

## The “universal” characteristics of creative industries revisited: The case of Riga

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**Abstract:** “Creative industries” has emerged as a universal research and policy concept exploited for the advocacy of economic development of cities, regions and countries. Existent literature implies assumptions characterising the nature of the set of activities that constitute creative industries. While studies have shown the place-specificity of the conditions relative to the development of these industries, there is little acknowledgment of the potential place-specificity of their characteristics. This article combines statistical data with the results of a survey of creative firms in Riga (Latvia) to explore the extent to which the common assumptions about the features of creative industries expressed in the literature correspond to reality in less economically developed urban settings. The results show that creative industries in Riga display only some of the assumed characteristics, while assumptions such as high levels of innovation and growth used to advocate their importance could not be confirmed.

### Introduction

Industrial decline, globalisation, increasing urbanisation and popularity of neo-liberal ideologies on the one hand, and commodification of cultural products and aestheticisation of economy and everyday life on the other (Lash & Urry, 1994; Scott, 1997; Featherstone, 1991) have contributed to the emergence of what Scott (2007) calls “cognitive-culture capitalism”. Characterised by dominance of technology-intensive industries, service sectors and cultural-product industries, such developments have thrilled the inclusion of creative industries into policy-making strategies and economic development agendas at various scales – local, regional, national and supra-national. Two main arguments emerged as rationale for this inclusion: a) above average growth rates; b) contribution to innovation in the wider economy via the creation of intellectual property rights and knowledge-spillovers (Evans, 2009; Foord, 2009; Huijgh, 2007). The European Union member states are no exception, as the crisis has accelerated the search for new sources of economic growth. Creative industries (or cultural and creative sectors) are seen as tools for economic development and innovation, and these discourses are consequently adopted

in the local and national policy strategies (Huijgh, 2007; Tafel-Viia, 2013; European Commission, 2012). In view of the creative industries concentration in cities, the capitals have a particular role in this quest being the regional drivers of their respective economies (European Commission, 2013).

The worldwide discourse addressing creative industries and their development rely almost exclusively on a set of commonalities proposed in the early works on creative industries (e.g. DCMS, 1998; Caves, 2000; Lampel et al., 2000) outlining why they are “not just another business” (Cunningham, 2002). These characteristics are then reproduced both in research and policy-making. In reaction to this, many authors have argued that the concept unites activities that are distinct from each other (Garnham, 2005; Markusen et al., 2008; Miller, 2009; Oakley, 2009; O’Connor, 2010), that there is a lack of solid theoretical and empirical research bases for generalisation (Evans, 2009; Markusen & Gadwa, 2010), or that the definitions and policy instruments are not universal and have to be adapted instead of copied (Peck, 2005; Evans, 2009; Pratt, 2009; Pratt, 2010).

As a result of such discussions, the conditions needed for the development of creative industries are increasingly recognised as linked to the specificities of place (Taylor, 2008) and historical development (Musterd & Murie, 2011). However, the possibility of place-specificity of the nature of creative industries is rarely questioned (Flew, 2012).

With this in mind, this paper argues that in order to understand the development of the creative industries and their potential for the (urban) economic development, we need to explore the nature of the enterprises classified as creative industries. More specifically, we address the implicit universal assumptions about creative industries as found in theoretical literature. The main research question can be formulated as follows: *To what extent do the universal assumptions about the nature and characteristics of the creative industries hold true in a less economically advanced city?* We suggest that not only conditions for development of a creative economy (as found by Musterd & Murie, 2011), but also characteristics of the enterprises constituting creative economy can be different across cities of various levels of economic development. If this is the case, the theory on the nature of the creative industries will need to be reviewed and include place-specific characteristics with direct implications for the current creative industries' policy making practices.

In order to answer to this question, we carried out a quantitative analysis based on statistical data obtained from the Latvian Bureau of Statistics and an online survey of creative firms<sup>1</sup> in Riga (Latvia). Riga has been chosen as the city for our case study due to several reasons. First, the city holds more than 70% of the country's creative industries (Creative Metropolises, 2010). Second, the "creative industries discourse" in Latvia is almost a decade old, which makes it an accepted conscious political discourse. Third, the current situation illustrates very well the isomorphism prevailing in the creative industries research and policy-making. The first and only statistical mapping document carried out so far refers to the period from 2001 to 2005 (*Creative industries research: Actualization of statistics*); it shows high growth levels of creative industries, but low export potential (Mikelsone et al., 2008). Other studies deal either with policy strategies (Creative Metropolises, 2010), conditions for location patterns of creative workers (Musterd & Murie, 2010) or clusters (Ozola et al., 2011). Despite the lack of knowledge about the nature of the creative industries in Riga, the relevant strategy documents hold the assumption that due to the distinct value-adding nature creative industries have the potential to drive economic growth, provide jobs and generate wealth and innovation throughout the economy (LRKM, 2006; 2013b).

The article begins with an overview of the universal assumptions about the properties of creative industries as can be found in academic literature, followed by a brief discussion on the current state-of-art of creative industries in Riga. We then present the research design and results of the study. Finally, we discuss the key findings with respect

to the academic literature and we put forward the main conclusions and implications for policy decisions and future research.

### **Creative industries: a universal research and policy concept**

The European debate on creative industries has been very much influenced by the Tony Blair's government's attempt to re-brand culture in late 1990s (Pratt, 2004; Galloway & Dunlop, 2006). The first attempt to define the term denominates creative industries as "those activities which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property" (DCMS, 1998). Together with the analytical definition, the DCMS included an enumerative list of 13 sectors that constitute the creative industries - namely, advertising, architecture, art and antiques market, crafts, design, fashion, film and video, music, performing arts, publishing, software, television and radio, video and computer games (Throsby, 2008). Although widely contested for their ambiguity, those analytical and enumerative definitions are still the most common definitions of creative industries and with little alteration can be found in the most part of academic studies and policy documents (Potts et al., 2008; White, 2009; Miličević et al., 2013).

A literature review on the nature and features of creative industries illustrates the general commonalities evoked when introducing the subject (see e.g. Power & Scott, 2004; Reimer et al., 2008; Birch, 2008; Romein & Trip, 2010; Puchta et al., 2010). We divided these commonalities in two categories. The first refers to the nature of the production and provision in creative industries and offers a more internal perspective on creative firms. The second deals with the more external aspects of the creative firms that underlie the expectations on the relationship between creative industries and economic development.

#### *Features of Creative Industries: An Internal Perspective*

Firstly, the term unites traditional arts sectors, copyrightable cultural industries and new creative businesses (KEA, 2006; Throsby, 2008). They are all seen as producers and carriers of symbolic content and meaning (Throsby, 2001; Scott, 2000), focused but not limited to the arts (UNCTAD, 2008). The creative industries use human creativity, skill and talent and therefore have intellectual capital as their primary production input (Throsby, 2001; DCMS, 1998). Their output is thereby perceived as highly differentiated and can be characterised as artistic, cultural or creative. The non-monetary values attached to the symbolic content are highly regarded by consumers, which make the creative industries high-value-added sectors.

Secondly, the market conditions of their goods and services are considered to be different from those of ordinary economic ones: creative industries face higher demand uncertainty, strong volatility in tastes and therefore higher risks. (Townley & Beech, 2010). Caves (2000) has referred to this characteristic as *nobody knows*.

Thirdly, in order to cope with these risks, creative firms have to constantly produce high levels of novelty (Cooke &

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<sup>1</sup> We refer to "creative firms" as the firms that can be classified as creative industries firms according to the Statistical classification of economic activities in the European Community, abbreviated as NACE (Nomenclature statistique des activités économiques dans la Communauté européenne).

Lazzeretti, 2008), which in turn have the potential to result in innovation (Scott, 2010). Some studies have even proved creative industries to be more innovative than other manufacturing or service sectors (Chapain et al., 2010). Moreover, the novelty production requires high levels of technological advancement, which is considered characteristic of the creative industries (Power & Scott, 2004; Birch; 2008), while also non-technological factors (e.g. design, new business models) are increasingly important (Stoneman, 2009).

Fourthly, the durability of creative firms' output and the novelty generation imply that creative industries create or exploit intellectual property (Throsby, 2001; UNCTAD, 2008). It is seen as the main source of wealth generation in creative industries and as such it is often one of the most important defining parameters, even though problematic (Handke, 2004).

Fifthly, the labour itself and its organisation are often viewed as different from other industries. According to Caves (2000), the complexity of the output and its dual value require *motley crew* – both creative and humdrum employees, each having specific skill sets. Moreover, it is assumed that creative workers are compensated by psychic returns: they care about their work and hence are driven by intrinsic motivation (Caves, 2000; Frey, 2002; Bille et al., 2013).

Sixthly, the industry structures are considered as polarized, i.e. organised around few large corporations, often multinationals, and many small and micro businesses or self-employed, one-person businesses. The larger ones account for the majority of the output, they are more vertically integrated and more likely to be involved in mass-production (Caves, 2000; Scott, 2005; Towse, 2010). Even though the small and micro businesses are less able to compete via advantages of scale and scope (Hartley et al., 2013), they can conquer equally big market share via specialisation on niche markets (Birch, 2008).

#### *Features of Creative Industries: An External Perspective*

There are several observations and assumptions that are prevailing at the industry level and concern growth prospects and the relation to the overall economy.

Firstly, the observations of the first five years of the new millennium indicate that creative industries are important not only in absolute numbers, but also in proportional ones; data gathered across Europe and beyond shows that they have been growing at a faster pace than the national or urban economies on average, both in terms of employment and value-added (Foord, 2009). Consequently the above average growth rates are often used to support the claim that creative industries are one of the drivers of post-industrial economies (Scott, 2005).

Secondly, creative industries are embedded in local production systems but are also globally connected. Their success depends to a large extent on the export potential of their products and services (Scott, 1997), which is claimed to be very high (Pratt & Hutton, 2012).

Thirdly, they contribute to innovation in the wider economy through linkages to other industries (Potts, 2009;

Müller et al., 2009; Foord, 2009). This has to do with the nature of innovation produced by the creative industries, as described before. The literature suggests that creative industries impact on the rest of the economy on one side by producing and selling innovative goods and services for the final consumer, on the other by providing goods and services as intermediary inputs to other sectors. Their role is important for both product and process innovation (Scott, 2008; Chapain et al. 2010).

While the introduction presented several arguments expressed by scholars against applying such a set of commonalities to a wide range of heterogeneous activities, we are interested in the extent to which the characteristics summarised in the literature review represent the actual features of creative industries in a less economically advanced European city, Riga.

#### **The Case Of Riga**

As the capital of Latvia, Riga is the main city of the country in every sense - economic, cultural, and political. According to Paazlow et al. (2010) approximately one third of the country's population resides in Riga and it accounts for close to sixty per cent of Latvia's GDP. The concentration of creative industries in the capital is even more substantial, on that account we chose to focus only on Riga. The city has a rich and turbulent past - it is an ancient Hanseatic city, which has often served as hub between Russia and the Western Europe. During the 20<sup>th</sup> century, the country has experienced the changes of political and socio-economic systems multiple times. Prior to being part of the Soviet Union after the WW2, the country already had a democratic past developing in a similar manner as many countries after the WW1. On this matter, Strykiewicz et al. (2010) argues that the "communist system downplayed the importance of competitiveness and creativeness in the development paths of both national and cities economies and societies" (p.94). In Riga's context they highlight problems such as decreasing population, emigration, legal restrictions hampering immigration of skilled workers, lack of knowledge, inconsistent policy support. On the other hand, the collapse of Soviet Union has changed the power position of the city transforming it from an important node to a peripheral regional capital of EU (Paazlow et al. 2010).

With respect to creative industries policies, increasing effort is present within the larger framework of national cultural policy and general development strategies, while governance on the city level is largely absent (Strykiewicz et al., 2010). A scan of the relevant policy documents reveals that the previously outlined characteristics are also attributed to the creative industries in Riga. They are regarded as important for the generation of wealth and jobs. Their inclusion under the cultural policy already identifies the belief of their close connection to the cultural production. The surrounding rhetoric manifests considerations that can be found in both British documents (definitions and economic contribution arguments) and EU discourses (priority-sectors, problems, innovation and export contributions) (LRKM, 2006; 2013a; 2013b).

As pointed out by Paazlow et al. (2010) the extant policies risk to become more of a buzz than result in real effects, while the general institutional structure hampers and limits the development of creative and knowledge-based industries in the city due to restrictions on a national level and lack of stakeholder involvement.

The empirical evidence on the realities of creative industries is scarce. Few studies are available mainly commissioned by or made in collaboration with the Ministry of Culture. These studies are out-dated and can be regarded as an initial stage of mapping the creative industries in the whole country, while there is almost no specific research dealing with separate aspects of creative industries (Sedleniece, 2010). What they do show is that the creative industries were rapidly growing prior to crisis. They also reveal that most of them display problems of internationalisation and that the structurally biggest share of creative industries is taken by the creative businesses that are not commonly related to the arts – in particular software, advertising and publishing (Mikelsone et al., 2007). In view of these findings, we anticipate the creative firms to have low export potential and low levels of artistic production. We also expect the economic crisis to have impacted negatively on the growth rates of the creative industries. Nevertheless, there is no more empirical knowledge that could allow us formulating other preliminary hypothesis.

#### Data and methods

The results presented in this paper are drawn from a study carried out in 2012. Considering that some of the assumptions discovered in the literature review deal with both the aggregate industry level (external perspective) as well as with the firm level (internal perspective), we decided to combine a statistical mapping of creative industries with an online survey of firms that compose those industries. In order to do so, we reviewed the previous attempts to construct a list of NACE classifiers for creative industries (e.g. HKU, 2010; KEA, 2006; Sondermann et al., 2009). We decided to adjust and use the list made by Sondermann et al. (2009) for it corresponds to the current revision of the NACE classifiers and it aggregates whole classifiers into groups instead of including shares of single ones in several groups. Three extra sectors were added - design manufacturing, fashion manufacturing and cultural education. The two former ones were added due to the fact that they constitute a different part of value chain than design creating activities and the latter for it is included in the Latvian definition of creative industries sectors. The final list consists of 13 creative industries sectors – Advertising, Architecture, Broadcasting, Cultural economic branches, Cultural education, Design (manufacturing), Design (specialized), Fashion (manufacturing), Film industry, Libraries and museums, Music publishing, Publishing and printing and Software and games<sup>2</sup>. We then asked the Latvian Statistical Bureau to provide us with the latest available data on the entrepreneurship indicators of the firms classified under the groups included in our list. The data obtained refers to the period between 2007 and 2010 and shows the number of enterprises, number of employed,

<sup>2</sup> For the list of NACE classifiers, see Appendix A.

the amount of added value and the turnover of the firms (in LVL) by classifier and firm size groups.

In the following stage of the study we collected data on the characteristics of the creative industries at the firm level. A survey was launched between May and June 2012. The survey questions reflected what was discussed in the literature review. If possible, the questions were based on previous studies<sup>3</sup> (e.g. Chapain & Comunian, 2010; Saffery Champness, 2010). A purposive sampling method was employed – a list of email addresses of firms registered under one of the target NACE classifiers in Riga and having provided an email address or homepage was obtained from *Lursoft*, an online enterprise database provider. The original number of email addresses obtained was 1,376, from which only slightly more than 900 were valid. Each of the firms received three emails inviting to complete the survey. In this process, several firms contacted us for they decided not to fill the survey, as they did not recognize themselves as part of creative industries. The final number of survey responses was 172, which equals to an approximate response rate of 19%.<sup>4</sup> We deducted from the sample the non-profit organisations because they were also not included in the statistical data provided by the Statistical Bureau. Furthermore, due to the lack of responses for broadcasting, this paper discusses only 12 sub-sectors.

The final sample consists of 120 for-profit firms located in Riga. The sample can be judged as adequate for two main reasons. Firstly, the purpose of the research is descriptive; no causal relationships are being explored. Hence threats to validity that are relevant for explanatory research are not valid, because we do not suggest any causality. Secondly, this study can also be partly regarded as exploratory in that not much previous empirical evidence exists to neither approve nor disapprove the theoretical assumptions presented. In such cases smaller sample sizes and lower response rates are justifiable (Sekaran & Bougie, 2010). Nevertheless, for the purpose of increasing representability and reliability, and accounting for non-response we constructed a weight variable from the data obtained from the Latvian Bureau of Statistics based on the shares of number of firms by sector. We first describe our sample and we then present the results based on the weighed data.

#### Results

Table 1 shows the sample breakdown by sectors of the creative industries. Most of the firms in the sample are either micro (69%) or small enterprises (24%), while the medium and large enterprises represent respectively only 4% and 2% of the sample. These results correspond to the approximate size ratios in the population. The biggest share of the firms (40%) are start-ups (0 to 5 years of activity), the next largest group being 11 to 20 years old (38%), while 15% of the sample have been active for 6 to

<sup>3</sup> For the full questionnaire, please contact the authors.

<sup>4</sup> As indicated in the results, despite the response rate, the proportions of firms according to the firm size in our sample largely match those than can be found in the population. The relatively high number of non-responses is more likely to be due to clash between institutional classification and self-perception of the firms as belonging to creative industries, as well as due to a large number of businesses being registered but not operational, especially in times of crisis.

10 years, and only 8% of the firms surveyed have carried out their activity for more than 20 years.

There are no particular patterns across the different sectors in terms of firm age or the number of employees. From the financial perspective, the sample covers different turnover classes, even though the most part of the firms are medium or small in terms of their net turnover.

**Table 1:** Share and frequency in sample by CI sector

| CI sub-sector              | Frequency  | Percent     |
|----------------------------|------------|-------------|
| Publishing & printing      | 19         | 15.8%       |
| Film industry              | 9          | 7.5%        |
| Music publishing           | 3          | 2.5%        |
| Cultural economic branches | 2          | 1.7%        |
| Libraries and museums      | 1          | 0.8%        |
| Architecture               | 18         | 15%         |
| Design (specialized)       | 13         | 10.8%       |
| Advertising                | 17         | 14.2%       |
| Software/ games            | 16         | 13.3%       |
| Manufacture of fashion     | 2          | 1.7%        |
| Design (manufacturing)     | 18         | 15%         |
| Cultural education         | 2          | 1.7%        |
| <b>Total</b>               | <b>120</b> | <b>100%</b> |

#### “Not Just Another Business”?

To begin, we asked the respondents how they would define the goods or services they produce. 43.9% consider themselves providers of creative output, 40.3% provide normal output, 9.4% believe their output is luxury while only 6.4% link their output to the denominator “cultural”. Moreover, when asked about the artistic dimension of their production, only 23.8% of the overall respondents think their output is traditional artistic goods or services. We then looked if any of the four classes of goods can be linked to the artistic creation. While creative and cultural producers in our sample tend to be more engaged in artistic creation, no clear statistically significant patterns can be observed that it can be linked only to the cultural goods class, as also producers of normal and luxury goods have responded that they provide traditional arts goods or services. While a link to symbolic content creation is not particularly pronounced, the firms confirmed being human-capital intensive. 93% agreed with the statement that knowledge, talent and skills of their employees are their main assets.

With respect to demand uncertainty, the respondents were asked whether they believe the success of their goods and services is difficult to predict. Contrary to the assumptions in the literature only 22.4% agreed to this statement, while 30% disagreed and 47.6% could neither agree, nor disagree. When looking at the self-reported classes of output, there are no significant differences. For instance, the same share of cultural output providers both agree and disagree with the statement (27.3%).

The novelty creation was addressed by asking questions related to the newness of their output. The questions investigated whether they perceive their goods to be known to the market, new to company, new to industry, new artistically, new in terms of processes or with new design. The results cannot confirm the claim that creative industries are associated with high levels of novelty, for 62.8% of the respondents answered that they provide goods or services that are well known to the market. The firms indicated low levels of product and service creation new to the company (23.1%) and hence indicated low

willingness to innovate. Instead they offer more often products new to the market (41.1%), or develop novel design (39.4%). Only 23% of the respondents stated that they develop new models for providing services and 21% try to create new artistic content. We also compared these results within the classes of output. No statistically significant differences were found, except for the case of artistic innovation, where it was almost exclusive to producers of creative or luxury goods, while the cultural producers had not reported engagement in artistic innovation, contrary to what could be expected ( $p=.02$ ).

With respect to the dependence of technology there was no consensus among the respondents as to the extent they agree that they depend heavily on new technologies in their activity. 38.6% agreed, 47.7% did not have a pronounced opinion and 13.6% disagreed. In our sample creative and luxury output producers show higher dependency on new technologies, however these differences are not statistically significant and therefore not generalizable. Only 11.8% of the respondents reported often having difficulties with coping with the quick technological changes, while 55% said to have them occasionally and 33.2% find it never a problem. We tested these variable also for differences among the firm size groups and it turned out that while the perceived reliance on new technologies is similar among all size groups, the difficulties with coping with technological change is more pronounced as the firm size decreases ( $p=.05$ ).

We further looked at the extent to which IP rights can be applied to the output of the creative industries in Riga. 25.8% of the all respondents revealed that their output is not subject to any form of intellectual property rights, showing that the defined sectors are indeed mostly IP-dependent. The most important property rights in the sample are copyrights (55.6%), followed by trademarks (33.4%) and industrial design rights (22%), while patents apply only to 13.9% of the surveyed firms output. Copyrights apply to 100% of the respondents who believe they are engaged in the provision of cultural output, while copyright applies to 77.1 % of creative output providers and 37.5% of the normal output providers. None of the providers of luxury output reported being subject to copyright ( $p=.00$ ,  $r=.55$ ). Confirming the ideas expressed in the literature, not only do producers of cultural and creative output classes generate copyright more often, they are also more likely to be subject to various intellectual property rights in general (80% for cultural and 91.2% for creative producers,  $p=.02$ ,  $r=.36$ ). When asked about the importance of intellectual property rights, 33.5 % consider them very important, 39.5% important, 11.1 % somewhat important, while difficulties are more often experiences with IP protection among the firms whose output is subject to either copyright or trademarks (75% responded often in both cases), rather than other forms of IP rights.

We also inquired about the different aspects of *motley crew* phenomenon as defined by Caves (2000), as well as the intrinsic motivation. In this respect, 87.8 % of the respondents agree with the statement that making their goods requires combination of skills, 7.5% neither agree, nor disagree, while only 4.7% do not agree with the statement. Furthermore, 45.5 % firms have a larger share of creative employees, 12.5% have a larger share of non-creative employees, for 26.4% it is a balance between the

**Table 2:** Share of turnover of creative industries by firm size and sector in Riga, 2010 (Data obtained from Central Statistical Bureau of Latvia).

|                            | Turnover according to firm size, 2010 |              |              |               | Total Turnover<br>in LVL, K |
|----------------------------|---------------------------------------|--------------|--------------|---------------|-----------------------------|
|                            | 0-9                                   | 10-49        | 50-249       | More than 250 |                             |
| Publishing & printing      | 22,2%                                 | 20,4%        | 50,0%        | 7,4%          | 145176                      |
| Film industry              | 55,4%                                 |              |              | 0,0%          | 21760                       |
| Music publishing           |                                       |              | 0,0%         | 0,0%          | 6839                        |
| Broadcasting               | 6,9%                                  |              | 41,2%        |               | 25102                       |
| Cultural economic branches | 51,9%                                 | 20,9%        |              |               | 23841                       |
| Libraries and museums      | 100,0%                                | 0,0%         | 0,0%         | 0,0%          | 235                         |
| Architecture               | 62,4%                                 |              |              | 0,0%          | 35817                       |
| Design (specialized)       | 41,0%                                 | 23,9%        | 35,2%        | 0,0%          | 72168                       |
| Advertising                | 56,1%                                 | 36,7%        | 7,3%         | 0,0%          | 186317                      |
| Software/ games            | 20,8%                                 | 27,4%        | 22,5%        | 29,4%         | 141614                      |
| Manufacture of fashion     | 13,3%                                 | 20,6%        | 39,1%        | 27,0%         | 45930                       |
| Design (manufacturing)     |                                       | 22,1%        | 29,4%        |               | 42010                       |
| Cultural education         | 90,8%                                 |              | 0,0%         | 0,0%          | 587                         |
| <b>Total CI</b>            | <b>33,6%</b>                          | <b>23,8%</b> | <b>24,6%</b> | <b>8,7%</b>   | <b>747396</b>               |
| Data on CI accounts for    |                                       |              |              |               | 96,0%                       |

two, for the rest 12.1% one of the groups is absent. Firms that believe they provide normal output are the only group with higher rate of having more non-creative than creative employees. Confirming the expectations producers of cultural and creative output have considerably higher shares of creative employees over non-creative ones ( $p=.00$ ,  $r=.42$ ). When asked if they have problems with finding skilled employees, 44.6% of the respondents reported to experience this problem often, 46.7% experience it occasionally, but the firms who never have problems with finding skilled employees constitute only 8.7%. These results confirm the same concerns expressed in the national and European policy documents. However, contrary to the claim that creative workers are driven by intrinsic motivation, 49.5% of the firms surveyed disagreed with the statement “we are in the business because we love what we do, not because of the money” – and 34.2% agreed with this, 16.3% disagree, 49.5% neither agree, nor disagree. This suggests that creative workers are only partly compensated by psychic returns.

Finally, in order to investigate the polarization in the creative industries we have chosen to look at the share of turnover by firm size and sector. Table 2 presents the data for the year 2010. Even though 4% of the data was confidential and therefore we were not able to link it to any of the sector or size groups, we can see that the results differ considerably among sectors. Nevertheless in no cases can we confirm that the large firms would occupy a dominant share together with the small firms. In cases where firms employing more than 250 employees do have some market power, it is mostly similar or smaller than the other size groups. However, taking into account the small market of the city and the country, we can see that the trend to compete for the market power occurs between the micro firms and the medium sized firms.

#### *Creative industries and the economy*

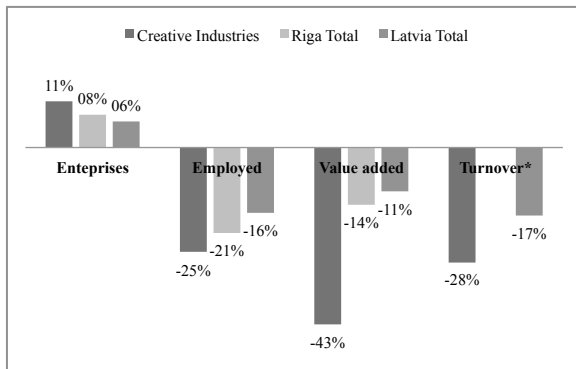
We now turn to the results regarding the industry level characteristics of creative industries (external perspective). We focus on the growth dynamics instead of the absolute numbers of firms and employment in the creative industries for the most common assumptions imply above average growth rates, instead of specific shares of the economies. The statistical data shows the dynamics of the development of the creative industries according to four indicators – number of firms, employment number, turnover, and value added (in LVL).

The results reveal that while the rates of employment followed more or less the general trends of the economy, the economic performance of creative industries in terms of value added and net turnover had declined significantly more than the city’s and country’s average in the period between 2007 and 2010. Figure 1<sup>5</sup> illustrates the growth dynamics and reveals that creative industries experienced a particularly harsh decline in terms of contributions to GDP. The figure also shows that the number of firms, being the only positively growing indicator, increased at a faster rate than in other sectors of the economy. These findings suggest that creative industries have been more receptive and less resilient to the economic crisis than the economy on average. Figure 2<sup>6</sup> illustrates similar dynamics by looking only at the changes in employment in creative industries during the last decade. Nevertheless, when looking at the proportion of the creative industries in the economy of Riga in the period 2007-2010, there are no remarkable changes, indicating that proportionally creative industries occupy the same part of a shrinking economy. For most part, the proportions have fluctuated only by 0.5 %, with the exception of the share of gross added value by creative industries in the economy of Riga. This share has decreased by 2% between 2007 and 2009, though since there is no data available on GDP of Riga in 2010, the decrease in share might have changed.

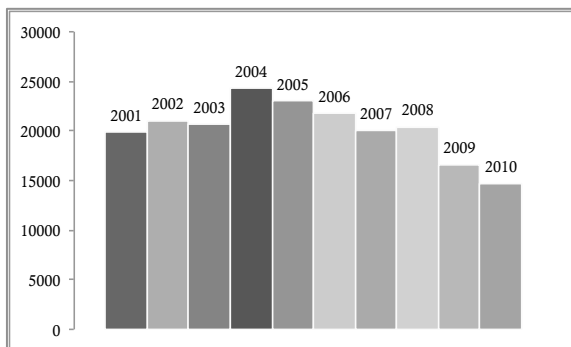
We further explored the levels of internationalization and export potential of creative industries in Riga. Since we were not able to obtain export data, we present here the results of the online survey. The firms were asked to report in which markets they operate. The answers indicated that Riga’s creative firms operate mostly in the local markets either of the city (86.7%) or of the country (72%). The markets of the Baltics (40.7%) and EU (43%) are the next important ones, while only 18.8% name non-EU countries as their target markets. Moreover, some sectors display higher internationalization than others. For instance, sectors such as film industry and specialized design firms name EU and extra-EU markets as important, while firms

<sup>5</sup> The data on the dynamics of the turnover in the city’s economy was not available.

<sup>6</sup> This table is indicative instead of representative, because our data is combined with the data of the study of Miķelsone et al. (2008), hence the data until 2006 is based on a different list and revision of NACE classifiers.



**Figure 1:** Growth dynamics of the CI in Riga compared to the city's and national average indicators, 2007-2010



**Figure 2:** Employment dynamics of the CI in Riga, 2001–2010

in architecture, design manufacturing and publishing sectors market almost entirely locally or nationally. In the same time some sectors, e.g. music industry and advertising, while marketing locally have also a strong orientation towards Baltic markets. The software and games sector shows no clear pattern with regard to the target markets, possibly due to the potential of defying the cultural and linguistic distance, and markets both locally and internationally at a comparable level. We found that the firm size does not seem to have a statistically significant influence on the export potential, while the years of activity do – the younger firms tend to market internationally more than older ones (more than 20 years of activity). Furthermore, the firms were asked if they ever experience difficulties with finding new markets. 46% of the respondents said they have such difficulties often, 38.2% occasionally while only 15.8% never have such problems. They were also asked if they experience difficulties with operating in a too small market and very similar responses were reported. Our results showed that the smaller the firm the more often they report having difficulties with finding new markets ( $p=.04$ ;  $r=.46$ ). No other significant differences among good classes or the size groups could be found.

With respect to the novelty generation and innovation, the results in the previous subsection already revealed some of the important aspects concerning innovation activities of the creative industries in Riga. We investigated whether the firms provide inputs for other businesses and if they can be associated with the novelty creation. Only 9% of our sample responded that they make goods or services, which are further used as inputs in other firm's production, all of them providing goods and services well known to the market. 59.5% of the firms in our sample provide tailor-made services to other

businesses. 63.8% of them are providers of goods or services well-known to the market, 44.8 % create products or services new to their respective industry, 29.8% provide goods and services with new artistic content, 39.6% of these firms offer new design and 25.5% develop new methods of providing goods or services. We also asked them about their collaboration patterns within and outside the creative industries. The collaboration levels within the creative industries were reported quite high on average and the purposes of those were not only business-to-business sales, but also common activities and knowledge and human resource exchanges. However, only 1% of the sample reported that they collaborate with other than creative industries sub-sectors. Such a result does not give us the opportunity to look deeper into the spillovers external to the creative industries.

### Discussion and conclusions

The key aim of this paper has been to generate new insights into the universal assumptions surrounding the nature and characteristics of the creative industries. The urgency of this study resides in the observation that the characteristics of the creative industries are rarely questioned, even though reproduced in academic research and policy documents. We analysed these characteristics in two separate categories.

The first one referred to the features related to the nature of their production and provision of goods and services – what we called an “internal perspective” on creative firms. Here three main findings confirm the theory: a) creative industries in Riga are labour and knowledge intensive, b) they create and exploit intellectual property, c) they use a combination of creative and non-creative skills. However, there is a lack of evidence to support the claims that creative industries firms a) are all producers of artistic, cultural or creative goods, b) dependent on new technology, c) are primarily intrinsically motivated, d) produce high levels of novelty and e) experience high risks due to demand uncertainty. To elaborate on these results, intrinsic motivation in our sample exists to a certain extent and is more connected with the lack of pronounced orientation towards profits than with a particular focus towards making *art for art's sake*. Moreover, the self-perceived demand uncertainty cannot be linked to particular classes of (cultural and creative) goods and their characteristics but could instead be linked to the low levels of internationalization. Furthermore, our results with respect to levels of novelty associated with symbolic and artistic values show that there is a tendency towards differentiation via new design or bringing goods that exist elsewhere to the local markets, rather than focusing on product or process innovation.

The second category dealt with the more “external aspects” of the creative firms that underlie the expectations on the relationship between creative industries and economic development. Our results on growth dynamics allow concluding that Riga's creative sector has experienced the economic crisis more heavily than the average of city's economy. They also show the assumptions on above average employment and value-added growth rates do not apply in the case of Riga.

While not very resilient during times of crisis, creative industries in Riga have sizeable contributions not so much to the value-added, as to the employment. With respect to export potential, most of the firms operate in local or national markets; years of activity play a role in this respect as younger firms tend to market internationally more than older ones; in the same time smaller firms experience more difficulties with internationalization. The low levels of internationalization might be influencing the low levels of reported demand uncertainty, since well known markets involve fewer risks. This offers more support to the argument that many of the not so much globalized smaller markets suffer from the cultural and linguistic “distance” when it comes to export. Moreover, the results invite to question the generalizability of the innovation arguments to all firms in the creative industries. Even though, the firms report rather high levels of novelty with respect to their activity, we also saw that there is a need of distinguishing between different types of novelty.

Some of these results in both categories invite to address creative industries in a more sector, size and objective specific perspective. However, our findings also indicate that place-specific environments impact on the nature of creative industries in a city. When put in the context of historic, cultural, economic and institutional developments of Riga, some of the deviations from the “universal” characteristics can be interpreted in relation to these. On the one hand, these results confirm the argument put forward by Paazlow et al. (2010), that contrary to the common assumptions, production by creative industries in less developed economies, such as post-socialist cities, might be of lower value-added than in the Western economies. Creative industries in Riga display some of the characteristics, but have not yet been able to develop to the stage where their activity could be regarded as highly creative and innovative. Instead of driving the economy, they play more the role of employers and a sector for growing start-up entrepreneurship, where the latter develops quicker than the skills of the labour pool necessary. On the other hand, following the transition to the European geopolitical and cultural space, it might also be difficult for the enterprises that do offer high value-added products or services to break the image among their potential foreign clients associated with low-cost labour and production, resulting in competitive disadvantage. Moreover, when dealing with intellectual property rights, the current underdeveloped juridical framework might be impeding the value capture process of creative firms. Finally, the low levels of reported cultural activity (as opposed to creative, normal or luxury) in our for-profit sample shows that cultural producers are still more likely to carry out their activity in the government or non-profits sphere as a form of institutionalised heritage from socialist period.

On the EU policy level, these results highlight the “non universal” character of the creative industries and illustrate that it is possible to have a preliminary grasp on some aspects that are linked to place-specificity via research. The findings should be seen as a base and starting point for a more in-depth follow-up study into the place-specific characteristics of creative industries. This can help to introduce a better-grounded decision-making process and elaboration of policy and support

mechanisms concerning the creative industries. In addition, the results reconfirm the need of more thorough economic classification within the statistical framework.

In conclusion, our analysis implies that the features of the creative industries cannot be taken as universal. Further research should be done in other cities, to look for the explanations of found discrepancies and put forward future research on the role of place-specific characteristics of creative industries. These results also invite to reconsider the theories underlying much empirical research.

## Appendix A

List of creative industries sectors and relevant NACE classifiers<sup>7</sup>.

| Creative sub-sector        | Industries                              | Included NACE 4 digit classifiers   |
|----------------------------|---|---|
| Publishing sector          |   | 58.11 Publishing of books   |
|                            |   | 58.12 Publishing of directories and mailing lists publishing activities           |
|                            |   | 58.13 Publishing of newspapers (excluding software)                               |
|                            |   | 58.14 Publishing of journals and periodicals                                      |
|                            |   | 58.19 Other publishing activities (excluding software)                            |
|                            |   | *18.11 Printing of newspapers   |
|                            |   | *18.12 Other printing   |
|                            | *18.13 Pre-press and pre-media services |   |
| Film industry              |   | 59.11 Motion picture, video and television programme production activities        |
|                            |   | 59.12 Motion picture, video and television programme post-production activities   |
|                            |   | 59.13 Motion picture, video and television programme distribution activities      |
|                            |   | 59.14 Motion picture projection activities  |
| Music publishing           |   | 59.20 Sound recording and music publishing activities                             |
|                            |   | 18.20 Reproduction of recorded media  |
| Broadcasting               |   | 60.10 Radio broadcasting  |
|                            |   | 60.20 Television programming and broadcasting activities                          |
| Cultural economic branches |   | 90.01 Performing arts   |
|                            |   | 90.02 Support activities to performing arts                                       |
|                            |   | 90.03 Artistic creation   |
|                            |   | 90.04 Operation of arts facilities  |
|                            |   | 74.20 Photographic activities   |
| Libraries and museums      |   | 91.01 Library and archives activities   |
|                            |   | 91.02 Museums activities  |
|                            |   | 91.03 Operation of historical sites and buildings and similar visitor attractions |
|                            |   |   |

<sup>7</sup> Classifiers marked with “\*” were not included in Söndermann et al. (2009) study. Highlighted classifiers are all part of the Latvian National definition of CI, according to the statistical updates, which can be found on the webpage of Ministry of Culture of Republic of Latvia. Some of the classifiers included in that model are not included in this one.



|                                |   |
|--------------------------------|---|
| <b>Architecture</b>            | 71.11 Architectural activities<br>74.10 Specialised design activities   |
| <b>Design (specialized)</b>    | 71.12. Engineering activities for projects in specific technical fields and engineering design  |
| <b>Advertising</b>             | 73.11 Advertising agencies<br>73.12 Media representation  |
| <b>Software/ games</b>         | 58.21 Publishing of computer games<br>58.29 Other software publishing<br>62.01 Computer programming activities  |
| <b>Fashion (manufacturing)</b> | *14.11 Manufacture of leather clothes<br>*14.12 Manufacture of workwear<br>*14.13 Manufacture of other outerwear<br>*14.14 Manufacture of underwear<br>*14.19 Manufacture of other wearing apparel<br>*14.20 Manufacture of articles of fur<br>*14.31 Manufacture of knitted and crocheted hosiery<br>*14.39 Manufacture of other knitted and crocheted apparel<br>*15.11 Tanning and dressing of leather; dressing and dyeing of fur<br>*15.12 Manufacture of luggage, handbags and the like, saddlery and harness<br>*15.20 Manufacture of footwear |
| <b>Design (manufacturing)</b>  | *17.24 Manufacture of wallpaper<br>*23.31 Manufacture of ceramic tiles and flags<br>*23.41 Manufacture of ceramic household and ornamental articles<br>*26.52 Manufacture of watches and clocks<br>*31.01 Manufacture of office and shop furniture<br>*31.02 Manufacture of kitchen furniture<br>*31.03 Manufacture of mattresses<br>*31.09 Manufacture of other furniture<br>*32.12 Manufacture of jewellery and related articles<br>*32.13 Manufacture of imitation jewellery and related articles  |
| <b>Cultural education</b>      | *85.52 Cultural education   |

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