

4 Entrepreneurship and business development in cultural and creative sectors

Cultural and creative sectors are important contributors to the economic landscape at both national and regional levels. They contribute to a notable share of economic output, promote firm and job creation and foster innovation and productivity. They are important drivers of regional and local development across OECD countries. Entrepreneurship in cultural and creative sectors (CCS) differs from other sectors due to their complex industry structures and diversity of business models thus necessitating tailored policy supports. This chapter reviews significant trends in CCS entrepreneurship across OECD countries, impacts of the current crisis and ways to strengthen the resilience of the sector in the recovery.

In Brief

Cultural and creative sectors generate economic value and contribute to broader business and innovation ecosystems

- **CCS generate important amounts of wealth.** In 2018 businesses from CCS sectors directly contributed an average of 2.2% of total business economy gross value added (GVA) in OECD countries, representing approximately USD 666 billion of value generation. The contribution to national GVA by CCS is even larger in some countries, for example, CCS contributed 3.8% of total business economy GVA in the United Kingdom, 3.6% in the United States and 3.1% in France.
 - **CCS are a large part of the business landscape and are growing fast.** In 2018, an average of 7% of all enterprises in OECD countries were from CCS. Moreover, between 2011 and 2018, the number of enterprises in CCS has grown by 18% across OECD countries. This rate is higher than total economy enterprise growth at only 12%.
 - **CCS are highly innovative and contribute to innovation in other sectors of the economy, but their contribution to innovation is currently under-represented in official data.** CCS are highly innovative, producing new products, services and content; developing new business models and ways of working; and developing and integrating technologies in novel ways. They also feed into innovation in other sectors of the economy. However, this innovation is not well captured in official statistics as innovation metrics such as research and development (R&D) expenditure often fail to account for the different characteristics of innovation in CCS.
 - **CCS businesses have been some of the worst-hit by the COVID-19 pandemic, but the impact has been uneven across sectors.** Venue and site-based activities (e.g. theatre, cinema, festivals, museums, etc.) were heavily affected by successive lockdowns and travel restrictions. However, those businesses with a strong digital content have often done very well, such as the gaming and music streaming services.
 - **CCS have certain characteristics which make entrepreneurship and business support policy particularly important for this sector.** The vast majority (96%) of CCS businesses are micro enterprises (employing fewer than 10 employees) and rely heavily on freelance workers. Organisations in CCS are also typically project-based, meaning that CCS businesses often work collaboratively with freelancers and other businesses in temporary arrangements. Moreover, CCS create value which is largely intangible and can therefore be viewed as high risk by investors.
 - **Increased digitalisation has had a profound impact on CCS.** Digitalisation has shifted the industry structures in CCS and spurred new business models and new forms of collaboration. It has also opened up new opportunities for CCS entrepreneurs to sell and disseminate content to larger audiences and reach new markets. However, businesses need digital skills and infrastructure support to fully take advantage of these opportunities.
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Why CCS businesses and entrepreneurs matter

CCS businesses and entrepreneurs promote firm and job creation, innovation, productivity and ultimately stimulate economic growth

CCS businesses are important contributors to the economic landscape at both national and regional levels. CCS businesses generated approximately USD 666 billion of value for OECD countries in 2018, with GVA contributions averaging 2.2% of total business economy GVA in OECD (see the Reader's Guide for further information on the classification of CCS sectors used in this chapter). They also generate wealth in other sectors of the economy by providing products and services to other businesses, through supply chain links, and by increasing sales in related sectors (for example through their impact on tourism and merchandise sales). Moreover, the number of enterprises in CCS has grown faster than the total business economy for OECD countries between 2011 and 2018 (18% growth in the number of CCS enterprises compared to 12% growth in the number of enterprises in the total business economy), with CCS enterprises now accounting for 7% of the total business economy.

CCS are also major players in national and regional innovation ecosystems. CCS businesses are highly innovative, creating new products, services, processes and business models. They also directly contribute to innovation in other sectors of the economy through collaboration, interdisciplinary research projects, and so-called “soft innovation” contributions (i.e. innovations which are primarily aesthetic in nature) across supply chains. Alongside these direct contributions to innovation, creativity and culture have important unforeseen external effects (spillover effects) on economic activities, companies, organisations and communities, as ideas, skills and knowledge developed in CCS are taken up by other sectors.

Consequently, CCS are seen as a key driver of economic development. CCS drive local development through encouraging inward investment, attracting high skilled labour and contributing to local innovation ecosystems, as well as by creating jobs and revenues. It is these economic benefits of CCS, alongside the social and cultural benefits that CCS provide, which can stimulate growth at regional levels. Consequently, CCS have been put at the heart of many regions' smart specialisation strategies, seeking to capitalise on the important benefits these sectors can offer.

The specific dynamics of CCS means that entrepreneurship is of fundamental importance to how businesses in these sectors operate. Although there is significant diversity between CCS subsectors, in general CCS exhibit certain characteristics which make entrepreneurial skills and approaches particularly relevant for these sectors. First, CCS have a high concentration of micro businesses and small- and medium-sized enterprises (SME), with 99.9% of CCS businesses in OECD countries falling into this category. This is a higher rate than for the economy more generally. Second, CCS activities are often project-based, meaning that innovation and new ideas are central to many firms' business models. Third, as discussed in Chapter 3, CCS rely heavily on freelance workers and many creative “businesses” are solo entrepreneurs.

Increasing digitalisation, accelerated by the COVID-19 pandemic, has opened further opportunities for CCS entrepreneurship, but also creates challenges. Widespread digitalisation has increased access to markets and audiences (e.g. through online shopping, online exhibitions and online performances) and opened up new forms of cultural and creative content and content delivery (e.g. virtual and augmented reality, podcasts, e-books and digital marketing). In some ways, this has lowered barriers to entry for the creation and dissemination of creative work, as digital tools (such as cameras, and editing software) are widely available at low cost and online platforms (such as YouTube and Spotify) enable direct access to audiences. This “democratisation” of technology access has enabled the emergence and viability of sole traders in CCS and opened opportunity for cultural organisations (such as museums) to experiment with new forms of technology and new business models. However, these shifts have led to significant changes in the structure of industry sectors, often displacing traditional intermediaries (such as publishing houses, film studios, and record labels) with new types of actors (such as streaming service providers and

digital platforms) and creating new inequalities in access to skills, capabilities and infrastructure. Moreover, adapting to digitisation often requires a substantial shift in business model, which can be challenging to enact without sufficient business skills and financial resources (OECD, 2021^[1]).

CCS make significant contributions to the business landscape across OECD countries

CCS contribute a notable share of economic output

CCS generate important amounts of wealth for OECD countries. In 2018 businesses from CCS sectors contributed on average 2.2% of total business economy gross value added (GVA) in OECD countries, representing approximately USD 666 billion of value generation. At a national level, many countries see an even higher contribution from CCS businesses, with CCS GVA representing 3.8% of total business economy GVA in the United Kingdom, 3.6% in the United States and 3.1% in France (see Figure 4.1). It is important to point out that however, due to data limitations, these figures exclude creative arts and entertainment activities as well as library and archive activities, so the GVA statistics presented in this report only capture value added for some parts of CCS (Box 4.1).

Box 4.1. Gross value added (GVA): what's included

Gross value-added statistics have been compiled from Structural Business Statistics (SBS) data taken mainly from the Eurostat database. This dataset only includes information on part the economy – termed the business economy. Consequently, the CCS GVA figures presented in this report only refer to some CCS sectors and the proportion of GVA only relates to the business economy, not GVA for the economy as a whole.

For GVA figures CCS does not include the following sectors:

- R90 - Creative, arts and entertainment activities
 - R90.0 - Creative, arts and entertainment activities
 - R90.0.1 - Performing arts
 - R90.0.2 - Support activities to performing arts
 - R90.0.3 - Artistic creation
 - R90.0.4 - Operation of arts facilities
- R91 - Libraries, archives, museums and other cultural activities
 - R91.0 - Libraries, archives, museums and other cultural activities
 - R91.0.1 - Library and archives activities
 - R91.0.2 - Museums activities
 - R91.0.3 - Operation of historical sites and buildings and similar visitor attractions
 - R91.0.4 - Botanical and zoological gardens and nature reserves activities

The business economy does not include the following sectors:

- A - Agriculture, forestry and fishing
- K - Financial and insurance activities
- O - Public administration and defence; compulsory social security
- P – Education

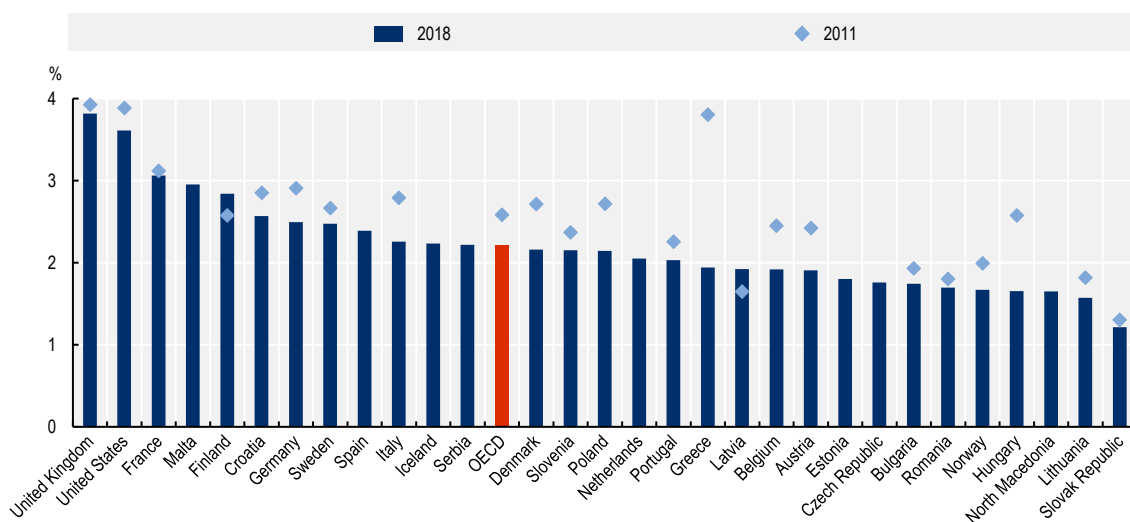
- Q - Human health and social work activities
- R - Arts, entertainment and recreation
- S - Other services activities (except for S95 - Repair of computers and personal and household goods, which is included)
- T - Activities of households as employers; undifferentiated goods - and services - producing activities of households for own use
- U - Activities of extraterritorial organisations and bodies

It should also be noted that gross value added from SBS data may not always align with those from national accounts due to the fact that, in some countries, gross value added includes intermediate consumption of services.

The GVA contribution of CCS is comparable to other major sectors of the economy. Recent analysis of CCS in Europe using a slightly different definition of CCS shows CCS contributed 5.5% of the European Union's (EU) total economy GVA in 2017. This was higher than the total contribution of the accommodation and food services sector at 3.7% and only slightly less than the contribution of the Information and Communications Technology (ICT) sector at 6.3% (EIF/Deloitte/KEA European Affairs, 2021^[2]).

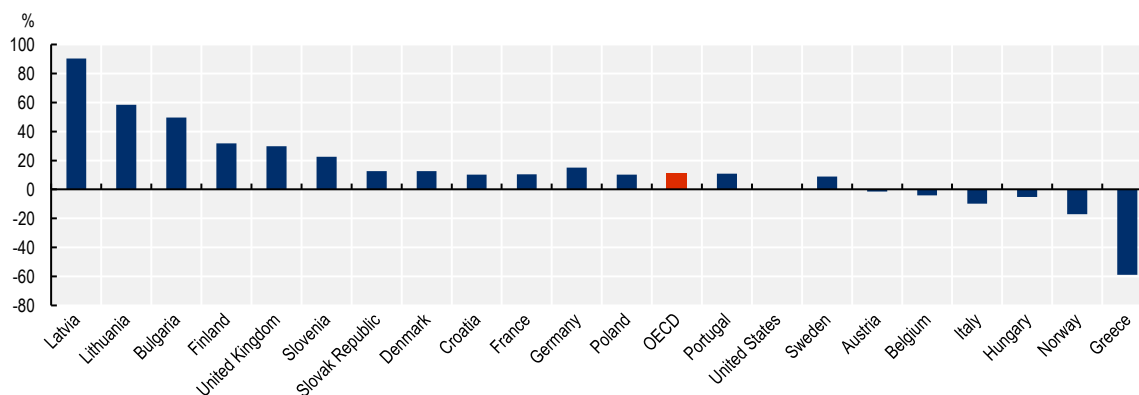
The GVA of CCS has been rising since 2011, however, it now makes up a smaller proportion of total business economy GVA. In assessing GVA growth rates, two time periods have been selected: 2011, shortly after the global financial crisis and 2018, right before COVID-19 hit the global economy. Between 2011 and 2018, GVA rose by 11.4% across the OECD economies for which there is available data, demonstrating clear growth of the sector. However, the share of GVA attributed to CCS dropped slightly, from 2.6% in 2011 to 2.2% in 2018 (see Figure 4.1). This means that CCS are generating more GVA than they did in 2011 (after adjusting for inflation), but are making up a slightly smaller proportion of the total business economy GVA.

Figure 4.1. Cultural and creative sectors' value added at factor cost as a share of the total business economy, 2011 and 2018



Note: Business economy here includes NACE Rev. 2 sectors B to J, L to N, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, and N7722.

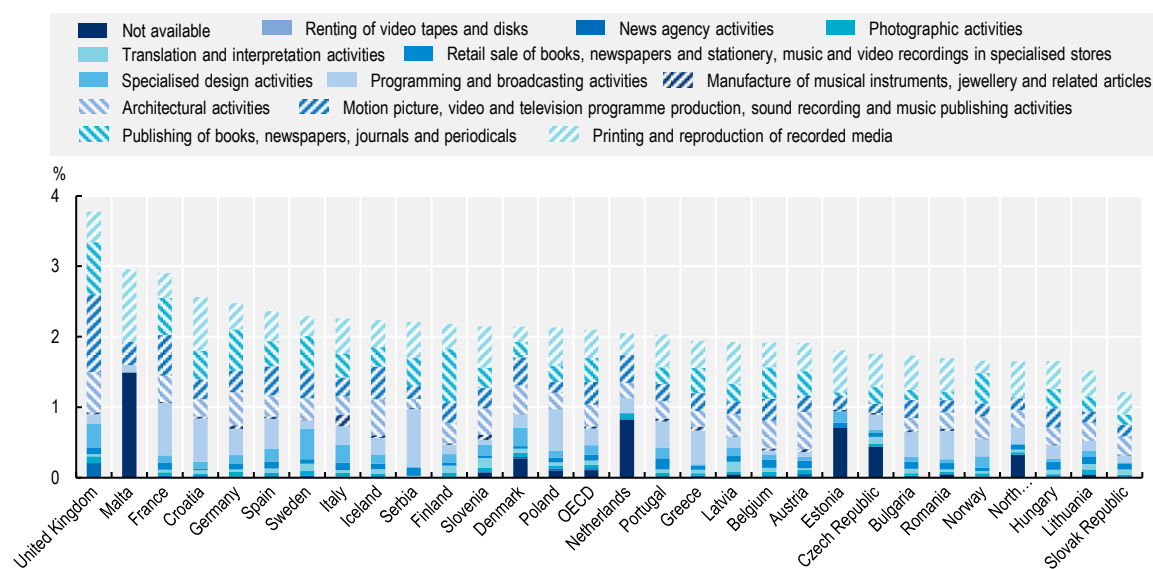
Source: OECD calculations on Eurostat (2021^[3]), *Value added and turnover of enterprises in the cultural sectors by NACE Rev. 2 activity*, <https://ec.europa.eu/eurostat/web/culture/data/database>; United States Bureau of Economic Analysis, *Industry Economic Accounts*.

Figure 4.2. Growth rate of real value added by cultural and creative sectors, 2011 to 2018

Note: Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, and N7722.

Source: OECD calculations on Eurostat (2021^[3]), *Value added and turnover of enterprises in the cultural sectors by NACE Rev. 2 activity*, <https://ec.europa.eu/eurostat/web/culture/data/database>; United States Bureau of Economic Analysis, *Industry Economic Accounts*.

Economic value generation is uneven across the subsectors that comprise CCS (Figure 4.3). Using the most recent data, in 2018, the share of cultural and creative sectors to the total business economy was highly diverse in EU27 countries. Broadly speaking, four sectors are shown to be major contributors to GVA in all countries: i) Printing and reproduction of recorded media, ii) Programming and broadcasting activities, iii) Motion picture, video and television programme production, sound recording and music publishing activities, and iv) Architectural activities. The first three of these sectors combined make up just under a third of total CCS GVA in the EU27, demonstrating the importance of the film and television value chain to national economies. However, it is also important to point out that many countries lack data at a subsector level, making direct comparison between countries problematic.

Figure 4.3. Share of value added by cultural and creative sectors to the business economy, 2018

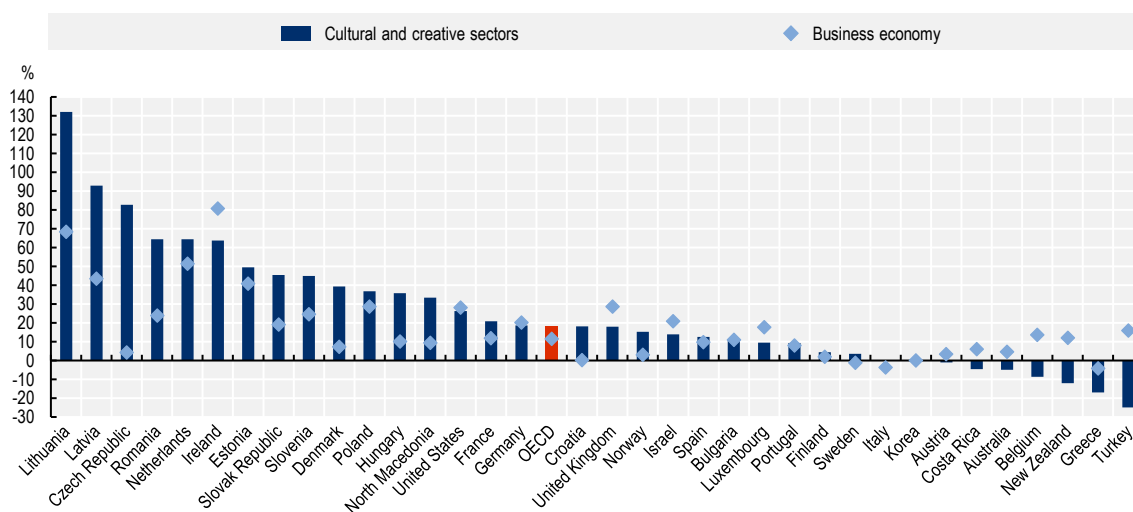
Note: Business economy here includes NACE Rev. 2 sectors B to J, L to N, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, and N7722.

Source: OECD calculations on Eurostat (2021^[3]), *Value added and turnover of enterprises in the cultural sectors by NACE Rev. 2 activity*, <https://ec.europa.eu/eurostat/web/culture/data/database>

The number of CCS enterprises has grown over the past decade, outstripping enterprise growth in the total business economy. Between 2011 and 2018, the number of enterprises in CCS has grown by 18% across OECD countries, outpacing the total business economy, which grew at about 12% (see Figure 4.4). This pattern is evident amongst the majority of OECD countries, with only 12 countries experiencing lower growth in CCS than in the rest of the business economy. Many countries have witnessed an even more dramatic rise in the number of CCS businesses, with CCS enterprises growing over twice as much as that of the overall business economy in the Czech Republic, Denmark, Finland, Hungary, Latvia, Malta, North Macedonia, Norway, Romania and the Slovak Republic.

Prior to the pandemic the number of CCS enterprises had been growing faster than the rest of the economy

Figure 4.4. Growth rate of the number of enterprises, 2011 to 2018



Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, N7722, R90, and R91. Latest data for Australia and Costa Rica are from 2017.

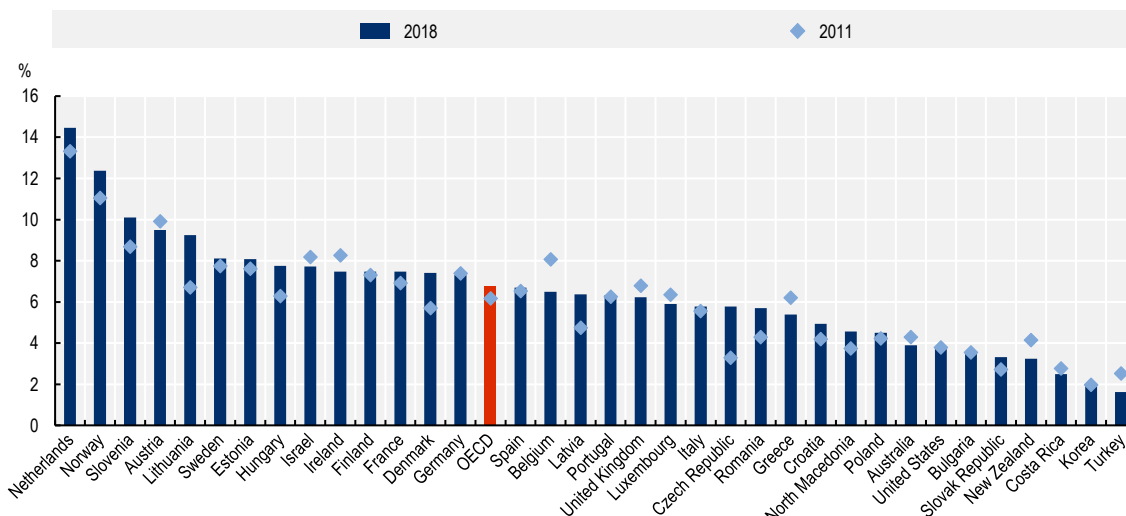
Source: OECD calculations on OECD (2021^[4]), *OECD Regional Statistics (database)*, <https://doi.org/10.1787/6ef7b296-en> (ad-hoc data collection); Eurostat (2021^[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*

Not only have the number of CCS enterprises increased over the last decade, but they are making up an increasing proportion of the total number of enterprises in the business economy. In 2011, 6.2% of enterprises in OECD countries were in CCS (see Figure 4.5). In 2018, this figure has increased to 6.8%. The majority of OECD countries have seen a growth in the share of CCS enterprises over this period. However, we do see variation in the share of CCS, with CCS businesses making up 14.5% of the total business economy in the Netherlands, and only 1.6% in Turkey.

Productivity of CCS businesses varies considerably between countries, but on average appears to have declined between 2011 and 2018 for CCS businesses. There are multiple ways to measure productivity. One common method is to look at the value generated by the labour force in a given industry, calculating labour productivity as the amount of GVA generated in an industry divided by the number of hours worked by all employees in that industry (OECD, 2001^[6]). Data on hours worked is not available for CCS businesses however. Consequently, a slightly less robust measure of productivity can be made by assessing GVA per worker. Here we find that GVA per worker in CCS has decreased by 2.8% across the OECD countries for which data was available between 2011 and 2018. Whereas, GVA per worker across the business economy has increased by 15.5% during this period. However, there was wide variation across countries. For example, GVA per worker in CCS had increased by 52% in Romania and decreased

by 51.7% in Greece. Moreover, the Czech Republic, Finland, Romania, Latvia, Spain, Sweden and the United Kingdom all saw higher productivity growth in CCS than in the total business economy. For example, Spain saw a 38% increase in GVA per worker in CCS, compared to a 4% increase in the business economy.

Figure 4.5. Cultural enterprises as a share of all enterprises in the business economy, 2011 and 2018

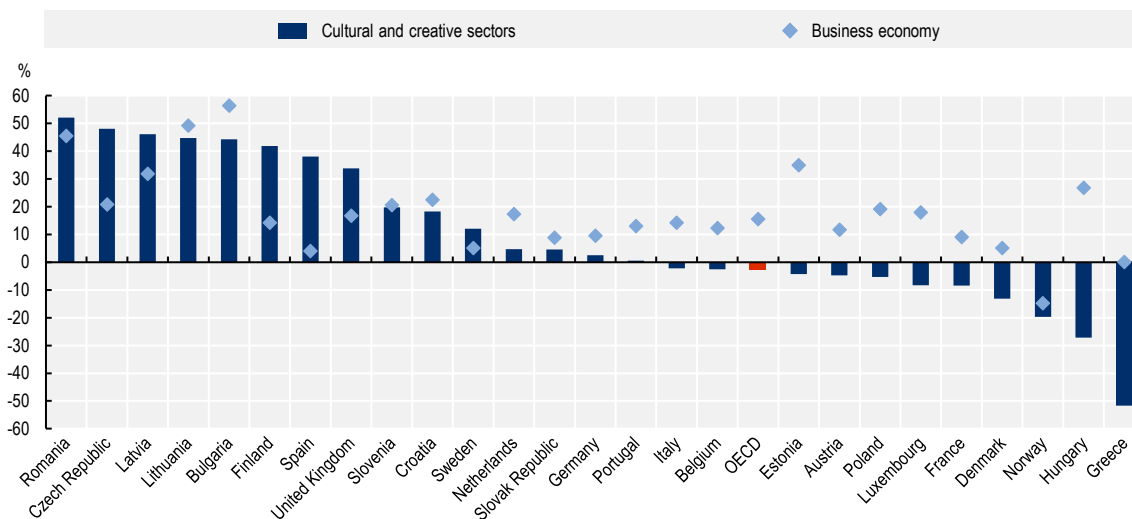


Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, N7722, R90, and R91. Latest data for Australia and Costa Rica are from 2017.

Source: OECD calculations on OECD (2021^[4]), *OECD Regional Statistics (database)*, <https://doi.org/10.1787/6ef7b296-en> (ad-hoc data collection); Eurostat (2021^[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*

Figure 4.6. On average, CCS productivity has declined between 2011 and 2018

Growth rate of gross value-added per worker in CCS and the total business economy



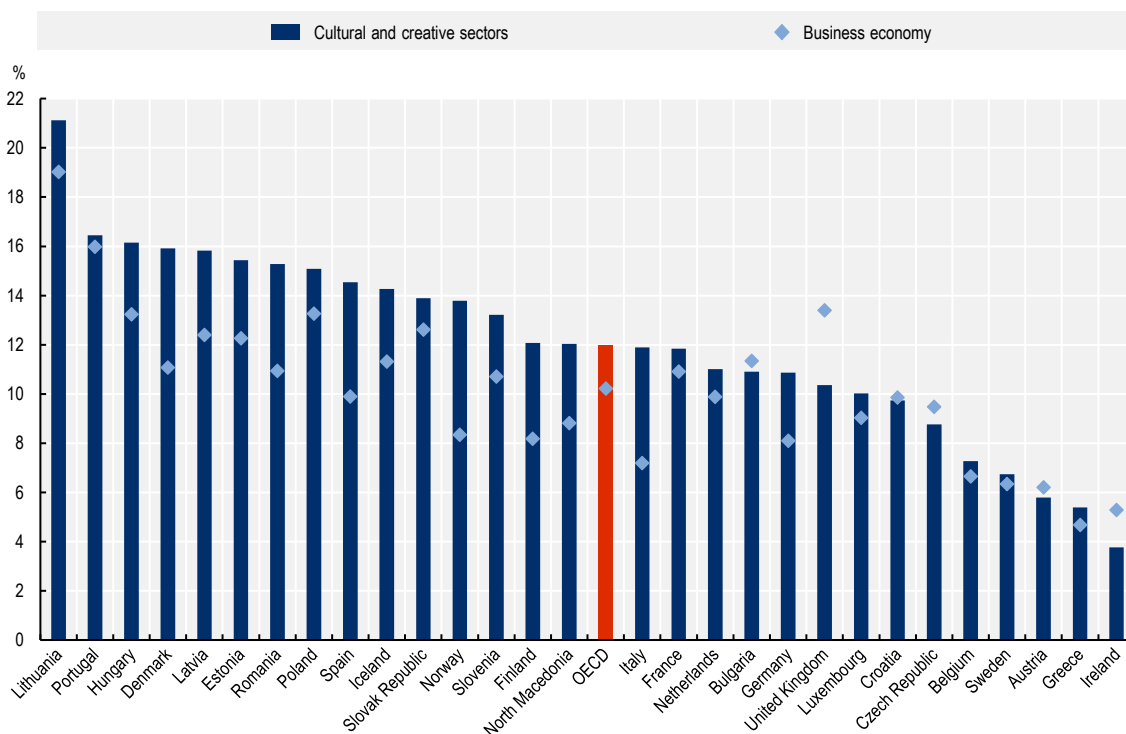
Note: Business economy here includes NACE Rev. 2 sectors B to J, L to N, and S95. Due to data limitations, cultural sectors are limited to C18, C322, J58, J59, J60, M7111, M741, M742, M743, and N7722 with some countries limited to a subset of these sectors.

Source: OECD calculations on OECD (2021^[4]), *OECD Regional Statistics (database)*, <https://doi.org/10.1787/6ef7b296-en> (ad-hoc data collection); Eurostat (2021^[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*

There was a higher proportion of new enterprises in CCS than in the rest of the business economy in 2018. In 2018, the number of new CCS enterprises as a proportion of all active CCS enterprises (i.e. the birth rate) averaged 12% across OECD countries. This was higher than the birth rate for the business economy, which averaged 10.2%. In the majority of OECD countries however, CCS birth rates were even higher. For example, in Denmark, Estonia, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania and Serbia the CCS birth rates were over 15%. This could partially reflect the low barriers to entry for many types of CCS activity, especially as digitisation has lowered costs for the production and dissemination of much cultural and creative work. Given the productivity issues discussed above, policy makers have an opportunity to support these new entrants in becoming profitable businesses.

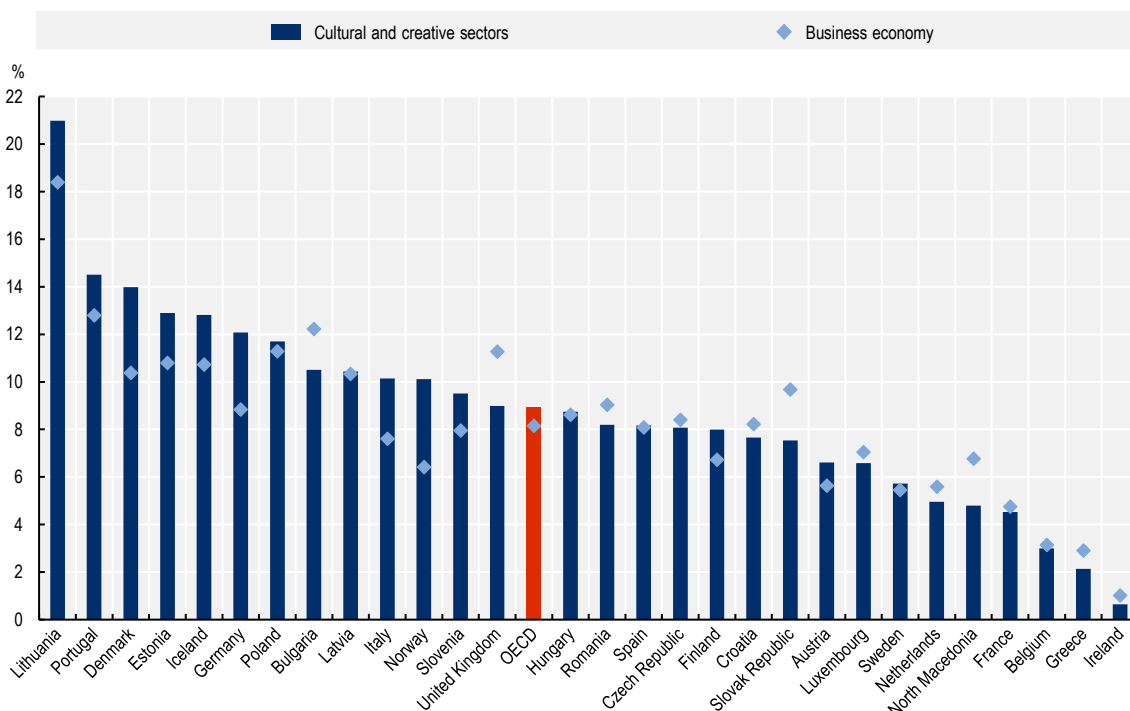
Death rates of CCS enterprises are lower than death rates in the total business economy for several OECD countries. In 2018, the average death rate for CCS (e.g. the proportion of businesses which closed or ceased being active) was slightly higher than the average death rate for the total business economy for the OECD (8.9% compared to 8.1%, respectively). However, this was not uniform amongst countries. For example, the United Kingdom saw CCS enterprise death rates at 2.3 percentage points lower than the total business economy, Slovak Republic 2.1 percentage points and North Macedonia 2 percentage points lower. We also see some correlation between high birth rates and high death rates amongst OECD countries, indicating greater churn of business activity in CCS for countries such as Lithuania, Bulgaria and Portugal and lesser churn for countries such as Belgium, Greece, Austria and Ireland. However, there are a number of exceptions to this; for example, Malta has an exceptionally high birth rate of CCS enterprises, but a CCS enterprise death rate very close to the OECD average.

Figure 4.7. Birth rates of enterprises in the business economy, 2018



Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Cultural and creative sectors are limited to J59, J60, M7111, M741, M742, M743, N7722, R90, and R91.

Source: OECD calculations on Eurostat (2021^[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*

Figure 4.8. Death rates of enterprises in the business economy, 2018

Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Cultural and creative sectors are limited to J59, J60, M7111, M741, M742, M743, N7722, R90, and R91.

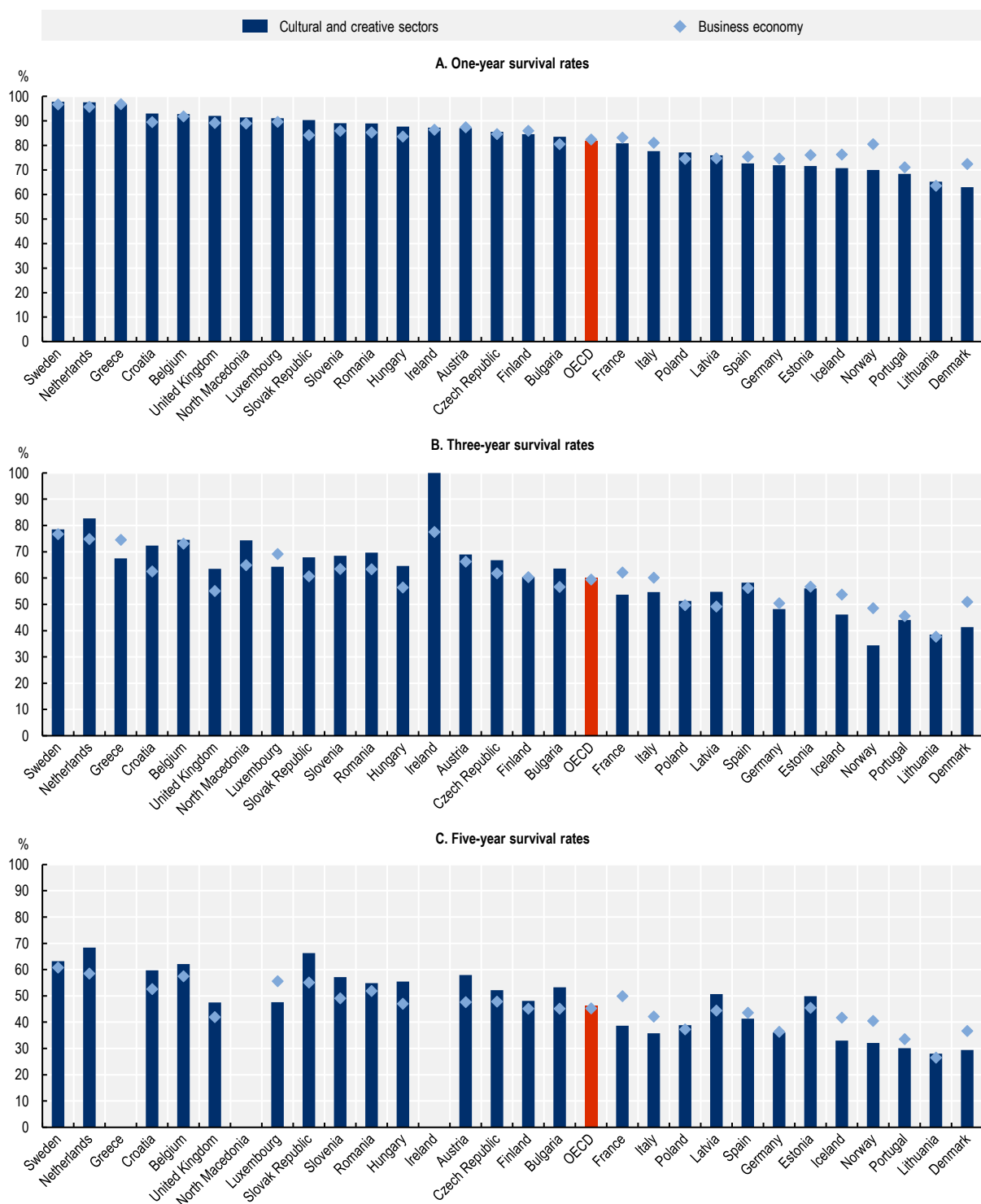
Source: OECD calculations on Eurostat (2021^[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*

The vast majority of CCS enterprises survive their first year, and show similar patterns of survival to the rest of the business economy. Across all OECD countries, 82% of CCS enterprises survive their first year. This survival rate of CCS is only slightly lower than that of the total business economy at 82.4% (see Figure 4.9). The majority of CCS enterprises (60.2%) also survive 3 years, though (again similarly to the total business economy) only 46.3% survive 5 years.

While these figures indicate that CCS enterprises show similar survival rates to other sectors of the economy, there is wide variation across OECD countries and this variation increases over time periods. For example, in Sweden survival rates for CCS are 1 percentage point higher than for the total business economy after one year, around 2 percentage points higher than the business economy after three years and about 3 percentage points higher than the business economy after five years. Conversely, Spain shows lower survival rates for CCS enterprises (73%) than for the total business economy (76%) after one year, but a similar five-year survival rate for CCS enterprises (46.6%) than for the total business economy (46.7%).

This demonstrates the importance of context-specific CCS entrepreneurship and business development policies. The variation in birth, death and survival rates amongst OECD countries indicates the importance of different types of approaches. This includes understanding the challenges faced by CCS businesses at different points in their life cycle and targeting intervention towards areas of weakness.

Figure 4.9. Survival rates for enterprises in the business economy, 2018



Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Due to data limitations, cultural and creative sectors are limited to J59, J60, M7111, M741, M742, M743, N7722, R90, and R91. Greece, North Macedonia, and Ireland are missing data for 5-year survival rates.

Source: OECD calculations on Eurostat (2021^[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*.

Cultural and creative goods are a significant driver of trade

CCS are generating an increasing amount of wealth for national economies through international exports. Between 2005 and 2019, the exports of cultural and creative goods worldwide doubled in value, amounting to over USD 271 billion in 2019 (UNESCO, 2022^[7]). Around two thirds of these exports were in visual arts and crafts goods. Trade in cultural and creative services is more difficult to measure, as countries do not generally provide data on service trade at a detailed enough level to distinguish trade in cultural and creative services specifically (UNCTAD, 2018^[7]). Estimates from available countries show that exports of cultural and creative services have similarly grown, doubling in value between 2006 and 2019 and amounting to over USD 117 billion in 2019, however this is likely to be an underrepresentation as data on cultural and creative services trade is unavailable for many major economies (UNESCO, 2022^[7]).

International trade in CCS goods is uneven globally. In 2015, The ASEAN +3 countries¹ accounted for almost 40% of global exports of cultural and creative goods, while Europe, including the United Kingdom, accounted for a further third (UNCTAD, 2018^[7]). China, the United States, and France were the top three exporters of cultural and creative goods globally. In 2019, around 70% of the total value of cultural and creative goods came from developed countries plus China and India (UNESCO, 2022^[7]).

Increasing globalisation and digitisation have expanded the international market for CCS goods and services. Video on demand services (such as Netflix and more recently Disney+) have enabled greater international licencing of television content; e-commerce has enabled craft workers and artisans to expand to global markets; and platform-based market places for app and video games (such as Google Play, Steam, etc.) have enabled small gaming start-ups to reach international audiences. However, while CCS are increasingly accessing global market chains for the dissemination of their work, the inputs to CCS (such as talent, ideas, materials etc.) remain largely localised (EC, 2017^[11]).

International trade in cultural and creative goods and services can boost a country's competitive standing. International trade, alongside the broader economic value that CCS generate contributes to a country's competitive advantage. However, there are broader reputational spillovers associated with cultural and creative goods and services. Many types of cultural and creative goods are deeply associated with certain places (for example Paris and the fashion industry) and these reputational associations further enhance exporting potential. Policy initiatives have been shown to help promote the competitiveness of CCS on the global scene. This is particularly the case in the film industry for example, where governments offer tax incentives for international companies to film and complete post-production work in their country.

COVID-19 has had a severely negative impact on the CCS business landscape, but some sub-sectors have fared better than others

CCS businesses have been some of the worst-hit by the COVID-19 pandemic. Research from UNESCO (2021^[12]) finds that the GVA of CCS fell by between 30% and 40% in 20 major economies in 2020. They estimate that the global fall in CCS GVA amounted to approximately USD 750 billion, representing a 21% decline in CCS contribution to global GVA from 2019. Separate analysis of revenue loss in Europe, estimates a 31% decline in turnover for EU28 CCS between 2019 and 2020, representing a loss of approximately EUR 199 billion (EY, 2021^[13]).

However, these figures represent only the direct loss of CCS GVA and are likely to underestimate the full economic impact stemming from the fall in CCS activity. CCS feed into the activities of other parts of the economy through supply chains and stimulating sales of auxiliary goods and services (e.g. merchandise, travel to live events etc.). Thus, a fall in CCS activity has an indirect impact on other sectors of the economy. Moreover, decreases in CCS activity also impact wages and revenues, which in turn reduces the amount of money spent by workers from CCS sectors (i.e. induced impact). Considering the indirect and induced impact of CCS, the overall loss in global GVA arising from CCS constriction over the pandemic period is likely to be significant. For example, the global fall in production of the screen industry

in the first six months of 2020 led to an estimated fall in output of around USD 62 billion, but this fall in production output was estimated to have led to a further USD 83 billion loss in indirect and induced economic impacts – e.g. through supply chain linkages and the spending power of those employed in screen sectors (Olsberg SPI, 2020^[14]).

The impact of COVID-19 has been uneven across CCS subsectors. As expected, those CCS with venue and site-based activities (theatre, cinema, festivals, museums, etc.) were the most negatively affected by successive lockdowns and travel restrictions, while sectors which rely more on printed and digital media were less heavily impacted. For example, over 70% of museums worldwide reported a loss of over half their annual visitors in 2020, with 44% reporting revenue losses exceeding 50% of annual revenues (ICOM, 2021^[15]). Similarly, there was a 10.1% decline in global revenues from live music rights in 2020, but a 19.9% growth in revenues from music streaming services, bringing total revenue growth of the music industry as a whole to 7.4% (IFPI, 2021^[16]). Interestingly, delays in film production due to the pandemic (Olsberg SPI, 2020^[14]) caused significant decrease in licencing of music, with a fall of 9.4% in global revenues from synchronisation (the use of music in advertising, film, games and TV) in 2020 (IFPI, 2021^[16]). The video games sector, however, saw continued growth, with estimates from Europe showing 2% turnover growth for this sector across the EU28 in 2020 (EY, 2021^[13]).

The capacity of CCS businesses to transition to digital work has been a significant factor in the uneven impact of the global pandemic across CCS subsectors. The importance of in-person audience activities, the ability to adapt to physical distancing measures and the feasibility of remote/home working have been identified as the main characteristics influencing the level of disruption caused by COVID-19 to CCS businesses (UNESCO, 2021^[12]). For example, with the majority of work in design, media and publishing being conducted through digital means, these subsectors have faced relatively little disruption to every day working patterns as people transitioned to remote working. Conversely, performance and heritage sectors faced double challenges of loss of audiences and relative lack of ability to work remotely.

In addition, the variability of business models and funding sources across CCS sectors has had a bearing on the sectors' resilience during the crisis and its ability to recover. For example, Creative Scotland found that those CCS organisations which had curbed their reliance on government funding and successfully developed new income streams prior to COVID-19, appeared to have suffered more throughout the pandemic (Creative Scotland, 2020^[17]). While Creative Scotland and many other public funders have maintained their financial support, organisations for which this accounts for only a small proportion of their total income have seen other sources of income (for example catering and retail) disappear with lack of audiences. While organisations which relied more heavily on government support prior to the pandemic may have suffered less from lack of sales revenues than those with a more market-driven business model, the impact on these sectors is likely to be felt more heavily in the medium and long term, as government budgets are reassessed in the wake of COVID.

Box 4.2. Resilience strategies to cope with COVID-19 pandemic have been different across sub-sectors

Digitisation and adaption across CCS in response to COVID-19 pandemic

A recent literature review examining how businesses in different sub-sectors of CCS responded to the first year of COVID-19, identified four potential strategic responses. These responses were largely determined by the sectors level of digitisation and its ability to quickly adapt existing business models. Those with high digital capabilities and high ability to adapt were able to utilise their position and *adapt to growth*. Those with high digital capabilities and low ability to adapt, were able to maintain their activities through development of their digital offerings, in an *adaptation to survive* strategy. Those with low digital capabilities and high ability to adapt, were able to maintain some amount of *strategic stability*

by drawing on government support and continuing to provide services where legally allowed to do so. Finally, those with low digital capabilities and low ability to adapt had to adopt *consistency* strategies by maintaining their offerings as much as they were able. This group suffered extensive revenue and job losses as a result.

Figure 4.10. Strategic responses of CCS

Digital capabilities	Adaptation to survive	Adaptation to growth
	Social media Publishing Journalism	IT Software Gaming
	Constancy	Strategic stability
	Music Festivals Cultural events Theatres Supporting services to cultural venues	Museums Libraries Exhibitions
Ability to adapt to the crisis		

Source: Khlystova, O., Y. Kalyuzhnova and M. Belitski (2022^[18]), "The impact of the COVID-19 pandemic on the creative industries: A literature review and future research agenda", <http://dx.doi.org/10.1016/j.jbusres.2021.09.062>.

The pandemic has accelerated the use of digital tools and further embedded digital dissemination in CCS business models. For example, whilst online performances and digital tours of museums and heritage sites had been increasing before the pandemic, regional lockdowns and restricted travel prompted many CCS businesses and organisations to switch their business models and focus efforts on this form of dissemination to maintain connections with their audiences and remain financially viable (Khlystova, Kalyuzhnova and Belitski, 2022^[18]). However, it remains to be seen the extent to which these changing business models will be maintained (UNESCO, 2021^[12]).

Though many CCS businesses have faced extreme difficulties during the pandemic, this period has also prompted considerable innovation. Survey evidence from the UK finds that just under 40% of CCS firms launched new products or services during the pandemic, just over 40% marketed their products or services to new types of customers or clients and around a third adopted new digital ways of selling products and services (Siepel et al., 2021^[19]).

COVID-19 has also accelerated linkages between CCS and other major sectors of the economy, such as education and health. With much education swiftly moving to digital delivery, the pandemic has prompted increased development of digital educational platforms and accelerated "Ed-Tech" innovation (OECD, 2020^[20]). With growing demand for "edutainment" (for instance in the field of serious educational games) CCS are well placed to partner with education providers in developing interactive learning tools and creative educational content.

CCS contribute to innovation throughout the economy

Innovation in CCS is different to innovation in other sectors of the economy

Innovation takes many forms. Businesses can innovate by developing new products or services, by adopting new processes or ways of producing or delivering their products or services, by developing new business models, or by developing new strategies for marketing (OECD/Eurostat, 2018^[21]). These activities help businesses respond to market changes, enter new markets and remain competitive. Moreover, the innovation efforts of one business produce significant spillovers benefits for other business and for society at large, as the knowledge, capabilities, skills and ideas generated through innovation promote further innovation and opportunities for learning.

Different industry sectors typically have different structures, strategies and approaches to innovation (Pavitt, 1984^[22]). In taking a broad view of industry sectors, much of this difference can be explained by considering the “knowledge base” or main area of knowledge creation that dominates a given industry (Boschma, 2018^[23]; Asheim, 2007^[24]; Manniche, Moodysson and Testa, 2016^[25]). CCS operate within a “symbolic” knowledge base (Asheim, 2007^[24]), relying on the creation of goods and services which have symbolic or cultural value. Consequently, innovation practices in CCS generally rely more heavily on tacit and context-specific cultural knowledge than in other sectors and require greater acceptance of risk, experimentation and flexible innovation strategies (Caves, 2000^[26]; Bakhshi, Freeman and Desai, 2010^[27]; Lampel, Lant and Shamsie, 2000^[28]; Choi, 2010^[29]). However, the diversity of CCS and their supporting business models directly influence the way creativity and innovation is approached. For example, while some artists might primarily rely on personal “inspiration” for new ideas, creatives working in digital businesses such as video games might take a more collective approach to idea generation and development (Drake, 2003^[30]).

Much innovation in CCS occurs through informal mechanisms. While large firms in some sub-sectors (such as video games developers) may have more formalised modes of innovation, SMEs typically have fewer resources to invest in formal R&D programmes (OECD, 2019^[31]) and as such innovation in CCS generally takes less standardised forms. For example, evidence suggests that a majority of CCS businesses conduct R&D without a specific budget (Tether, 2021^[32]). The difficulty here is in the demarcation of innovation-related processes from core creative production activities. Innovation is more often integrated into the business of cultural and creative enterprises, and can be an ongoing feature of projects (e.g. the revision of tools throughout the development of a game or repackaging broadcast content for online or mobile platforms).

Moreover, much radical innovation in CCS is driven by ideas and concepts developed in sub-sectors such as visual and performing arts, where innovation practices are individuated and non-routinised. In this way, subsidised and non-profit cultural activities can act as an R&D lab for commercial businesses, with public funding enabling them to take risks with creative content and ideas (Crossick and Kaszynska, 2016^[33]) which can then be taken up by for-profit businesses at reduced risk. One example of this is the role of cutting-edge visual arts and experimental cinema in generating innovations quickly adopted in advertising, mainstream cinema and entertainment. Yet, in many instances cultural institutions and not-for-profit arts organisations are excluded from innovation strategies and policy frameworks, limiting the ability of such actors to fully embrace their innovation potential (OMC, 2018^[34]).

The highly networked and project-based structure of CCS makes collaboration in innovation activities commonplace. An advantage of the strong social and professional networks evident across CCS, is that businesses can pool resources in their innovation activities through collaborative working and open innovation strategies. Here we see many project-based collaborative innovation endeavours, with businesses collaborating with suppliers, customers and competitors, both within CCS and with other sectors of the economy.

Innovation in CCS is also highly interdisciplinary. One of the main ways in which CCS businesses are innovating is through the development and adoption of new technologies (Green, Miles and Rutter, 2007^[35]). Research has suggested that the most innovative businesses in CCS are those who combine, or “fuse”, creative art and design skills with technology expertise (Sapsed et al., 2013^[36]). Moreover, CCS businesses are increasingly working with businesses in other sectors, such as health and education on interdisciplinary research projects (EC/KEA European Affairs, 2018^[37]). For example, video games developers working on projects to develop “serious games” for the training of airline pilots and surgeons, and visual artists working with health professionals to develop therapeutic strategies such as provision of cognitive stimuli to Alzheimer patients. Moreover, ideas, methodologies and approaches used in creative sectors can be utilised by other industries to develop their innovation competencies. For example, non-technological, social and service innovation in traditional industries can be enhanced by introducing design thinking methodologies and culture-based creativity approaches (EC, 2020^[38]). Promoting such, cross-sectoral innovation requires breaking down funding, education and policy silos and embracing interdisciplinary, inter-industry and collaborative approaches towards innovation (EC, 2020^[38]).

Innovation in CCS is underrepresented in official data

Much innovation in CCS remains “hidden” as innovation is typically associated with engineering and technology-based sectors. As discussed above, innovation in CCS is different to innovation in other sectors. However, many national innovation surveys were originally designed to capture innovation in traditional industrial sectors (OECD/Eurostat, 2018^[21]) and thus are not always well placed to identify innovation in CCS. Moreover, much R&D activity of CCS businesses is not captured through traditional innovation measures (such as R&D expenditure) as these metrics often focus exclusively on advances in science and technology (Bakhshi, 2020^[39]). Similarly, the use of patent data (a common method of identifying innovation) fails to adequately capture innovation outputs of CCS businesses, as CCS activity generally relies on copyrights rather than patents to protect intellectual property.

While CCS are now incorporated in international definitions of innovation and R&D, this is relatively new and data collection is yet to catch up. Since the mid-1970s, the potential for innovation in the arts, humanities and social sciences has been recognised by the OECD in its proposed standards for surveys of research and experimental development, the Frascati Manual (OECD, 1976^[40]). Yet, the conventions of measurement, originally designed for use in engineering and natural sciences, continue to discount much innovation activity in CCS (Godin, 2002^[41]). For example, the requirement for experimental development to be directed towards “producing new products or processes, or to improving existing products or processes” (OECD, 2015^[42]), can be problematic for CCS businesses whose outputs are often based on audience experience, which may not neatly fit into either category (Lomas, 2017^[43]). Moreover, the widespread misconception that R&D is the purview of science and technology sectors, has led many CCS businesses to not recognise their own R&D activity as legitimate, and therefore likely under report their R&D activity in innovation surveys (Bakhshi and Lomas, 2021^[44]). Similarly, while creative work, design activities and marketing activities are explicitly incorporated into definitions of innovation by the OECD, capturing data on investment in the broad range of intangible assets that can facilitate innovation in CCS is problematic (OECD/Eurostat, 2018^[21]).

This makes the contribution of CCS to innovation difficult to measure at an international level. Only a few countries report R&D expenditure at the level of granularity required to compile statistics for CCS. For example, the UK has produced statistics showing an overall expenditure on R&D by CCS businesses (including the IT subsector, which would not be considered part of CCS in many definitions) of GBP 2 874 million in 2018, which was approximately 11.5% of total business expenditure on R&D across the whole economy (UK Office for National Statistics, 2020^[45]). Moreover it shows that R&D expenditure has been growing steadily since 2009 in almost all CCS subsectors (the film, television, radio and photography sector, along with the advertising sector, have been particularly high growth). However, given differences in the definition of CCS across nations, comparing national level reporting such as this is problematic.

As part of Horizon Europe, the European Commission will be targeting funding to research in CCS innovation. This work will look to deepening knowledge of CCS and their role as a driver for innovation, including the interactions and spill-over effects of CCS to other sectors (EC, 2021^[46]). However, there remains a significant need for better quality reporting of innovation indicators at a national level, to aid cross-country comparisons.

Despite the difficulties in measuring innovation in CCS, studies at a country level indicate that CCS are highly innovative and contribute to innovation across the economy

CCS can contribute significantly to a region's or nation's innovation capabilities. CCS themselves are highly innovative, producing new products, services and content; developing new business models and ways of working; and developing and integrating technologies in novel ways (Green, Miles and Rutter, 2007^[35]). They also contribute to innovation in other sectors of the economy through the services they provide (such as design and advertising) (Stoneman, 2010^[47]), and as a source of new ideas. In particular, some of this innovation potential is associated with sectors that are less exposed to market pressures and that for this reason can engage in more radical forms of experimentation, such as visual and performing arts. As such, we can think of CCS businesses as providing outputs which are themselves innovative and also providing outputs which become inputs into the innovation activities of other businesses (Potts, 2009^[48]).

Evidence from the UK indicates that CCS businesses are themselves highly innovative. Evidence from the United Kingdom suggests that CCS² businesses are engaging in innovation and R&D activities to a similar extent, and in some cases even more, than traditional sectors of the economy (Bird et al., 2020^[49]; Tether, 2021^[32]; Gkypali and Roper, 2018^[50]; Lee and Rodríguez-Pose, 2014^[51]). For example, Gkypali and Roper's (2018^[50]) analysis of the UK Community Innovation Survey finds a significantly higher proportion of businesses in CCS engaging in innovation than businesses across the rest of the economy (Table 4.1). Similarly, evidence from Austria indicates over 70% of CCS businesses engage in innovation, having introduced some form of product or process innovation between 2005 and 2007 (Müller, Rammer and Trüby, 2009^[52]).

Table 4.1. Selected innovation indicators, UK

	Creative industries (%)	Rest of the economy (%)
Product innovation	33	22
New to the market innovation	14	8
Process innovation	21	16
Organisation innovation	52	44
Ongoing innovation activities	32	20

Note: This report uses the DCMS definition of CCS, which includes parts of the IT sector that would not be considered part of CCS in other definitions.

Source: Gkypali, A. and S. Roper (2018^[50]), "What can we learn about the innovation performance of the creative industries from the UK innovation survey?", https://media.nesta.org.uk/documents/Creative_industries_innovation_analysis.pdf.

There is also country-level evidence of the extent to which CCS businesses feed into the innovation activities of other sectors of the economy through supply chain linkages. Evidence suggests that supply chain linkages create opportunity for CCS businesses to feed into the innovation activities of firms in other sectors. They do so both by directly providing goods and services for use in innovation activity and through the exchange of knowledge and ideas. For example, by analysing official input-output accounts and survey data on businesses innovation for firms in the UK, Bakhshi et al., (2008^[53]) find that strong supply-chain linkages to CCS businesses are associated with higher levels of innovation for firms across

the economy. Moreover, Kimpeler and Georgief (2009^[54]) find, in an Austrian context, that businesses in other sectors of the economy who invest little in regards to their own R&D and innovation activities still profit from the innovative inputs of CCS businesses through supply chain linkages.

Evidence also suggests that CCS businesses and non-profit organisations act as incubators for talent, skills and ideas, which generates innovation spillovers in for-profit businesses. For example, by studying non-profit arts and cultural organisations in the US, Markusen et al. (2006^[55]) find that the majority of artists work in both for-profit and not-for-profit sectors at some point in their career, with the skills that they develop through their non-profit work impacting their ability to feed into for-profit sectors. Moreover, evidence from UK suggests that innovation undertaken by the public sector broadcasting organisation, the BBC, has generated significant knowledge spillovers through other businesses using and developing technologies originally developed by the organisation (KPMG, 2021^[56]). Here researchers estimate that “every GBP 1 of BBC spend on R&D yielded between GBP 5 and 9 of monetised societal benefits, including benefits to the BBC”.

The innovative potential of CCS is increasingly recognised by policy makers. In 2018, the EC published an overview of policies and research on innovation in CCS in Europe (EC, 2018^[55]). The report documents over 50 policies and research studies at both national and EU level, covering CCS as a whole and sub-sectoral policies and research. The breadth of material found in this report demonstrates a growing interest in harnessing CCS for innovation and integrating innovation into CCS policy making.



Box 4.3. Promoting innovation in CCS: the case of Conexiones Improbables, Spain

Conexiones Improbables is a creative and cross-sector innovation consultancy which aims to strengthen the CCS ecosystem by facilitating and promoting cross-sector collaboration and utilising creativity as a driver of innovation. As a partner of the European Commission's New European Bauhaus project, the organisation works with both local and international actors to support and promote innovation in CCS. The organisation has four main pillars of work:

1. Helping cultural and creative sector organisations to improve their management and innovation processes;
2. Working towards making organisations in other economic and social sectors more creative and innovative;
3. Offering training and educational work in areas of action and knowledge relating to innovation, territorial development policies and cultural management;
4. Supporting public and private entities in strategically designing to build more creative cities and territories;
5. Conexiones improbables applies open collaboration innovation methodologies, encouraging cross-fertilisation processes and tackling complexity from a transdisciplinary, systematic perspective. It uses tools of applied creativity by introducing logic, methodologies, experiences, patterns of thought or professionals from the fields of arts, culture and creativity. The organisation has worked with local governments, not-for-profit organisations and private companies around the world

Source: Conexiones improbables (2022^[58]), *Hybridise to Innovate: The Art of Connecting People and Organisations*, <https://conexionesimprobables.es/>. (accessed 15 March 2022)

Entrepreneurship and business development in CCS differs from other sectors

CCS have complex industry structures

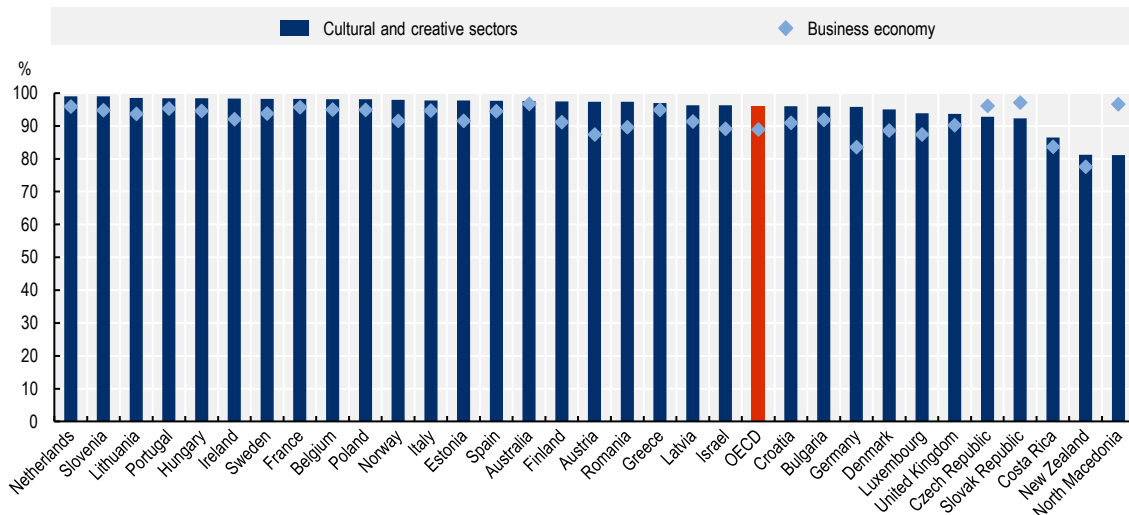
In general, CCS are characterised by complex labour market dynamics, relying on small initiatives and non-conventional forms of employment (HKU, 2010^[59]; Ross, 2009^[60]; Comunian, Faggian and Li, 2010^[61]; Naudin, 2017^[62]). As discussed in Chapter 3, part-time work, temporary contracts, self-employment, and informal employment, are common in CCS, with the sector encompassing highly networked and fluid labour dynamics.

Within this context, new types of workers are emerging in CCS: the “entrepreneurial individual” or “entrepreneurial cultural worker” (Naudin, 2017^[62]). Those working under this category no longer fit into previously accepted patterns of full-time professions. For example, the cultural or creative entrepreneur often holds multiple jobs, and not necessarily all of them in the CCS, as their skills may be too specialised to work for one company full-time (Easton and Cauldwell-French, 2017^[63]).

Alongside the presence of entrepreneurial individuals, CCS also exhibit a high concentration of micro (fewer than 10 employees) and SME business (see Figure 4.11). In 2018, 99.9% of CCS enterprises in OECD countries were micro enterprises or SMEs, including in that figure 96.1% having fewer than 10 employees (micro enterprises). This is a higher proportion than most other sectors of the economy, with micro enterprises comprising 88.9% of the total business economy. Moreover, while large businesses

(250 employees or more) make up 0.2% of the total business economy across OECD countries, large businesses make up only 0.1% of CCS business.

Figure 4.11. Proportion of all enterprises that have fewer than 10 employees, 2018



Note: Business economy here includes all economic activities in NACE Rev. 2 B to J, L to N, R90, R91, and S95. Cultural and creative sectors include C18, C3212, C322, G4761, G4762, G4763, J5811, J5813, J5814, J5821, J59, J60, J6391, M7111, M741, M742, M743, N7722, R90, and R91.

Source: OECD calculations on OECD (2021^[4]), *OECD Regional Statistics (database)*, <https://doi.org/10.1787/6ef7b296-en> (ad-hoc data collection); Eurostat (2021^[5]), *Regional Structural Business Statistics (table sbs_r_nuts06_r2)*

The strong presence of micro enterprises in CCS presents both opportunities and challenges for business dynamics in the sector. Micro enterprises and SMEs are the driving force behind much innovation in CCS, as they are more agile, able to adapt quickly to changes in the market, and can exploit technological or commercial opportunities that have been overlooked by larger companies (OECD, 2019^[31]). Moreover, SMEs can provide more niche services than larger firms, playing a key role in enhancing the innovation capabilities of other businesses and creating knowledge spillovers. However, micro enterprises and SMEs also typically have more constrained resources (in regards to capital, cash flow, and capabilities) than larger firms. Moreover, as discussed in Chapter 3, many of these enterprises consist of freelance workers or solo entrepreneurs who operate in often precarious conditions.

Entrepreneurial individuals and micro/SME businesses typically converge around particular projects. Businesses in CCS commonly revolve around project-based work, for example the development of a new film, book or exhibition. This type of work requires different skills at different times, meaning that CCS businesses often work collaboratively with freelancers and other businesses in temporary arrangements. These fluid labour dynamics and project-based working promote the creation of strong networks of creative entrepreneurship, where personal and profession relationships are of great importance (Grabher, 2002^[64]; Grabher, 2001^[65]; Watson, 2012^[66]). In this way, CCS can be a sort of “entrepreneurial bricolage” whereby resource constraints (e.g. lack of skills, capabilities infrastructure etc.) are overcome through collaborative working arrangements and knowledge sharing (de Klerk, 2015^[67]), which promotes innovation through the combination and recombination of ideas (Kogut and Zander, 1992^[68]).

These particular characteristics of CCS make entrepreneurship policy especially vital for the sector. SMEs in general are particularly susceptible to market failures, policy inefficiencies and inconsistencies (OECD, 2019^[31]). However, in CCS these issues are compounded by the fact that these

sectors produce largely intangible assets whose value may be subjective, which increases the risk for businesses operating in this sector. Moreover, considering the large role played by freelancers in CCS, policies relating to self-employed work have a large impact on the sector.

CCS are part of complex and interconnected value chains (EC, 2017^[11]). As such, policymakers are increasingly approaching the design of CCS policy using ecosystem approaches. For example, the European Commission has identified CCS as one of 14 key ecosystems in its industrial strategy (EC, 2021^[46]). The adoption of the ecosystem approach in its industrial strategy encompasses consideration of all players operating in the CCS value chain: from SMEs and start-ups to large companies and non-for-profit organisations, from academia to research, and service providers to suppliers (EC, 2020^[69]).

Intellectual property is significant for CCS value generation

CCS businesses create value through the generation and exploitation of intellectual property (IP) (DCMS, 2016^[70]). As part of the “knowledge economy”, CCS typically produce “products” (such as films, books, magazines and pieces of music) which hold value because of their creative content, rather than any physical property. In order to create economic value, cultural and creative products must be produced and distributed “in a manner which can make their continued production and distribution economically sustainable and hence provide income for their creator” (WIPO, 2015^[71]). In this context, IP protection enables businesses to capture value from these products, either through sales (without risk of imitation) or through licencing their IP to other actors. While some CCS businesses will involve the direct creation of IP (e.g. a magazine), others will contribute to the generation of IP through the services they offer (e.g. a design company).

Intellectual property is integral to how CCS generate growth. The generation of IP in one CCS subsector, contributes to growth in other subsectors through the allocation of IP rights. For example, a book generates IP that can be licenced out for a film or television programme, which in turn can drive sales of merchandise or games which also licence the IP alongside sales of newly created IP (such as a film soundtrack). This produces circular growth, as sales in one medium drive sales in other mediums, and provide additional revenue generation through advertising and the sale of complimentary products (e.g. television, video games consoles etc.) (Deloitte, 2021^[72]).

Copyrights are the most important form of IP protection for CCS. Broadly speaking, there are four types of IP protection: patents, trademarks, industrial design rights, and copyrights. While some CCS businesses may invent new forms of technology for example, typically patents are less applicable to CCS as they require the invention of something which has “practical” or functional use. Trademarks are of some relevance to CCS, as they protect a brand or trading name, however, these rights are not, in general, of much greater importance to CCS than to other sectors of the economy. Industrial design rights protect the aesthetic qualities of a product, or how a product looks and feels (for example, a particular pattern, or the shape of a product). These rights are an important form of IP protection which is generated by CCS services (for example design agencies), but the returns of this form of IP are generally taken up by businesses in other sectors. Copyrights protect “the creative expression of ideas in many different forms – text, still or moving pictures, sound works, three-dimensional shapes such as sculptures and architecture, reference works and collections of data” (WIPO, 2020^[73]). Consequently, these rights are the most important form of protection for the majority of CCS businesses as they protect the creation of cultural and creative content.

Protecting copyrights however is a big challenge for CCS. Negotiating royalty and licencing deals, collecting revenues and taking legal action against copyright infringement require substantial skill and resources. Consequently, many CCS businesses use intermediary organisations, referred to as collective management organisations (CMOs) to manage copyrights on their behalf. These CMOs represent rights owners from all cultural and creative fields, such as musicians, composers, photographers, visual artists, performers, writers, and publishers and as such form an integral part of the CCS business ecosystem. While CMOs greatly aid in recovering revenues from copyrighted work, piracy represents a significant issue for CCS businesses. For example, digital piracy of video content in America has been estimated to cause a loss in revenues of between USD 29.2 billion and USD 71.0 billion annually, representing a revenue reduction between 11% and 24% (Blackburn, Eisenach and Harrison Jr., 2019^[74]).

CCS have a strong diversity of sectors and business models

Despite some general tendencies of CCS, each sub-sector has unique characteristics in regards to industry structure and entrepreneurial activity. For example, the film and television sector has an “hourglass” structure, with a few large businesses (such as film studios and streaming services) dominating the funding and dissemination of creative content and many small businesses (such as production companies) and freelancers (such as actors and directors) taking on much of the work of creative production. Despite the dominance of a few major players, analysis of the American film and television industry found that 87% of businesses in this sector employ fewer than 10 people (MPA, 2020^[75]). Alternatively, architecture has a more even mix of SME and large firms, where most of the creative work is conducted in-house.

Across CCS sectors there is a range of different business models. At the most basic level, we can consider that CCS businesses vary in their production of either goods or services (or both) and in their orientation towards business to business (B2B) or business to consumer (B2C) models. Beyond this, there are business models in relation to the product or service offering. For example, Searle (2017^[76]) distinguishes business models in CCS in relation to four categories: i) *product models* which involve the sale or licencing of standardised goods and services (e.g. the sale of books or recorded music); ii) *solutions models* which involve offering tailored solutions to client needs (e.g. design companies or advertising agencies); iii) *matchmaking models* which involve connecting producers and consumers and facilitating sales (e.g. art auction houses or online market places such as Etsy for crafts), and iv) *multi-sided models* which involve the business offering products or services to different customers who derive value from each other (e.g. newspapers whose customers are both readers and advertisers).

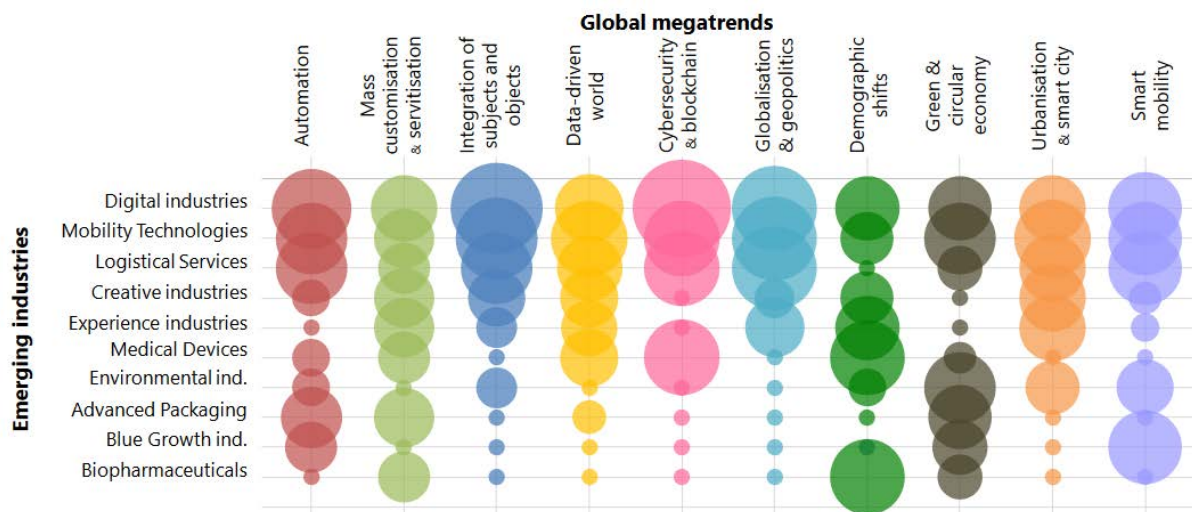
A further way of conceptualising business models in CCS is through their exploitation of IP and the replicability of the goods or services they produce. For example, Nesta (2006^[77]) differentiated between four different types of CCS business: i) *Creative service providers* – similar to “solutions models” mentioned above, these models involve providing services to clients which result in client-owned IP (e.g. advertising agencies, architecture practices, design consultancies, and new media agencies); ii) *Creative content producers* – where the business produces its own IP (usually copyrights), which is then distributed to customers or audiences generating revenues through sales, subscriptions and/or advertising (e.g. film and television production companies, video game development studios, music labels, book and magazine publishers, and fashion designers); iii) *Creative experience providers* – where companies offer consumers the opportunity to experience creative work at a specific time or place (e.g. theatre, opera and dance production companies, live music organisers and promoters and heritage sites); and iv) *Creative originals producers* – which involves the creation of one-off or limited production runs of physical artefacts which derive value from their “perceived creative or cultural value, exclusivity and authenticity” (e.g. visual artists and craft makers).

In practice, businesses, sole traders, and organisations working in CCS typically have mixed business models, encompassing the sale of different types of goods and services to different types of consumers in different ways (Li, 2020^[78]). For example, a musician may release an album for purchase (B2C product sale model), make this album available through a streaming service (B2C subscription model) perform their music live (B2C creative experience model), licence their music for use in an advert (B2B licencing model), and produce music specifically commissioned for a film (B2B tailored service model).

Increased digitalisation is dramatically changing the structure of industries and businesses, particularly in CCS

CCS are some of the most impacted by global technological, socio-political and environmental trends. Evidence from the European Observatory for Clusters and Industrial Change suggests that digital and technological megatrends are having a particularly significant effect on CCS (Figure 4.12), causing shifts in business models, markets, employment, productivity, skills and value chains (EOCIC, 2019^[79]).

Figure 4.12. Impact of ten global megatrends on ten emerging industries



Source: EOCIC (2019^[79]), *European Cluster and Industrial Transformation Trends Report*, European Observatory for Clusters and Industrial Change.

The increased proliferation and advancement of digital technologies have deeply transformed the way in which cultural and creative content is produced, disseminated and consumed. Digital tools have enabled the production of creative and cultural content to a higher standard at a lower cost, lowering barriers to entry for creative content production and “democratising” some elements of the creative process (IDEA Consult/Goethe-Institut, 2021^[80]). This mass production of creative content has been complimented by advances in digital dissemination and instant diffusion through open platforms (e.g. Wikipedia), new media distributors (e.g. Netflix), social networks and content communities (e.g. YouTube) (OECD, 2020^[20]). In this way, digitalisation has provided entrepreneurs and SMEs, more direct access to customers and audiences as well as opening new channels for the marketing and promotion of goods and services.

Advances in technology have also opened up new forms of creative and cultural content as well as new forms of capturing value from creative work. For example, virtual and augmented reality (VR/AR) represent completely new ways for audiences to interact with games, performances, and cultural experiences. Similarly, advances in machine learning and artificial intelligence are increasingly becoming

incorporated in cultural and creative work, for example in design, marketing and even visual art. Technology has also opened up new forms of capturing value from creative and cultural activity, for example through non-fungible tokens (NFTs) which enable trade in digital artworks.

These new technologies have introduced novel opportunities for cultural and creative content to be incorporated into a wider range of business and leisure activities, prompting greater integration of CCS and other sectors of the economy. For example, virtual and augmented reality is being increasingly used in sectors as diverse as construction, engineering, manufacturing, healthcare, transport and education (Immerse UK/Digital Catapult, 2019^[81]). Similarly, new technologies are creating new opportunities for collaboration across sectors, such as car manufacturers sponsoring videogames development to showcase their products. As 5G technology becomes more widespread, these interconnections are likely to increase. As high-capacity processing with lower latency becomes more achievable, the opportunity to create high-quality cultural tools for a wide variety of applications increases.

Today, digital cultural goods such as e-books, music, videogames are, by far, the biggest revenue source for the digital economy (EY, 2015^[82]). Other specialist fields such as augmented reality, virtual reality, programmatic branding, creative robotics, immersive technologies and the application of interactivity to performance and experiential markets are likely to grow (Giles, 2021^[83]).

Investment patterns in these emerging sectors demonstrate opportunity for digital CCS businesses. Analysis of venture capital investment in sectors which operate at the boundaries between CCS and high technology (such as VR/AR, gaming, advertising and marketing technology and machine learning) (Creative Industries Council, 2021^[84]) reveals steady growth in investment in these sectors across Europe from 2017-2020, but uneven growth in other major economies. For example, both India and Israel saw large increases in investment in digital CCS businesses, whereas investment in China and Korea peaked during 2018 and then saw a sharp decline in 2019 and 2020. While the US, China, UK, France and Israel remain the largest investors in digital CCS, these trends suggest that there is great scope for emerging economies in these markets.

These advances have shifted power dynamics and structures in many CCS subsectors, though this is not uniform. For example, advances in digital visual effects (VFX) have deeply transformed the landscape of film and television production. The average spend on special effects as a percentage of production cost is just under 25%, and with increases in online streaming services demand for these services is growing rapidly (Research and Markets, 2020^[85]). In this context, Canada and the UK have become key players in the global film market due to expertise in VFX, displacing Hollywood as the centre of big budget filmmaking (McDonald, 2016^[86]). Another example is the effect of widespread internet use on business models in traditionally non-digital sectors. As internet-based advertising has boomed, this has impacted the revenue streams of TV and newspapers, which traditionally received a large proportion of advertisers' budgets (EC, 2021^[46]). Similarly, as newspapers race to embrace online news, this new mode of dissemination impacts on working practices, as online content requires more immediate and ongoing creation. In sectors such as performing arts, we also see new revenue sharing models in relation to new forms of dissemination. For example, with cinema streaming of live theatre, performers may only receive around 10% of streaming ticket sales revenue (with higher proportions going to the cinema), compared to around 35% of live performance ticket sales revenue (EC, 2017^[11]). However, other sectors such as crafts that are less technologically mediated, or sectors such as museums, which are more geographically embedded, have seen less challenge to traditional industry structures.

Platform technologies have been particularly important in the digital transformation of CCS businesses. Digital platforms are wide-ranging in their purpose, scope and functionality, but can be broadly summarised as “a digital service that facilitates interactions between two or more distinct but interdependent sets of users (whether firms or individuals) who interact through the service via the internet” (OECD, 2019^[87]). In CCS, content delivery is increasingly shifting towards online platforms as a way to reach larger audiences. For example, as Video-On-Demand online platforms (such as Netflix, Hulu,

YouTube, HBO, Amazon Prime Video, Disney+) have grown in popularity, TV and film producers are relying more heavily on these forms of dissemination. Similarly, in video games, users are increasingly using purchasing platforms (e.g. games for PC or Mac on Steam, Epic Games Store, Battle.net; mobile games on Apple Store or Play Store on Android) to access downloadable content (OECD, 2021^[11]). However, as these platforms generate value through “network effects” (e.g. become more profitable by having more members), deals between content developers and major platforms can often hinge on exclusivity deals in regards to broadcasting rights (in the case of video-on-demand platforms) and technological compatibility issues (in the case of games).

In this context, a general trend can be identified from the production of creative goods, towards the provision of creative services (UNCTAD, 2018^[71]). For example, newspapers were once considered a creative good, as they were a physical product that was sold individually. The rise of online news platforms is more akin to a services model, where consumers pay a subscription to access the service. This transition has important implications for copyrights and royalty distribution as well as increased risk of piracy and non-legal access to creative content.

These digitalisation trends have led to new business models in CCS. “Digital technologies have been a key driver of business model innovation by enabling new ways of creating and capturing value, new exchange mechanisms and transaction architectures, and new boundary-spanning organizational forms” (Li, 2020^[78]). For example, dynamic pricing and “freemium” (i.e. access to limited content for free) models have proliferated in the video games industry (Searle, 2017^[76]). But as digital content drastically reduces variable costs (i.e. the cost of reproducing digital content is negligible compared to reproducing physical content), these types of pricing models are increasingly being experimented with by artists and musicians (Li, 2020^[78]).

Policy intervention can support CCS development and growth

Promoting entrepreneurship and business development in CCS requires an ecosystem approach

It is well documented that a strong entrepreneurial ecosystem contributes to a well-developed business environment. This is particularly the case for sectors such as CCS which have a large proportion of freelancers, SMEs and micro enterprises. Understood as the set of interdependent factors and actors that together contribute to the emergence of productive entrepreneurship in a particular territory, entrepreneurial ecosystems are largely dependent on the economic, social and institutional contexts that aim to attract talent and creativity by facilitating interactions and spillovers, growth opportunities and creative atmospheres.

Fostering strong entrepreneurial ecosystems in CCS involves the coordination of policy in different areas. Considering the wide range of issues that impact entrepreneurship, supporting a strong entrepreneurial ecosystem relies not only on traditional business measures, such as access to finance and preferable business regulation, but on fostering environments for entrepreneurship to thrive (OECD, 2017^[88]). This involves coordinated policy in a range of different areas, for example skills and education policy which promotes business and entrepreneurial skills and infrastructure policy to improve digital access and physical transportation links.

An ecosystem approach to entrepreneurship and business development in CCS requires both direct and indirect support. In considering the main issues in which entrepreneurs in CCS face challenges, there are six primary areas in which policy can directly support CCS businesses:

- Access to finance
- Information, advice, coaching and mentoring

- Education and training
- Internationalisation
- Networking and collaboration
- Incubator and accelerator programmes

Box 4.4. Public interventions for cultural entrepreneurship: the case of INCREDIBOL!, Bologna, Italy

INCREDIBOL! is a programme that provides support to creative start-ups, small businesses, and citizen-led organisations through funding, consulting and training activities, networking initiatives, and the rent-free use of public buildings and spaces by means of public tenders. INCREDIBOL! was launched in 2010 and is coordinated by the Municipality of Bologna and co-funded by the Emilia-Romagna region. Over the years, it has also mobilised private-public partnerships among regional actors in CCS such as private foundations, trade associations, cultural associations, and research bodies.

INCREDIBOL! has also helped renovate over 40 previously vacant city-owned spaces in the Bologna area, turning them into sites where young entrepreneurs and freelancers can kick-start new businesses in the CCS. Namely, recipients have turned a vacant historical building into a self-sustaining bike rental business and community hub (i.e., “Dynamo Velostazione”), a vacant food market into a concert hall and cultural space for young local artists (i.e., “Mercato Sonato”), and vacant greenhouses into a social incubator and co-working space (i.e., “Kilowatt – Serre dei Giardini Margherita”).

INCREDIBOL! provides recipients with different benefits depending on their specific needs. First, it provides them with spaces to be refurbished and repurposed as storefronts, offices, and/or spaces open to the local community. Second, it provides them with one-time grants of EUR 10 000 (grants have been increased to up to EUR 2 000 for 2020 to help recipients better cope with COVID-19 related measures). Third, consulting and training activities are offered to help recipients scale up and reach sustainability. INCREDIBOL! also offers recipients the opportunity to connect with its network of public and private partners (e.g., associations, research bodies, foundations). In turn, these partners offer workshops, one-to-one meetings, acceleration programmes, tailored consultancy, or customised outreach activities depending on the needs of recipients.

Source: OECD (forthcoming), Cultural and Creative Sectors and Local Development: the case of Emilia-Romagna.

Access to finance

As discussed extensively in Chapter 5, access to finance is one of the biggest barriers CCS entrepreneurs and SMEs face in starting and growing their business. Access to finance is a major barrier for SMEs and micro enterprises in general (OECD, 2021^[90]). SMEs are typically charged higher interest rates for loans than larger enterprises, and whilst loan rejection rates for SMEs saw a slight decline in 2018, these types of business are still more likely to be rejected for finance than larger firms in many OECD countries (OECD, 2020^[91]). However, CCS businesses face additional challenges in accessing finance as the products and services they offer hold largely intangible value, meaning that they typically have little tangible capital to leverage against debt financing (Brassell and Boschmans, 2019^[92]) and are often viewed as high risk by investors. While financiers are gradually beginning to accept some forms of intellectual property as collateral for financing, this is still uncommon and the finance community in general typically favours tangible collateral for lending (OMC, 2016^[93]).

The barriers around access to finance are compounded by a general lack of information about the funding landscape for CCS and a lack of skills in applying for finance. In accessing start-up or early-stage financing for example, the European Commission identified four key challenges for CCS entrepreneurs: lack of information about relevant sources of finance; limited understanding of funding sources; lack of knowledge of how to present a business plan in a convincing way; learning how to think in ways to grow the company (OMC, 2016^[93]).

However, as the first section of this chapter has shown, CCS businesses can generate substantial amounts of revenues, have broadly similar survival rates to firms in other sectors and are highly innovative. In opening access to finance for CCS businesses, support measures have been aimed at encouraging investment through “de-risking” strategies (e.g. through government-backed loan guarantees), targeted CCS SME finance support (e.g. grants) and government-backed venture capital programmes (see Chapter 5).

Box 4.5. Cultuurloket: combining financial support with business and legal advice for CCS business

In 2018, the Flemish Government, Belgium, launched a public-private collaboration with Hefboom, a cooperative serving as an intermediary between investors and professional initiatives from the social and sustainable economy. This collaboration was to start a “cultural credits” financing initiative called “Cultuurkrediet.”

Cultuurkrediet aims to provide greater support for professionals in the cultural sector, including facilitating access to finance and providing support through counselling and training opportunities. Through the Cultuurkrediet partnership, creatives can apply for a loan with Hefboom for a maximum amount of EUR 100k with interest rates varying from 0-3%. These loans are given without the need for the applicant to put up collateral. During the COVID-19 pandemic, these loans became even more flexible, offering temporary interest-free loans. The Flemish Department of Culture provides two-thirds of the funding via the Guarantee Fund, with the remaining third of the funding from Hefboom.

Cultuurloket also works to provide free first line business and legal advice for individuals and enterprises in the cultural sector. Along with this guidance is included vocational training, personal coaching and advice. As of February 2021, the Cultuurloket initiative has: hosted a website and knowledge bank that welcomes 250 000 visitors a year; made available 75 training sessions a year to help support creatives, receiving 5 634 attendees in total; as well as 5 893 consultancies over the phone in 2020; 816 one-to-one consultancies organised in Brussels as well as 10 cities in Flanders; and 124 process counselling sessions, which include guidance on how to structure and finance a professional project or the career of a cultural and creative worker and/or organisation.

Source: OECD (2021^[94]), “Back in business: SME support ecosystems for cultural and creative sectors”, Maarten Quaghebeur, Cultuurloket, Belgium and Piet Callens, Flanders, Hefboom, Belgium; Cultuurloket (2021^[95]), *Homepage*, Flemish Government Department of Culture, <https://www.cultuurloket.be/> (accessed on 1 November 2021).

Information, advice, coaching and mentoring

Starting and growing a business requires a considerable amount of knowledge in regards to the business, financial, and legal environment as well as internal management and strategy. The SMEs and micro enterprises which dominate CCS are unlikely to have all these areas of expertise in-house, and frequently require outside expertise to help them develop and grow. However, it can be difficult for businesses to assess the competence of external business advice and to assess the additional value that

such advice can provide. As such, businesses may be reluctant to pay for external advice, leading to underutilisation of business support and reliance on the informal acquisition of advice and information (OECD, 2020^[96]). This situation can be seen as a form of market failure, which governments can address through targeted policy intervention.

Lack of managerial and business skills has been identified as a key weakness in CCS. Amongst the range of skills required to grow a successful business, broad managerial issues such as leadership skills, strategy development, financial management and people management (Armstrong and Page, 2015^[97]), as well as specific skills and knowledge for marketing, social media, business plan development and securing finance (Henry et al., 2017^[98]) have been identified as areas in which CCS businesses feel they lack sufficient skills.

Governments can address this lack of knowledge through information, advice, coaching and mentoring schemes. This type of support can be delivered directly through public agencies, through private or not-for-profit organisations, or through a combination of public and private sector actors. It can involve the development of information resources, one-to-one coaching, mentoring, businesses consultancy services or subject-specific advice centres (OECD, 2014^[99]). For example, The Creative Enterprise Toolkit developed by Nesta, provides informational resources for those interested in launching their own creative business (Nesta, 2020^[100]). It includes detailed information, worksheets and case study examples on topics including business model development, financial planning, marketing, and customer relationship management. National advice programmes can also be complimented by local centres, which are able to provide greater information and resources about the local business environment, including region-specific policies and regulations.

However, effective business advice and mentoring need to be tailored specifically towards CCS and advice is required for firms in different stages of development. Given the differences between CCS and other sectors of the economy, and the differences amongst different sub-sectors of CCS, generic business advice is only of limited usefulness. Research suggests that the most effective form of advice for CCS is that which is tailored specifically towards particular subsectors of CCS (Henry et al., 2017^[98]). This means that advisors or mentors require industry-specific knowledge and “a strong track record of expertise and experience in the particular sub-sector arena of the client” (Henry et al., 2017^[98]). Moreover, as businesses face different types of challenges at different stages of their development, they will require different forms of coaching and advice. While, businesses who are seeking to grow may be more active in engaging with external advisory services, targeting advice and mentoring schemes only towards these types of business can miss significant opportunities to improve the productivity of businesses that may not be actively pursuing a growth agenda (OECD, 2018^[101]).

Box 4.6. Developing business mentoring capabilities and putting them in action

Erasmus Mundus + “Bridging the Gap” programme for training CCS business mentors

Bridging the Gap was a two-year project, emerging out of a series of initiatives focused on the role of mentoring in vocational education and training Europe. The purpose of the project was to help bridge gaps between mentoring services and actual practice in CCS, by developing new mentoring methods to support young people in developing creative businesses and careers. The project brought together organisations that specialise in CCS entrepreneurship from the UK, Spain, Italy, the Slovak Republic, Poland, and Greece to develop a programme of entrepreneurial training and development for professional mentors and advisors.

The result of this collaborative initiative was the production of clearly defined occupational profile and competency matrix for creative enterprise mentors and the development of a curriculum for training creative enterprise mentors. This curriculum includes 12 learning outcomes:

- The mentor should demonstrate experience in CCS in at least one specific subsector.
- The mentor should be able to use the appropriate diagnostic methods and tools to assess the mentee and business journey and to create clarity and focus around short- and long-term goals and ambitions.
- The mentor should be able to help build networks inside CCS, at the local, national and international levels.
- The mentor should be able to justify the talent and skills needs of a CCS business or project.
- The mentor should be able to match funding opportunities for CCS.
- The mentor should be able to develop social potential, self-awareness and self-confidence.
- The mentor should be able to foster financial acumen.
- The mentor should be able to engage and involve the mentee in a business approach.
- The mentor should be able to support the creation of a business case for start-ups, analysing clients, competitors, markets.
- The mentor should be able to present and pitch his/her product.
- The mentor should be able to design and manage a project.
- The mentor should be able to broker and facilitate business relationships.

Malta's Business Mentorship Scheme for Creative Start-ups

Launched in 2021, the Business Mentorship Scheme for Creative Start-ups is an initiative run by Malta Business Bureau in collaboration with the Valletta Design Cluster. The scheme supports start-ups in the creative sector wishing to increase awareness and knowledge about fundamental business practice to support their core operations. The aims to:

- Support start-ups in the creative industries in getting a basic understanding of core business practice concepts as applied in Malta's and European business environment
- Provide mentorship on a practice-based approach to start-ups, with a view to assisting scheme participants in their development and growth
- Provide an environment where knowledge-sharing and trust-building can provide a safe and enriching peer-learning experience

Source: Bridging The Gap (2022^[102]), *New Mentoring Methods for Young Creative Entrepreneurs*, <https://www.bridgingthegapeurope.com/> (accessed on 2 March 2022); Malta Business Bureau/Valletta Design Cluster (2021^[103]), *Business Mentorship Scheme for Creative Startups*, <https://vcavdcmembership.eu/wp-content/uploads/2021/06/Business-Mentorship-Scheme-for-Creative-Startups-2021-Guidelines-for-Applicants-1.pdf>.

Education and training

Building entrepreneurship and business skills can also occur through education and training programmes. Entrepreneurship skills and basic business literacy can be developed throughout education, from primary education right through to higher education and in lifetime learning programmes. Such skills can be offered as a standalone subject, or integrated more broadly throughout educational programmes (Volkman et al., 2009^[104]). For example, in primary education entrepreneurship skills can be introduced to students through talks given by local business owners or day trips to visit local businesses; in secondary education entrepreneurship skills can be taught through lessons on basic business planning and financing

or through simulation exercises; at higher education level lessons and business simulations can be complimented with placement opportunities; and outside of formal education systems, more specific courses on different elements of entrepreneurship (e.g. developing business plans, applying for finance, or dealing with legal and regulatory issues) can be targeted towards those wishing to start or grow a business (OECD, 2014^[99])

These skills are particularly necessary for those working in CCS, given the entrepreneurial nature of work in these sectors. Evidence suggests that creative arts and design graduates are more likely than other graduate groups to be self-employed or start their own business (Bloom, 2020^[105]), yet there are questions as to the extent to which creative education incorporates enough business skills to support graduates as they enter the work place. Moreover, with much work in CCS comprising of project-based work and temporary organisations, it can be problematic for individuals to gain the necessary skills through on-the-job training (Armstrong and Page, 2015^[97]).

Survey evidence suggests that CCS professionals lack support in developing entrepreneurial skills. One study of over 50 000 arts alumni in the United States found arts graduates had high levels of dissatisfaction with the level of entrepreneurial, business and financial training they received as part of their education, such as how to network and promote themselves; handle debt and budgets and other business concerns, and how to be entrepreneurial (Frenette and Dowd, 2018^[106]). A survey of CCS professionals in Latin America and the Caribbean found that while over 90% of creative entrepreneurs in the region were college graduates, 52% of creative entrepreneurs learned how to run their business either on-the-go, through trial and error, or to have self-taught their entrepreneurial and business skills (IDB, 2018^[107]). Yet, business and entrepreneurship skills are some of the most in-demand competencies for CCS. For example, survey evidence from the UK shows that over half of firms who report skills gaps identify business, marketing and communications skills as key skills gaps (Bowes et al., 2018^[108]). Moreover, case study evidence shows entrepreneurial and businesses skills to be some of the most frequently cited skills gaps in CCS across Europe (Hausemer et al., 2021^[109]).

Box 4.7. CCS entrepreneurship training in different contexts

- CCS entrepreneurship skills in higher education.** With funding from the European Commission, the Arts & Humanities Entrepreneurship Hubs (AHEH) project aims to support arts and humanities students with an “innovative programme of entrepreneurial training”. The programme brings together 14 partners from 7 EU member states, including universities, business schools, arts schools and science and technology parks. The “hubs” that are located across the EU in different universities and associations serve as physical locations where students can network, empower and collaborate with each other. Alongside the seven modules offered through the AHEH programme, there is also a network of mentors who are creative professionals with entrepreneurial experience that can accompany students through their trainings. Students are also connected with creative enterprises where they are challenged to contribute to professional missions as part of their training.
- CCS entrepreneurship outreach for children and young adults.** Since 2008 in the Korogocho slums in Nairobi, Kenya, the Hope Raisers Initiative has grown into a multi-programme organisation, helping youth that aspire to excel in the performing and visual arts, music, and sports, helping them hone their skills while also teaching them entrepreneurial, or “art-repreneurial” skills, and lastly offering a way to apply their creative skills to advocacy. The creative hub, which specifically focuses on entrepreneurial skills for artists as well as helping them advance their artistic projects, offers a dance studio, a music and DJ studio, an exhibition hall, and visual arts studios. Artists can take classes, rent spaces, and receive mentoring in both art and entrepreneurial skills.

- **Entrepreneurship training for creative professionals.** Springboard for the Arts in St. Paul, Minnesota, United States of America, is an organisation that has been working towards helping artists make a living out of their crafts since 1991. Through Springboard's "Work of Art: Business Skills for Artists" programme, artists can learn career planning, time management, marketing, promotions, pricing, recordkeeping, legal considerations, funding, grant writing, business plan essentials, customer engagement and selling one's work, and artists can also get help putting together their portfolio.

Source: Arts & Humanities Entrepreneurship Hubs (2018^[110]), *Arts & Humanities Entrepreneurship Hub*, <https://www.artshumanitieshub.eu/>; Solutions for Youth Employment (2020^[111]), *Orange Economy: As a Driver of Jobs for Youth*, <https://www.s4ye.org/sites/default/files/2020-09/Jobs%20in%20the%20Orange%20Economy.pdf>; Springboard for the Arts (2021^[112]), *Work of Art: Business Skills for Artists*, <https://springboardforthearts.org/professional-growth/work-of-art-program/work-of-art-business-skills-for-artists/>.

Alongside business and entrepreneurial skills, digital skills are increasingly important for business development in CCS. Digital tools have become increasingly embedded in the everyday working practices of CCS, and innovation in CCS is increasingly utilising advanced technologies. Analysis of CCS job advertisements in the UK in 2017 found that digital technology skills were required roles in all CCS subsectors, and are especially needed in combination with creative or artistic competencies (Sleeman and Windsor, 2017^[113]).

A strong entrepreneurial ecosystem for CCS requires alignment of education and business policy. The evident need for greater entrepreneurship, business and digital skills in CCS can be addressed through alignment of education and business policy to address skills gaps through a combination of curriculum development in schools, colleges and universities as well as increased provision of public and private training programmes.

Box 4.8. Digital skills training for CCS around the world

- **In Jamaica**, the World Bank inaugurated the YEDAI project, which provided digital skills for youth in order to help them get employment in digital and animation sectors. The programme ran from July 2014 through July 2021. As of 2020, 207 students had participated in one of the animation training programmes and became employed by the animation industry; 482 trained interns were placed in apprenticeships (65% of interns were women); and as of July 2021, 1 308 students were participating or had participated in the animation certificate programme.
- **In France**, the French Audio-visual Institute (INA) offers courses in digital technologies to broaden the skill set of students from the audio-visual sector. Other universities and art schools around the world are also offering management classes and digital skills classes to their art students.
- **In South Africa**, Business and Arts South Africa helps develop both entrepreneurial and digital skills, tailoring mentoring to each creative. This initiative was born out of a need to support creative entrepreneurs in a setting where they are often overlooked. Creatives apply and can get accepted to the programme that is both an educational platform as well as a networking platform. The programme works in seven phases (0-6), including recruitment, assistance in applying for and receiving financing, upskilling in skills specific to their craft, entrepreneurial skills, and digital skills (especially relevant for online content creators).

- **In Mexico**, the Programme to Impulse the Creative and Cultural Economies in Mexico, held on 21 May 2021, held 11 workshops on digital skills for creatives, hosting about 1 400 people. Workshops focused on marketing through social media, developing attractive digital content, understand and employ metrics, monetise content, as well as workshops that targeted specific types of artists (whether it be those from the performing arts, music or publishing industries). Classes are still accessible via Facebook blueprint, which serves as the platform for the distribution of online classes.
- **In Guatemala**, The Spanish Cultural Centre in Guatemala held a three-month course on digital competencies for musicians. This was a scholarship programme that received 50 applicants through Google classroom and YouTube (6 July-11 October 2020, during the pandemic, thus online) for young adults located in Central America and the Dominican Republic.

Source: World Bank (2021^[114]), *JM Youth Employment in Digital and Animation Industries*, <https://projects.worldbank.org/en/projects-operations/project-detail/P148013> (accessed on 23 November 2021); Mnyaka, P. (2021^[115]), "Business and Arts South Africa", OECD Summer Academy for Cultural and Creative Industries, 3rd Edition 2021; UNESCO/World Bank (2021^[116]), *Cities, Culture, Creativity - Leveraging Culture and Creativity for Sustainable Urban Development and Inclusive Growth*, <https://doi.org/10.1596/35621>; Centro Cultural de España en Guatemala (2020^[117]), "Convocatoria: Curso de especialización en competencias digitales para músicos", <https://cceguatemala.org/archivos/actividades/convocatoria-curso-de-especializacion-en-competencias-digitales-para-musicos> (accessed on 23 November 2021).

Exporting and internationalisation

Expanding to international markets can rapidly expand businesses' revenue streams, improve their competitive position and offer opportunities for learning and skills development (OECD, 2020^[96]; Love and Ganotakis, 2013^[118]). However, entering international markets and expanding a business in overseas territories can be challenging and requires additional resources. Businesses may lack knowledge on how to market their business overseas, what regulatory barriers they may face, and the logistical requirements of exporting goods. Additionally, businesses may require substantial financial investment to enter new markets and may face increased financial constraints as their activities expand.

For businesses in CCS, there are a number of additional challenges for exporting and internationalisation. Firstly, CCS businesses typically produce goods and services which are culturally embedded meaning that investment may be required to adapt or translate content to suit different cultural contexts (IDEA Consult/Goethe-Institut, 2021^[80]). Secondly, CCS rely heavily on copyrights, which can be more challenging to protect internationally than other forms of IP such as patents (Di Novo, Fazio and Maioli, 2021^[119]). Finally, CCS businesses are typically project-based and require high levels of human capital, making the delivery of projects at an international level challenging.

Increased digitalisation has enhanced access to global markets for CCS (ITC, 2019^[120]). The rise of digital platforms for the dissemination of creative and cultural content and e-commerce platforms for selling creative and cultural goods has made it easier for businesses in CCS to internationalise their business. International trade in CCS has increased over the last few decades (UNESCO, 2016^[121]; UNCTAD, 2018^[7]), and some estimates from the UK show that growth in digital exports of creative and cultural content may be even larger than official figures report (Young and Cauldwell-French, 2018^[122]). However, there remains a large role for governments in supporting CCS businesses to export and internationalise their offerings, through favourable trade regulation, financial support and advisory services.

Networking and collaboration

Networking and collaboration are fundamental to innovation and growth in CCS. As discussed in the previous section, the specific characteristics of CCS businesses (e.g. typically project-based, highly knowledge and human capital intensive, interconnected supply chains, etc.) mean that networking and

collaboration is essential to how firms in these sectors grow and innovate. This includes networking and collaboration between firms in the same subsector, between firms in different subsectors of CCS and cross-industry collaboration between CCS and other sectors of the economy.

Cross-industry collaboration is particularly important for innovation in CCS. Cross-industry collaboration with CCS promotes knowledge spillovers and skills development, and creates more robust innovation systems. Research from the European Commission and KEA European Affairs (2018^[37]) found that over half of CCS professionals and companies engage in cross-sector collaborations, yet only 37% of public authorities engage in activities to promote cross-sector collaboration.

Cross-industry perspectives can lead to new solutions. Ideas and perspectives from different industry sectors can open up new ways of understanding problems and cross-sectoral working can provide innovative solutions. Policy makers can encourage such collaborations through targeted programmes of work. For example, the Cross Innovation Hub in Hamburg, Germany, works with partner organisations from a wide range of industries, offering them the opportunity to work with CCS professionals to collaboratively innovate their practice (Kreativ Gesellschaft, 2022^[123]). The format of these collaborations is built around each unique case, ranging from day workshops to projects which last several months, but typically involves multiple workshops where companies work together with selected creative professionals to develop new ideas, products or solutions.

Box 4.9. RCIA: the Regional Creative Industries Alliance project

As part of the EU's Regional Funds Interreg Europe initiative, the Regional Creative Industries Alliance (RCIA) project aimed to increase the number of collaborations between CCS SMEs and companies from the wider economy, leading to higher competitiveness of both CCS and non-CCS SMEs and eventually to new products and solutions developed through cross-sectorial collaboration. The project sought to positioning CCS as “the missing link” throughout sectors and disciplines regarding innovation and competitiveness.

The project involved the exchange of over 20 “good practices” from regions across Europe, which were incorporated into 8 regional plans. The project aimed to:

- Strengthen the creative SMEs' competitiveness by improving their skills (development/execution of business plans, interaction with investors, mentoring programmes) and to support their growth on global markets.
- Adapt various funding mechanisms to the particularities of CCI (including the possibility of capacity building measures for banks).
- Increase the awareness of the companies from the wider economy on the transformative power (added-value) of creative SMEs for their own competitiveness.
- Develop/adapt/improve the eco-system from classic spatial cross-collaboration into a holistic approach.

One of the actions delivered as part of the project was Design&Plug, a programme which introduces creative methodologies (design thinking, improvisation, gamification...) to help entrepreneurs to develop and launch their projects and future businesses. Inspired by similar initiatives in Wallonia, Belgium, the Barcelona Chamber of Commerce launched the Design&Plug programme with the main objective of helping entrepreneurs and SMEs to create new services and products in an ever-changing context, facilitating relevant and appropriate creativity methods. Creative methodologies help businesses to be more flexible and open their minds to collaborate with other creatives to boost competitiveness, productivity, sustainable growth and ultimately, work opportunities.

The main elements of the programme were:

- Work with a group of cross-disciplinary entrepreneurs that interact among them, learn from each other and find opportunities for collaboration across industries.
- Introduce new creative methodologies in the development of projects, such as brainstorming, improvisation, scripting, gamification, and design thinking.
- Offer the possibility to entrepreneurs to pitch their projects in front of other consolidated entrepreneurs or businesses that might be able to help them to generate commercial partnerships or new business relations.

The action required close cooperation between stakeholders, in this case, the Catalan Government – ICEC, the Barcelona City Council and the Canodrom Creative Research Park, among others.

Source: RCIA (2022^[124]), *Regional Creative Industries Alliance – From European Recommendations to Better Regional CCI Policies for a More Competitive Economy*, <https://projects2014-2020.interregeurope.eu/rcia/>; Barcelona Chamber of Commerce (2020^[125]), *Catalonia Action Plan to Support the Growth and Consolidation of SMEs by Improving Their Access to Advanced Creative Services*, https://projects2014-2020.interregeurope.eu/fileadmin/user_upload/tx_tevprojects/library/file_1589441970.pdf.

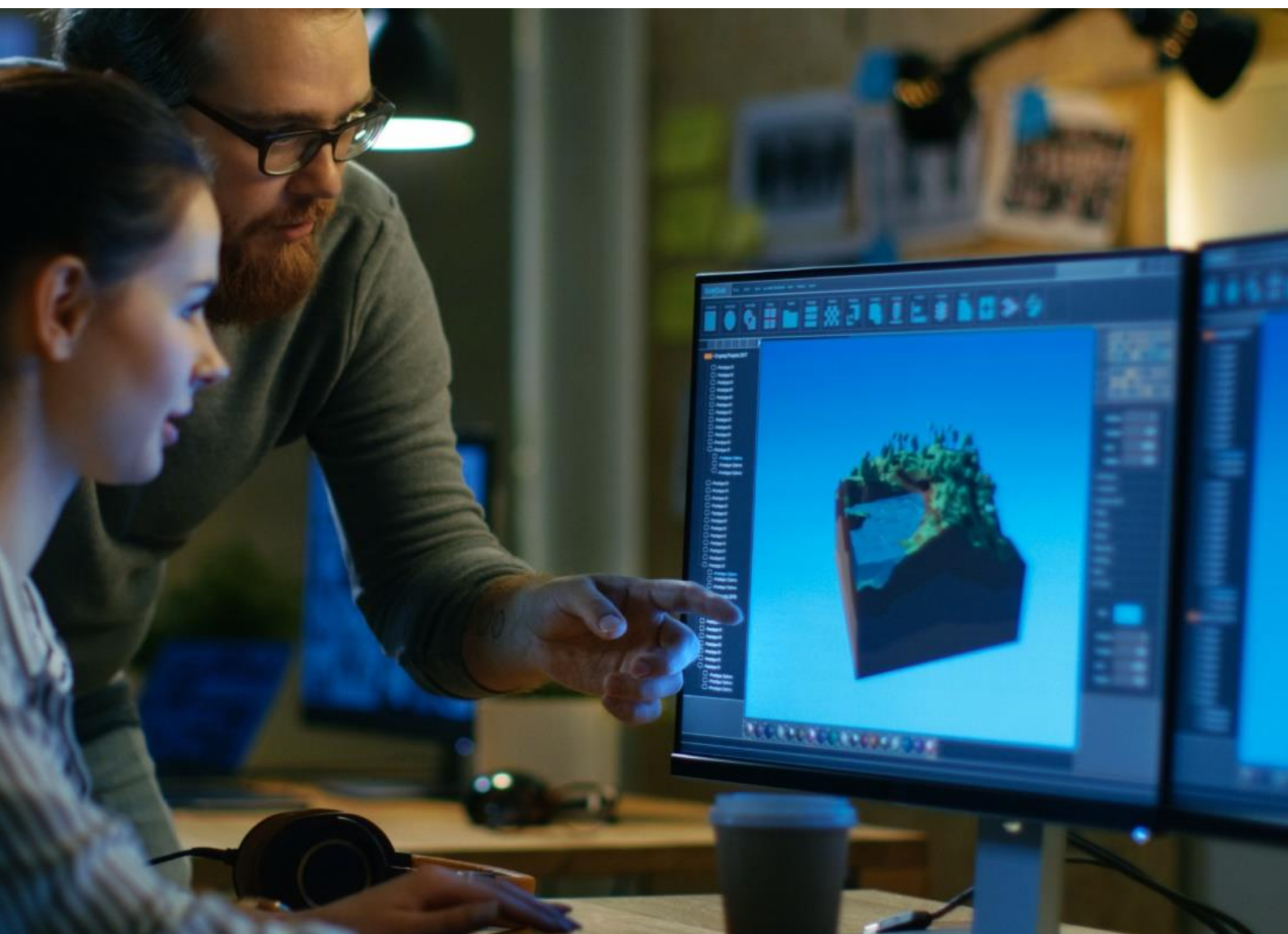
Creative Hubs, co-working spaces and makerspaces offer opportunity for CCS business to directly interact with other creative and cultural professionals, promoting the cross-fertilisation of ideas which spurs innovation.

Considering the high concentration of freelancers and micro enterprises in CCS, co-working spaces for cultural and creative professionals provide a valuable mechanism for social interaction and networking (Moriset, 2013^[126]; Fiorentino, 2019^[127]). Makerspaces are similar to co-working environments, but typically involve more direct support for collaboration and the provision of equipment for collective use. Makerspaces operate on diverse business models, including paid and unpaid memberships, voluntary or employed staffing and greater or lesser reliance on government support (Niaros, Kostakis and Drechsler, 2017^[128]). Makerspaces “help individuals identify problems, build models, learn and apply skills, revise ideas, and share new knowledge with others” (Sheridan et al., 2014^[129]). They also lower barriers to entry for entrepreneurs, as they gain access to tools, equipment and technology which would be costly to purchase (Van Holm, 2015^[130]).

The number of Creative Hubs has grown extensively over the last decade. Research from the European Creative Hubs Network shows that 96% of hubs surveyed in 2017 were created after the year 2000, with 59% founded since 2013. This research also shows that the vast majority of hubs were cross-sectoral in nature (81%), had a physical location (98%) and offered networking and events opportunities (90%), workshops (86%), community engagement (86%), space rental (84%) and training (66%) (ECHN, 2018^[131]). To support the work of creative hubs across Europe, the MAX (Makers’ eXchange) project is a pilot policy project, co-funded by the European Union, and coordinated by the European Creative Hubs Network (ECHN), that works around knowledge exchange and capacity building of creative hubs policy. The project works with CCS, creative hubs, maker-spaces, fab-labs and formal and non-formal learning and skills development systems in a cross-sectoral way, aiming to define and test policies and actions to support mobility and knowledge exchange and to embed makers’ mobility schemes for skills development and inclusion into mainstream CCS support programmes, policies and ecosystems across Europe (Makers’ eXchange, 2020^[132]).

Festivals and cultural events are another key site of networking and collaboration. Such events have been shown to promote entrepreneurial capabilities, contribute to the development of new work, and represent an important arena for marketing and promotion (Caust and Glow, 2011^[133]). Moreover, such events are an important source of networking for artists and creative professionals and they stimulate knowledge exchange and idea generation (Schüßler and Sydow, 2015^[134]).

Harnessing the full potential of CCS involves not only promotion of collaboration amongst industry, but also collaboration with the public and third sector. The importance of public sector organisations such as research institutes and universities in developing strong innovation ecosystems is well established (Etzkowitz and Leydesdorff, 2000^[135]). Businesses in CCS can benefit from collaboration with universities through knowledge exchange and joint ventures with researchers from cultural and creative disciplines as well as from technology, engineering and business departments. Moreover, third sector CCS organisations provide a valuable source of new ideas and play an important role in developing creative and cultural ecosystems.



Box 4.10. Open laboratories for CCS in the Emilia Romagna region, Italy

The Laboratori Aperti project

The Laboratori Aperti project aims at supporting the development of laboratories for accelerating creativity and open innovation, also providing physical spaces where cultural entrepreneurs can experience social encounters, cross-fertilisation of ideas, and test pilot projects that could be eventually scaled up to economically viable ventures.

Supported by EUR 30 million funding from the European Regional Development Fund, the project formed part of the Emilia-Romagna Regional Operational Programme 2014-2020 and was aimed at supporting the development of laboratories for creativity and open innovation by means of inclusive and participatory processes. Ten Laboratori Aperti were established in different locations across the region. Each laboratory has a slightly different focus, but all seek to contribute to the enhancement of CCS.

The Laboratori Aperti aimed towards sustaining co-operation among different local stakeholders (public authorities, private actors, community associations, etc.) and supporting livelihood, growth, and social cohesion in the local community. The project also provided the opportunity to engage local communities in the regeneration of historical buildings of significant social and cultural relevance.

Table 4.2. Locations and focus of the Laboratori Aperti

Cities	Locations	Focus
Bologna	Palazzo D'Accursio and Sala Borsa	Civic collaboration and innovation
Cesena	Casa Bufalini	Cultural and creative industries
Ferrara	Ex-Teatro Verdi	Sustainable mobility
Forlì	Ex-Asilo Santarelli	Cultural heritage and active citizenship
Modena	Ex-Centrale AEM	Culture, creativity and performing arts
Parma	San Paolo Monastery	Food
Piacenza	Ex-Santa Maria del Carmine Church	Sustainable mobility and logistics
Ravenna	Ravenna Arts Museum and CLASSIS Ravenna Museum	Digitalization of culture and tourism
Reggio Emilia	San Pietro Cloister	Social innovation and welfare
Rimini	Civic Museum and Bridge of Tiberius	Tourism and well-being

Most laboratories started operating in early 2020, amidst the COVID-19 pandemic. Consequently, the Laboratori Aperti's offered a blend of offline and online activities, integrating co-design initiatives to be conducted onsite with online workshops, lectures, and training activities. As restrictions have eased, they have hosted co-working areas for self-employed creative workers and offer services (e.g. incubation and acceleration programmes) to new ventures.

Laboratorio Aperto Piacenza: the "Carmine Experience"

The Laboratorio Aperto Piacenza is one of the ten Laboratori Aperti financed by the Region Emilia-Romagna. It is an innovation hub open to citizens, students, and companies. It promotes and hosts lectures, workshops, training courses, and cultural events open to the local community. It also offers workspaces that are equipped with shared facilities and technologies. The Laboratorio Aperto Piacenza is located in the church of Santa Maria del Carmine, a historical building that dates to 1334. The

establishment of the laboratory represented the opportunity to requalify this important cultural heritage site after it had been abandoned for more than 20 years.

In 2020 the Laboratorio Aperto Piacenza launched the “Carmine Experience” project, which is an immersive storytelling installation in which visitors can relive the history of the church of Santa Maria del Carmine and its relationship with the city of Piacenza. The main goal of this project is to use digital technologies to foster cultural participation and allow the discovery of Santa Maria del Carmine and its role for the city’s history.

Source: Laboratorio Aperto Emilia-Romagna (2022^[136]), *Laboratori aperti*, <http://www.laboratoriaperti.it/> (accessed on 4 March 2022).

Incubator and accelerator programmes

Incubator and accelerator schemes combine many of the above forms of support, by offering training, mentoring, advice, networking opportunities and access to technology and equipment.

Historically, incubators have been associated with physical spaces, but there is an increasing number of “virtual incubators”, and virtual only tenancy options (Nowak and Grantham, 2000^[137]). Incubators typically charge membership fees or “rent” to businesses on a rolling basis in exchange for their services. Accelerators offer many of the same services as incubators, but are typically targeted more towards supporting rapid growth, through intensive business development and most commonly provide services on cohort-based, short term (e.g. three months to one year) programmes (see Box 4.11).

Box 4.11. Incubators and accelerators explained

Incubator and accelerator programmes are widely used initiatives to promote and support start-ups and businesses looking to grow. While these two types of programmes share many similarities with each other, there are some differences in how they operate. Bone, Allen, and Haley (2017^[138]) define incubator and accelerator programmes as displaying the following characteristics:

Incubators:

- Open-ended duration (exit usually based on the stage of the company, rather than a specific time frame)
- Typically rent/fee-based
- Focus on physical space over services
- Admissions on an ad-hoc basis (not cohort-based)
- Provision of services including mentorship, entrepreneurial training
- Often provide technical facilities such as laboratory equipment
- Selective admission (but typically less so than accelerators)

Accelerators:

- Fixed duration programme (usually between three and twelve months)
- Typically growth-based (payment via equity rather than fees)
- Often provide seed funding
- Focus on services over physical space
- Admission in cohorts

- Provision of start-up services (e.g. mentorship, entrepreneurial training)
- Highly selective

Source: Bone, J., O. Allen and C. Haley (2017^[138]), "Business incubators and accelerators: The national picture", *BEIS Research Paper*, No. 7, Department for Business, Energy & Industrial Strategy, London.

Accelerator and incubator programmes targeted specifically towards businesses in CCS have grown in popularity over the past decade. For example, the Glasgow Creative Accelerator programme, supported by Glasgow City Council's Business Growth Fund, offers a fully funded accelerator programme for CCS start-ups and businesses seeking to grow. The 12-week programme offers advice, coaching and mentorship in a mix of face-to-face and online formats, supporting CCS businesses in market research, product development, business and financial planning and pitching to investors (Elevator UK, 2021^[139]). At a sub-sector level, the Hong Kong Design Centre, supported with funding from CreateHK (a Hong Kong SAR Government agency dedicated CCS) offer an incubator programme targeted specifically towards those in the design sector. The two-year programme offers financial support, training, mentorship, and networking opportunities to start-ups, alongside co-working space (Hong Kong Design Centre, 2022^[140]). At an international level, the Worth Partnership Project, funded by the EU under the COSME programme provides an incubator programme for designers, SMEs, manufacturers, and tech providers in the fashion and design sectors. The project provides companies with an incubation programme to develop new businesses, including EUR 10 000 to EUR 20 000 in financial support; coaching on business strategy and technology development; legal advice on intellectual property rights and protection; participation in exhibitions; and networking and professional links (WORTH, 2022^[141]).

Effective support recognises that businesses will grow in different ways

Businesses require different types of support at different times in their life cycle (OMC, 2018^[34]). The needs of an entrepreneur just starting their own business differ from the needs of a business owner wanting to scale up their operations. For example, a new business might require greater support in promoting their product, service, or access to long-term financing and investment, whereas a more established business might require support in accessing talent to grow the business or access to short-term finance to support cash flow in periods of growth.

Similarly, businesses will have different "transformation models" underpinning how and why they grow their business. Scaling up or growing a business can be the result of inwardly targeted strategy to transform the business, for example through changes in management or engaging in new activities, or could be the result of external markets, for example through greater demand or increased market share. Scaling up could fundamentally change the structure and day-to-day operations of a business, or could leave these structures intact (OECD, 2021^[90]). Consequently, understanding differences in transformation models allows for greater understanding of the different needs of businesses as they undergo periods of growth (Box 4.12).

Box 4.12. Transformation models underpinning scaling up

Recent work at the OECD has looked to capture evidence on the different transformation models underpinning businesses scaling up activities. It identifies four stylised models:

- The first model is “disruptive innovators” that invest in technological innovations, typically research and development (R&D)-based, which result in disruptive changes to their product range or the ways they produce.
- The second model is “gradual innovators” that prepare to scale by investing in human capital and upgrading their production processes with gains in new market shares arising from gradual improvements in the productivity of existing processes rather than from disruptive innovation.
- The third model is scalers that do “more of the same”, i.e. expansion without changes in the composition of the workforce. For example, a manufacturing firm might add a second production facility or a local retailer might add another store.
- The fourth model is “demand-driven scalers” that face an external and temporary increase in demand that translates into a sales windfall.

While these models are stylised in the sense that most businesses will utilise a combination of the above models, or may pursue different models as their business evolves, they demonstrate that supporting business growth in CCS requires consideration of the differing needs of businesses undergoing different forms of transformative growth.

Source: OECD (2021^[90]), *Understanding Firm Growth: Helping SMEs Scale Up*, <https://dx.doi.org/10.1787/fc60b04c-en>.

For businesses in CCS, a further consideration is the motivations of entrepreneurs acting in these sectors. Businesses in CCS exist on a spectrum, with some being more market-oriented and some being driven more by a motivation to create social good. Consequently, in starting up or scaling up a business, firms in this sector may choose to prioritise strategies that maximise dissemination of their work, rather than maximising profit. This does not mean that these businesses do not need to be financially sustainable, or that they are not interested in generating revenues, but rather that their growth strategies are influenced more by the desire to create social good.

Policy perspectives

CCS significantly contribute to economies across the OECD through job creation, value generation and innovation. The data presented in this chapter indicates that the importance of CCS to both local and national economies should not be underestimated. They contribute significant amounts of GVA, create numerous spill-over benefits in relation to skills, knowledge, wellbeing and education and are a vital part of resilient innovation ecosystems. Moreover, their importance is growing, with increased digitalisation and a trend towards greater reliance on knowledge-based industries in developed countries prompting an acceleration of CCS business over the past decade.

However, CCS have been some of the worst-hit by the COVID-19 pandemic. The overall contribution to global GVA of CCS is estimated to have fallen by 21% between 2019 and 2020 (UNESCO, 2021^[12]). This negative impact of COVID-19 on CCS is estimated to be significantly greater than the impact felt by the global financial crisis of 2008 (UNESCO, 2021^[12]). While many national and local governments

introduced support measures for these sectors over the initial pandemic period (OECD, 2020^[20]), the extent to which CCS will recover as immediate interventions are withdrawn is unclear.

As the world recovers from the most immediate economic impact of the pandemic, supporting businesses and entrepreneurship in CCS can provide a means for countries to increase their global competitiveness and for cities and regions to regenerate. As an integral aspect of the economic, innovation and social landscape, CCS businesses are likely to be a specific consideration in countries' and regions' recovery planning. The unique characteristics of these sectors however, mean that CCS require support measures that recognise how these sectors differ to other parts of the economy.

Promote better information sharing and capability building around access to finance

As CCS are characterised by a high proportion of SMEs and micro enterprises, access to finance remains a significant barrier for these businesses. As discussed in Chapter 5, governments can play an important role in supporting access to finance for CCS businesses through initiatives aimed at encouraging private sector investment and private lending. As CCS create value which is typically intangible in nature, a key issue for access to finance policy will be how best to address intangible assets in business valuations and how to de-risk, or demystify the risk prospects of private investment and lending in CCS. This is likely to require the use of government-backed loan guarantees to help develop confidence in intangible asset based lending in the short-term and more concerted efforts to engage the private sector in developing appropriate systems and procedures for intangible asset valuation as a more sustainable long-term solution (OECD, 2019^[142]).

Increasing access to finance is not only about supporting financing offers, but also supporting CCS businesses to know where to look for financing and how to apply for it. International survey evidence from the European Commission (2013^[143]) indicates that a major barrier to CCS businesses accessing financing is the perceived complexity of the funding landscape and the time investment required to apply for external finance or seek investment. Moreover, many CCS businesses do not apply for external finance due to the perception that they will be rejected, despite having similar risk profiles to many non-CCS businesses (Fraser, 2011^[144]). Information on sources of funding for CCS businesses (such as the European Commission's *CulturEU* online funding guides and search tool (EC, 2021^[145])), alongside advisory services for compiling funding applications and investor pitches can greatly impact CCS businesses inclination to apply for external finance and improve their chances of securing such finance.

Tailor business support to the particularities of the sector

Alongside information and advice on access to finance, CCS businesses require greater support in understanding the business, legal and regulatory landscape. This includes basic business skills (such as writing a business plan, developing marketing strategies, people management skills), as well as legal advice (for example around copyright protection) and support in exporting and internationalisation strategies. While information and advisory services covering these types of issues are common for SMEs, evidence suggests that to be most effective for CCS, services must be specifically tailored for these sectors (Henry et al., 2017^[98]). This means offering CCS specific information and advice which incorporates the complexity and specificities of operating a business in CCS.

Accelerator and incubator programmes are an effective way of delivering coaching and mentorship to CCS businesses, but are typically marketed towards business actively seeking growth. Accelerator and incubator programmes can be hugely beneficial for CCS businesses as they offer tailored advice and coaching, access to equipment and technologies that would be costly to purchase in house and provide opportunity for networking and collaboration. However, these programmes typically have a "growth focused" approach and may be selective in their admission procedures. While these services offer opportunity for many businesses in CCS to develop and scale up their business offering, businesses which

do not identify as growth-oriented are likely to underutilise such services. Moreover, as these programmes typically require payment (in the form of rent, subscription or equity shares), access may be prohibitive for smaller businesses or those without sufficient start-up capital. Consequently, greater promotion of the benefits of accelerator and incubator programmes for CCS, coupled with support for programmes which offer similar services (such as access to technology, mentoring and networking opportunities) at reduced or subsidised rates is likely to encourage CCS businesses with less explicit growth ambitions to seek access to such support.

Promote cross-sectoral collaboration between CCS and other sectors of the economy for growth and innovation

Cross-sectoral maker spaces and co-working facilities also offer opportunity for CCS businesses to access equipment and expertise as well as opportunities for networking and collaboration. Considering the high number of micro enterprises, freelancers and sole traders in CCS, co-working spaces can provide an invaluable way for CCS professionals to make connections and draw on external expertise in a more informal capacity. Moreover, bringing together businesses and professionals from different industry sectors, encourages innovation and radical idea generation. For example, the 1960s saw a wave of programmes designed to bring together artists and technologists (McCray, 2020^[146]; La Prade, 2002^[147]; Martin, 2015^[148]), yet despite the success of such schemes, uptake of this approach to fostering cross-sectoral collaboration has been generally underutilised.

Cross-sectoral and interdisciplinary innovation is fuelling economic growth, but requires greater support. One of the key ways in which CCS deliver economic value is through collaboration with other sectors of the economy. Over the previous decade, we have witnessed a surge in interdisciplinary projects and business models, with CCS feeding into work in health, education and high technology sectors. However, cross-industry and interdisciplinary R&D typically requires greater resources (in regards to both time and money) than projects involving firms from the same industry sector, creating significant barriers for smaller CCS businesses to get involved in such projects (Bloom, 2021^[149]). Greater support for cross-sectoral and interdisciplinary projects involving CCS businesses could significantly bolster existing innovation policy frameworks. Further, more targeted support for connecting CCS businesses with opportunities for collaboration with other sectors of the economy would greatly strengthen national and regional innovation ecosystems (Cooke and De Propris, 2011^[150]).

Supporting CCS entrepreneurship also requires greater investment in business, entrepreneurship and digital skills. The lack of business and entrepreneurial skills in the CCS workforce has been identified as a major issue for firms in these sectors. Moreover, with increasing digitalisation accompanying opportunities for value generation and internationalisation, CCS businesses without the requisite competencies in digital working are likely to be severely disadvantaged. Addressing these skills gaps requires both training for current CCS professionals and better integration of entrepreneurship, business and digital skills in higher education curriculum. For example, greater provision of interdisciplinary training courses and higher education programmes which integrate creative practice with entrepreneurship and ICT training (EC, 2018^[151]).

Enhance data collection and reporting of CCS business statistics, including innovation

Understanding the full potential of CCS contribution to the innovation landscape requires more robust data collection. The innovation and business surveys which feed into national accounts data on innovation and R&D typically do not involve enough CCS businesses to produce robust statistics regarding innovation in these sectors. Moreover, as many countries exclude arts and humanities R&D from R&D tax relief schemes, assessing innovation through R&D tax uptake is likely to underestimate large amounts of innovation activity in CCS businesses. This issue is then compounded at an international level, where reporting of business and innovation data typically occurs at a higher level of aggregation than is required

to identify CCS (i.e. CCS are defined using 4-digit ISIC codes and many countries report business statistics only at 3 digits). While a growing number of countries regularly produce satellite accounts for CCS, these assessments do not typically include data on innovation and R&D (CAB, 2020^[152]). A concerted effort to collect more robust data on R&D and innovation in CCS is required, which takes into account the ways in which innovation in these sectors is likely to differ from science and engineering-based industries.

Additionally, more can be done to enhance data collection and reporting of CCS business statistics more broadly. As there is large variation in national definitions of CCS, the provision of satellite account data does not necessarily mean that robust international comparisons can be made. Therefore, enhanced data collection and reporting of businesses statistics at the 4-digit level would significantly aid international CCS comparison and benchmarking. This includes greater granularity of enterprise data as well as GVA and trade data (in both goods and services). Similarly, an internationally agreed-upon definition of CCS would greatly simplify benchmarking endeavours, allowing nations to more easily identify areas of strength and enabling better market intelligence for banks and private investors to assess the growth prospects of CCS businesses (EC, 2013^[143]).

Ensure transversality and coherence in policy areas relevant for CCS businesses

Supporting CCS businesses at both national and regional levels requires integration of a wide range of policy areas including business, innovation, taxation, IP regulation, urban planning and education. Generating the conditions for entrepreneurship in CCS to flourish requires consideration of all aspects of the entrepreneurial ecosystem (OECD, 2017^[88]). More integrated approaches to addressing the needs of the sector, for example through smart specialisation strategies, are therefore effective means to promote entrepreneurship in CCS and better support the growth of these increasingly impactful sectors.

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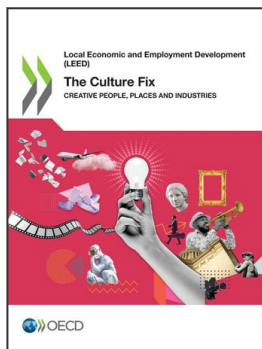
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Notes

¹ Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam plus China, Japan, and the Republic of Korea.

² Note that the definition of CCS used in these studies includes some information technology (IT) firms which would be excluded from the OECD definition of CCS.



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