

# PASSPARTOOL

## Thematic Workshop 4: Cultural Innovation and Creativity

### Process, outcomes and lessons

#### 1. Aim and introduction

The PASSPARTOOL Thematic Workshop 4 (TW4) addressed the topic of “Cultural Innovation and Creativity”. The topic was chosen for several reasons, including the socio-economic significance of the creative and cultural industries (CCI) and their contribution to the overall economy, the lack of clear definitions that complicate uniform measurement, a lack of data on of CCIs across regions, and the difficulty to measure the impact of policies directed at stimulating creative/cultural innovation.

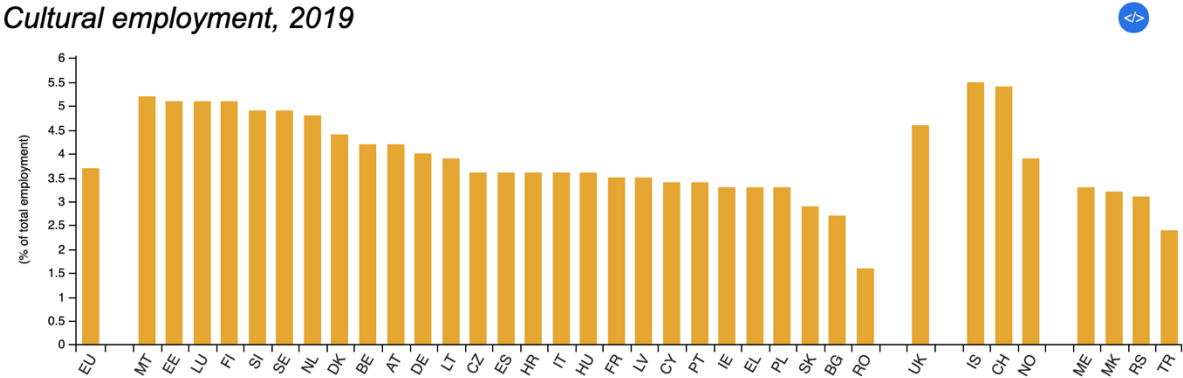
First, the CCIs are an increasingly important driver of economic activity and growth throughout many European regions. CCIs host about 4% of total employment in the EU countries (Eurostat, 2019). CCIs not only spur innovation and create an *economic* impact indirectly via generating improving labor productivity (Boix-Domènech and Rausell-Köster, 2018), but they also create positive spillovers with substantial *social* impact (well-being and health, education, inclusion, urban regeneration, etc.). Despite of the relevance of innovation in CCIs, much of the research on innovation focuses solely on technological innovations. However, a substantial part of innovation is nontechnical (e.g. design innovation, fashion innovation, organizational innovation, new forms of collaboration and financing), and is often not sufficiently considered in these studies.

Second, as the scope, roles and our understanding of CCIs have evolved, especially with the increasing use of technology enabling new industries (e.g., videogames) and possible solutions for the recovery after the COVID-19 pandemic, a better understanding of what constitutes cultural/creative innovation becomes increasingly relevant. To allow a more precise differentiation of the industries, we adhere to the definition provided by UNESCO (2009): “*Those sectors of organized activity that have as their main objective the production or reproduction, the promotion, distribution or commercialization of goods, services and activities of content derived from cultural, artistic or heritage origins.*” The innovations that originate from CCIs have their origin in individual creativity, skill and talent. New cultural goods and services encourage culture by promoting and maintaining cultural diversity and enhance democracy in accessing culture (UNESCO, 2009). Creative innovations are broader in scope but know their origin in the creative industries.

Third, while information on CCIs is available and structurally monitored, there still exist a lack of adequate data on cultural/creative innovation that can be used to develop and evaluate effective support policies. At the macro-level, many countries and regions keep track of the number of jobs and revenues generated in CCIs. Such data is very useful to assess the activities and growth of CCIs at the regional level, but can only partially help to identify the specific activities and provide input for designing support measures. Hence, there is a need

for extended monitoring of cultural innovation to understand the challenges related to cultural/creative innovation, particularly on the ‘soft aspects of innovation’. Current research of the OECD (OECD, 2020) suggests that CCIs are disproportionately affected by the COVID-19 pandemic and are facing substantial obstacles to pursue innovation. Yet, the report also suggests a silver lining such that the nature and experience of creative/cultural entrepreneurs to operate in dire situations also make them more suitable to play an important role in the recovery phase; for instance, by stimulating psycho-social benefits (e.g., healthy and prosocial behaviors, rebuilding public trust), and introducing lean- and cross-industry innovations.

**Figure 1: Cultural Employment in CCIs in EU**



Source: Eurostat (2019: *online data code: cult\_emp\_sex*)

Fourth, while all PASSPARTOOL partners acknowledge the importance of CCIs and measuring how they evolve, they also emphasize that most of the current measures are more project-based and ad-hoc (e.g., measuring the revenues generated from cultural events). An institutionalized, holistic evaluation that is considered to serve informed decisions making, is lacking. An important contributing factor is the difficulty to develop measures, and to establish the *indirect effects* (e.g., the relevance of CCIs for well-being outcomes, and improving the labor productivity of non-CCIs). Furthermore, also it was identified that the level of innovativeness is hard to measure, as it is often linked to interconnections with other activities that cross-organizational boundaries. The partners indicate that they are balancing impact measurement, on the one hand, and practicality, on the other hand. Measuring the impact is worth striving for as it helps to legitimize policies internally and externally. Yet, the complexity of getting appropriate measures also makes it very time-consuming and costly to attain such measures.

PASSPARTOOL partners identified two major **several** challenges related to monitoring cultural innovation:

1. The challenge to understand how to measure cultural innovation because data is either unavailable or existing data is too generic to allow for the development of effective policies.

2. The challenge to understand how innovation policies for CCI can be evaluated to assess their impact (e.g. because of the importance of indirect effects and spillovers to other industries).

The TW4, and its preparatory activities, attempted to address these challenges. Significant effort went into providing a background document with definitions, instruments and a framework for measurement of cultural innovation and creativity. TW4 took place online and was hosted by FUNDECYT-PCTEX (PP3) on April 28. In its structure, it pursued three interrelated aims:

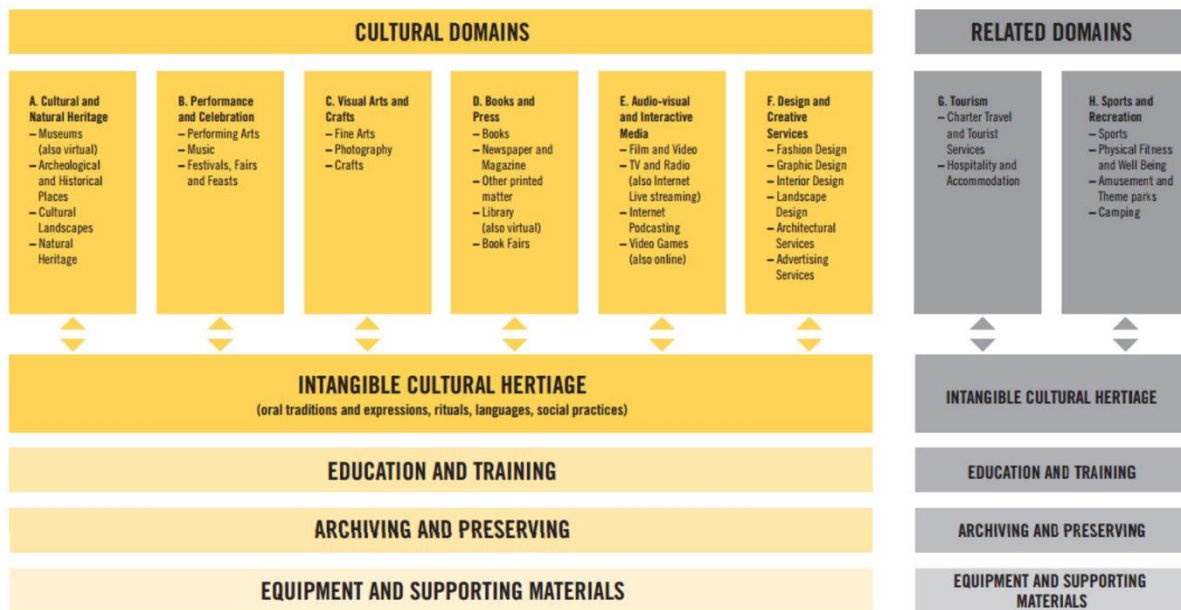
- To build a shared and more nuanced understanding of cultural innovation, addressing the remarks and questions raised by project partners
- To identify interesting practices/experiences within the PASSPARTOOL consortium on measuring cultural innovation;
- To explore the implications for monitoring and evaluating activities aimed at promoting innovation in CCIs.

This document summarises the preparation, the implementation, and the outcomes of TW4 and is organized as follows: Section 2 provides a conceptual framework with respect to the different facets of cultural Innovation, how the partners measure it, and what challenges the cultural/creative businesses face. Section 3 introduces some examples of cultural innovation policies implemented by FUNDECYT-PCTEX (PP3), and how it evaluated the effectiveness of monitoring activities regarding cultural innovation. Section 4 provides the outcomes of TW4, including a set of good practices. Section 5 provides several policy implications and conclusions.

## **2. Cultural Innovation and Creativity: Conceptual Insights for PASSPARTOOL**

The concept of cultural industries is strongly linked with and based on cultural heritage. Cultural innovation refers to the creation, industrial reproduction and mass distribution of cultural works. Examples of cultural innovations include: new products and services introduced related to cultural and natural heritage, performance and celebration, visual art, audio-visual and interactive media, design and creative services cultural elements (e.g., books, museums, or theatre plays) (see Figure 2). UNESCO provides the following definition for cultural industries: *“Those sectors of organized activity that have as their main objective the production or reproduction, the promotion, distribution or commercialization of goods, services and activities of content derived from cultural, artistic or heritage origins.”* Cultural goods and services encourage culture by promoting and maintaining cultural diversity and enhance democracy in accessing culture (UNESCO, 2010; 2012).

**Figure 2: The cultural industry**



Source: 2009 UNESCO Framework for Cultural Statistics, p. 24.

This encompassing definition of UNESCO includes process innovations, service innovations, product innovations, and business model innovations. All PASSPARTOOL partners were asked to reflect on this definition. Most of the partners agreed with the definition, but several indicated some nuances were necessary before being applicable to their specific region. For instance, it was highlighted that the cultural dimension may be too restrictive, and that it is more common to focus on the underlying sub-sectors of the CCIs, instead of emphasizing the cultural component. Others indicated that businesses active CCIs are relevant but not treated differently: partners developed policies for all entrepreneurs and existing organizations – including those active in CCIs.

We also asked the PASSPARTOOL partners to indicate how they currently measure cultural innovation (with a focus on the soft/non-R&D driven innovation that is central to the PASSPARTOOL project). Most partners collected – apart from secondary data that measure gross added value or number of jobs based on national or regional surveys and register data – their own individual primary data. Partners indicated, that if they did so, they mostly measured cultural innovation and its economic consequences by looking at individual projects. These data collection efforts serve a number of different goals, including the creation of better infrastructure and support conditions, supporting specific phases (e.g., production) in the production process of creative goods and services, supporting CCI-startups, arranging financial support or grants for creatives. As a measure for success, partners often relied on whether the project gained sufficient reach or was able to sustain itself.

### 3. A Framework for Measuring Cultural Innovation and Creativity

UoG (AP5) introduced a framework to measure cultural innovation and creativity. Providing comparative, cross-regional measures on cultural innovation and creativity is challenging. This

is because the measurement of cultural innovation activities, their inputs and outputs, are difficult to ascertain and broadly accepted measurement tools are lacking. Using surveys and/or other means to collect qualitative and quantitative indicators may help to assess CCIs' innovative performance and economic growth, but this often involves rather costly data collection efforts.

While available country or regional data (e.g., revenues generated and the number of employees working in the creative industries) help to assess the size of the industries, such data can only partially capture cultural innovation itself. Innovation as exemplified in the cultural and creative industries is more difficult to ascertain because of the infrequent use of patents and intellectual property rights. Technically, many of existing studies struggle to find sufficient accurate data of the relevant dimensions (see e.g. Lazzaro & Lowies, 2014). Conceptually, the sole focus on economic indicators also does not allow to capturing of the full value that cultural and creative organizations generate. This is because an economic-only focus fails to acknowledge the broader societal impact, in terms of overall growth, innovation, societal development and wellbeing, among others (Bina, 2013).

Montalto and colleagues (2019) have synthesized existing measures with the aim to monitor the cultural and creative vitality of European cities. They come up with three overall sub-indices to measure the vitality of a large number of European cities. The “Cultural and Creative Cities Monitor” (CCCM) focuses on three components (see Figure 3): (1) the stock of cultural provision and the cultural participation of individuals, (2) the creative economy variables, and (3) a set of enabling factors.

**Figure 3:** The CCCM: Conceptual Framework, indicators and weights

Weights	Sub-index	Weights	Dimensions <sup>a</sup>	Indicators
40%	1. Cultural Vibrancy	50%	D1.1 Cultural venues & facilities	1. Sights & landmarks 2. Museums 3. Cinema seats 4. Concerts & shows 5. Theatres
		50%	D1.2 Cultural participation & attractiveness	6. Tourist overnight stays 7. Museum visitors 8. Cinema attendance 9. Satisfaction with cultural facilities
40%	2. Creative Economy	40%	D2.1 Creative & knowledge-based jobs	10. Jobs in arts, culture & entertainment 11. Jobs in media & communication 12. Jobs in other creative sectors
		20%	D2.2 Intellectual property & innovation	13. ICT patent applications 14. Community design applications
		40%	D2.3 New jobs in creative sectors	15. Jobs in new arts, culture & entertainment enterprises 16. Jobs in new media & communication enterprises 17. Jobs in new enterprises in other creative sectors
20%	3. Enabling Environment	40%	D3.1 Human capital & education	18. Graduates in arts and humanities 19. Graduates in ICT 20. Average appearances in university rankings
		40%	D3.2 Openness, tolerance & trust	21. Foreign graduates 22. Foreign-born population 23. Tolerance of foreigners 24. Integration of foreigners
		15%	D3.3 Local & international connections	25. People trust 26. Passenger flights 27. Potential road accessibility
		5%	D3.4 Quality of governance	28. Direct trains to other cities 29. Quality of governance

Source: Montalto et al. (2019)

### 3. CCI Policy making & impact

A variety of CCI-policies exist that are considered to have a positive impact on the economy and social welfare. Interestingly, the mechanisms of how they can add societal value can differ substantially. Based on the work of Liu and Chiu (2017), UoG (AP5) provided an overview of commonly used dimensions that can be fostered for CCIs, and that can be used by the partners to attain specific regional goals.

**Table 1: CCI Policy dimensions**

<p>Basic dimension</p> <ul style="list-style-type: none"> <li>• Infrastructure (broadband, public transport)</li> <li>• education &amp; training (universities, volunteers)</li> </ul>	} Facilitators/enablers
<p>Fiscal dimension</p> <ul style="list-style-type: none"> <li>• Policy support (taxation of CCIs)</li> <li>• Fiscal status (gov. spending on culture)</li> </ul>	
<p>Cultural/creative dimension</p> <ul style="list-style-type: none"> <li>• Cultural resources (museums, cult. consumption)</li> <li>• Creative potential (incubators, city branding)</li> </ul>	} Core dimension
<p>Industrial development dimension</p> <ul style="list-style-type: none"> <li>• Industrial development (clustering labor market)</li> <li>• Industrial potential (industrial collaboration, # international org. # tourists)</li> </ul>	} Indirect effects
<p>Social dimension</p> <ul style="list-style-type: none"> <li>• Social diversity (lhbqit activities)</li> <li>• Social friendliness (crime rate, health, att. toward immigrants)</li> </ul>	

Source: Adapted from Liu and Chiu (2017)

Liu and Chiu (2017) also provide an overview of how governmental bodies and the private sector may direct their actions to stimulate cultural/cultural innovation.

**Table 2: Policies for CCIs**

Policy	Government and private sector actions
1: Diversification of capital and tax systems	<ul style="list-style-type: none"> <li>• Government: Develop tax incentives for CCIs.</li> <li>• Public and private parties: Introduce financial or corporate capital.</li> </ul>
2: Industrial platforms and regulatory oversight	<ul style="list-style-type: none"> <li>• Public and private parties: Develop service platforms as channel for industry-government communication and coordination to improve coordination and bilateral cooperation.</li> </ul>

	<ul style="list-style-type: none"> <li>Government: educate and protect CCI intellectual property (esp. in online environments)</li> </ul>
3: Talent training and industrial consulting	<ul style="list-style-type: none"> <li>Government: provide industrial consulting, counselling and support regarding commercialization agreement on intellectual property, corporate operation of CCI firms, business matchmaking and the incubation or upgrade competitive industries.</li> <li>Public and private parties: Develop CCI talent training programs, establish talent training institutes to nurture new talents and enhance the public's CCI literacy.</li> </ul>
4: Expansion of industrial, marketing channels, and networks	<ul style="list-style-type: none"> <li>Public and private parties: Actively expand domestic and international demands for CCIs &amp; educate business to expand to international markets through related organizations.</li> </ul>
5: Industrial R&D and clustering	<ul style="list-style-type: none"> <li>Public and private parties: Help CCIs to engage in R&amp;D and transformation &amp; link upstream and downstream industry chain</li> <li>Government: improve the management of CCI parks and CCI clusters, and cultural facilities, as crucial brands of CCIs, and implement effective branding to promote them.</li> </ul>

Source: Adapted from Liu and Chiu (2017)

#### 4. Methodology: Showcases & Discussion of Alternatives

FUNDECYT-PCTEX (PP3) invited creative entrepreneurs and policy makers to share their experiences with the participants. Ms. Berta Lázaro from TEAMLABS discussed the New Bauhaus concept that the municipality of Extremadura uses to map the region's Cultural Innovation & Creativity. Ms. Marta Lozano showcased the WAZO Cooperative. This cooperative is a non-profit Social Initiative Cooperative to generate positive impact in the rural areas. She stressed the importance of strengthening the social and solidarity economy. Then Mr. Javier Jerez from the Badajoz Chamber of Commerce showcased the IBERICCGLOBAL Project. This project aims at fostering cross-fertilization via stimulating cooperation and exchange between the creative cultural industries of Spain and Portugal. Finally, Mr. Jose Luis Medel, who represents the Cáceres City Council shared the experiences gained with the AldeaLab Knowledge Center, showing the council's commitment with creative and cultural enterprises. Each of the presenters were asked to reflect on two important aspects as input to two consecutive break-out session, namely:

- 1. Regional branding of cultural values
- 2. Recovery after Covid-19 with the help of creative/cultural entrepreneurs

After learning about the various showcases, the partners joined in an in-depth discussion to jointly deepen their understanding of alternative approaches and share their experiences. To achieve that, FUNDECYT-PCTEX (PP3) arranged three break-out rooms (one on regional

branding, and two on the recovery after the COVID-19 pandemic) in which groups – consisting of four to six persons from different partner organizations – discussed the alternatives to effectively utilize cultural and creative entrepreneurship. The University of Groningen (AP5), summarized the findings that were discussed in each break-out room afterwards. A central insight from this discussion was, that creative/cultural entrepreneurs are an important ingredient to effectively support the branding of regions (and sometimes even cross-border-branding). A strong brand may also further induce confidence of local entrepreneurs, and attract new entrepreneurs to settle in the region. A resulting challenge is to maintain financially viable because the funds to run promotional campaigns may not be renewed which can impose a substantial challenge. RCNK (PP8) provided insights on an alternative and complementary financing of regional branding activities that is used in the Karelia region, where members pay a “license” to use the official logos, and to be recognized as official member.

The other two remaining break-out sessions discussed how cultural/creative entrepreneurs can help the recovery by regaining public trust, keeping society healthy, caring and active. The discussants indicated that creatives can help to perform a “psychological and social healing function” in order to restore the identity after a crisis. Also, many creative entrepreneurs have gained substantial expertise regarding the digital transformation during pandemic. For example, creatives have digitized their services, and effectively utilized digital communication channels. This may be seen as a valuable input to further strengthen digital transformation efforts, especially in rural regions. Apart from that, it was discussed whether teleworking and other digital home-office-based solutions may make peripheral regions attractive places for people that work for companies based in cities but who live in rural areas. Peripheral regions with a vibrant cultural and creative scene may be more successful in attracting these urban professionals since the empirical evidence shows that cultural amenities are an important factor for attracting such professionals. It was also discussed that there might be a transition period where international travel restrictions are still in place but where peripheral areas may attract domestic tourists who are interested in the cultural heritage. Regions with a vibrant cultural scene and cultural heritage may be a preferred travel location for domestic tourists. If they decide to settle in these regions, they can boost local development. To convert such domestic tourists, the local cultural and creative scene should be “visible and promoted.” It was also mentioned in the discussion that all types of recovery emerging from cultural industries deserve more lobbying by actors within cultural industries. Some participants felt that policy makers pay more attention to the impact of covid-19 on other industries in peripheral regions. The “teaming up” of creative actors in cultural industries with other industries for lobbying was offered as a potential solution.

**5. Reflection on Monitoring Cultural Innovation and Creativity: Changing Perspectives and Directions**



CCIs constitute a variety of industries that commercialize creative and cultural products. They are of high importance, not only because of their direct impact (substantial share of employment, strong growth), but also because of their indirect impact on other industries (improve labor productivity, stimulate innovation) and society at large (well-being, health). The current COVID-19 crisis has had a disproportionate impact on CCIs and recovery scenarios are still exhibiting substantial uncertainty. Yet, CCIs hold potential to provide creative solutions to facilitate the recovery of many economies. Moreover, they are essential to mitigate many of the well-being consequences of measures to deal with COVID-19. The design of effective policy support instruments is difficult because of the heterogeneity of CCIs and the regional conditions. However, possible avenues for intensified support include the improvement of conditions to operate (infrastructure, financial system, education), strengthening the link between creative sectors and other industries, and facilitating and growing social impact. The success depends on a concerted effort, involving both public and private parties. The PASSPARTOOL partners indicated a clear shift in the perspective of how CCIs operate and should be supported.

### Changing perspectives

- a) CCIs become more commercially relevant and technology-based
- b) CCIs are likely to be a major facilitator for post-pandemic recovery
- c) CCIs essential to develop the region's strengths (regional branding, boost confidence)

Like other industries, CCIs have also experienced a substantial need to address the digital transformation. As a result actors in the CCIs have not only build important expertise in the field of digitalization, but the challenges within CCI became also more similar to other sectors. Until recently, the lion's share of creative products and services were locally produced and consumed. With the advent of digital communication and distribution channels local boundaries disappear, and have made the business models of creative entrepreneurs more scalable (i.e., lower costs to serve customers with increasing sales revenues), and allow to increase export revenues, and hire staff remotely. Digital transformation provides opportunities for the PASSPARTOOL partners to overcome the brain drain and to attract businesses and urban professionals in their spacious regions.

The PASSPARTOOL partners concluded that CCIs are expected to play an important role in the post-pandemic recovery phase. The ability to operate in dire situations, innovate at low cost, and the important role of CCIs to rebuild public trust, make such creative entrepreneurs catalysts for the recovery phase.

Another important ongoing change is that CCIs are more widely considered to be an important component of the strengths of the region and an integral part for regional development. CCIs provide opportunities to show the strength of regions beyond the often-dominating focus on technological innovations. Several PASSPARTOOL partners highlighted that they rank highly in the national ranking, and that developing a regional branding strategy may help to attract businesses and boost the confidence of entrepreneurs.

The discussions held in preparation and during TW4 allowed some policy reflections. It helped to identify two (policy) directions to stimulate cultural/creative innovation, namely:

### Measuring cultural innovation is complex but helps to build legitimacy

- Cultural and creative innovation is often less visible (due to the soft nature, and co-production), but highly important due to its economic significance. Current structural measures focus on gross added value and number of jobs. It is recommended to complement these existing generic measures with more specific measures that help to better assess the extent of CCI activities and its impact (e.g. surveys at project level with specific objectives to measure policy dimensions (see section 3).
- Adopt a regional perspective to identify the “purpose of cultural innovation,” to gain more nuanced and enriched insights on cultural innovation that are especially relevant regional challenges;
- Collect primary data on creative entrepreneurs to gain region-specific insights. This also helps to identify relevant SMEs (especially micro-firms) that are largely ignored in national monitors.
- Use a variety of measures to assess the rate of cultural innovation and growth of CCIs. Find measures to assess: the facilitating conditions (basic and fiscal), the core activities of CCIs, and the indirect effects (industrial potential and development & social impact).
- Collect and analyse multi-annual data to reveal trends. Such trends can show the growth (or downturn) of submarkets and/or activities within the CCIs. Policies can be adjusted accordingly and can be better legitimized.

### Facilitate interactions between policy makers, CCI-entrepreneurs and non-CCI entrepreneurs based on shared interests

- CCI- entrepreneurs may experience difficulties to voice their needs and opinions. The provision of cultural (office) spaces may increase their visibility and facilitate interactions with other private and public parties. More frequent interactions may facilitate the formation of a clear identity and foster the effectiveness of regional branding.
- Make use of creative entrepreneurs who left the region to transport (i.e. export) cultural values and experiences, such that they act as ambassadors of the region and strengthen the regional brand. Utilize CCI-entrepreneurs who enter the region to transport (i.e., import) cultural values and experiences. This allows to stimulate the cross-fertilization of ideas.
- Policymakers may ask creatives to link their events to economic themes and actors (e.g., festivals that introduce economic or scientific aspects, or policy makers presenting social development plans to get feedback). The exchange of ideas with creatives stimulates cross-fertilization, and exploration of thoughts and interests. Needless to say, such economic themes should fit with the events, and shared interests of the visitors.

In sum, TW4 provided the opportunity to (1) articulate the policy rationale to support cultural innovation and creativity, (2) exchange practices and experiences concerning the measurement of cultural innovation and creativity, and (3) develop strategies to design effective CCI-support policies.

Cultural innovation and creativity is considered highly relevant in the regions of the PASSPARTOOL partners. At the same time, it became clear that it remains difficult to effectively monitor CCI activities. This has been attributed to the intangible ('soft') outcomes of cultural innovation that are inherently hard to measure, and because many cultural products are co-produced. In the TW4, we have discussed several solutions that allow for an improved measurement of cultural innovation, and how policy makes can provide meaningful support that can help to attain economic and social outcomes.

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