economic factor that needs consideration particularly in regard to city viability. Hence, urban development and regeneration programs will become key priorities for governments worldwide. Such investments are closely tied to the knowledge economy where innovations, new discoveries and the creation of new knowledge harness the intangibles such as ideas, knowledge and expertise to add and create new value in the economy (Ministry of the Arts and Information, Renaissance City Report, 2000).

As the creative industries continue to take centre-stage in the new economy, there is a greater need to emphasize on the intangible, invisible assets and the importance or relational networks. These have implications for value creation and identity within the firm and set in place transformations that will have impact on social structures and city viability. Given the nature and dynamics of creative work, the question of managing workspace and interpersonal
relationships will become prominent. Marketing strategies would have to take into account meeting the need for self-esteem & self-expression.

At the organizational level, managers and leaders would need to consider issues such as protection of employees' time, space, and mental energy for creative work, championing projects and shielding teams from unnecessary distractions, monitoring employees' feelings about their work and protecting their resources. The type of work environment becomes very crucial – preferably one that supports intrinsic motivation, which is the driving force that actually makes creativity, happen, and supports people developing their talents. There is a need for an environment that gives people a good degree of autonomy. People at all levels need to feel that they have the support of management and that managers and co-workers are open to hearing their ideas — rather than being consistently negative about new ideas. The significance of the work environment in generating creativity context is in line with findings carried out on a group of employees by Amabile (1996), which confirm the various environmental stimulants that foster creativity in the workplace. It is also significant to foster creativity through the structures established. Managerial structure, network structure and employment practices within the firm and industry clearly matter. For example, setting up work groups with different heterogenous backgrounds and training will help stimulate each other and learning from each other. It will also encourage cross-fertilization of ideas. The kind of assignments given to projects can make a big difference too. People need to have work that they find appropriately challenging, something that is not so far out of their skill range but certainly one that will get them to operate at the top of their skill level, allowing them to really stretch and grow. That level of challenge is very important for intrinsic motivation. The overall company atmosphere from the highest levels should be open to creativity and striving for a collaborative atmosphere where people are continually sharing ideas and helping each other with their work, rather than competing with each other. The organizational culture should be one that explicitly values creativity and innovation. Whatever reward systems are in place should reward and recognize creative work.
Recognizing the value of creativity in that way sends a powerful message of support and helps people stay passionate about their work, whatever it may be.

At the macro-societal level, as cities keep changing & evolving, there is the need to understand the dynamics of the system, the social structures on which it rests, the kinds of workplace transformations it is setting in motion, the effects on community as well as city form, structure & function and taking into consideration new types of workplace injury such as ‘mental injury’ (such as stress & anxiety) as predicted by Florida in his latest book, ‘The Flight of the Creative Class’ (2004).

The fact remains that the creative industries are here to stay as they keep expanding & growing. It therefore warrants our attention and further research into this field. The intangible aspects of creativity raise North’s (1990) important point of measurement and exchange in the creative industries. Like tacit knowledge, creativity may be more effectively exchanged through socially embedded relations. This raises the fundamental question of the effectiveness of creative industries ‘exchange’ via the market mechanism and the possible alternatives for market-based exchange. There is also a need to examine which types of social organization are conducive for creativity to thrive.

Cities are increasingly valued as centres for experience, lifestyle, amenities & entertainment (Florida, 2003) and are seen as crucial in the development and utilisation of creative capital as a resource. They tend to attract talented knowledge workers who require not only attractive work environments, but also attractive social amenities. The mobility of creative capital and multinational corporations has highlighted the importance of location and quality of place. There is a need therefore to understand the city as an arena for consumption, entertainment & amenities – a city that competes for people & firms, a city of symbols and experiences, the city at night (Florida, 2003). There is a huge opportunity for
research and the analysis requires a synthesis and integration of different streams of research such as those in the social sciences, geography and urban planning.

At both macro and micro levels, factors such as globalisation, labour mobility or immobility, the nature of social interactions and the creation of social capital (Putnam, 1993) make research on global cities a key research area for management theories. In that regard, cities need to be monitored from a broad social science perspective involving a trans-disciplinary knowledge base that takes into account international economics, international business and urban studies and regional planning. This will provide greater understanding of the process of value creation in the new economy, implying nothing less than Schumacher’s (1973) core idea of ‘economics as if people mattered’.

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FIGURE 1: Conceptual model showing relationships across various factors - the association between creative industries and creative capital how these relationships are gaining significance in the development and growth of firms and cities.

**Linkages**

- Knowledge Economy
- Innovation & IT
- Creative Industries
- Creativity & Copyrights
- Cultural & Service Industries

**Context**

- Relational networks
- Knowledge professionals
- Human capital

**Outcome**

- Impact
  - Value Creation (Conversion into commercial products & services)
- Intangible, invisible assets (Images, symbols, cultural heritage)
- Creative people and talents
- Human Capital

- MNC Location, talented human capital
- Business Environment & Cities
- Quality of Place & Regeneration of Cities