

Creative industries Internationalisation*

Draft version (23.05.2014)

*This input was produced for the final report which is expected to be presented at the final ECIA conference in Amsterdam on 27- 28 November. If you have comments on this, please contact Boris Meggiorin (boris.meggiorin@samoa-nantes.fr) or Ms Hélène Morteau (helene.morteau@samoa-nantes.fr)



This initiative is supported by the European Commission's Directorate-General for Enterprise and Industry and financed under the Competitiveness and Innovation Framework Programme (CIP) which aims to encourage the competitiveness of European Enterprises.

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1. Preamble

Between 2012 and 2014 the Cluster Quartier de la Création, a service of SAMOA Société d'Aménagement de la Métropole Ouest Atlantique – as member of the ECIA consortium, has analysed, the best ways to help creative entrepreneurs to internationalise their activities and projects, thanks to a literature review and a European survey among cluster organisations.

It is difficult to separate internationalisation from the context in which it is a natural element: competitiveness and growth in a global market. Globalisation means that the natural or local environment is constantly transforming and growing which brings greater opportunities (larger markets, new suppliers) and challenges in the form of a greater competition and shorter product life-cycle. Globalisation is not new and has widely affected all economic sectors from multinational companies to SMEs.

Addressing internationalisation of CCIS (Cultural and Creative Industries), another contextual element is digitalisation. The impact of digitisation strongly affects creative industries and has tremendous repercussions on internationalisation of creative contents and products. Creative firms should take in consideration this specific shift too. The process of engaging with the export and international potential of the CCIs is simultaneously galvanised and challenged by globalisation and digitisation, by a speeding up of external economic forces and fast-evolving consumption and communication habits that disregard slower policy and planning timeframes, by shifting patterns in the economic realities of so-called developed, developing and transitional markets worldwide.

A recent study¹ found evidence for growth in international flows of cultural goods and services over the recent years, for increases in cultural exports against other traded goods. The main findings of the UNCTAD/UNDP Creative Economy Report 2010² are that creative goods exports account for the vast majority of world trade of CCIs (69% creative goods in 2008, against 31% for creative services). Design is the largest sub-sector for creative goods exports (60% in 2008). Nine EU member states are in the top 20 exporters of creative goods worldwide and six EU member states feature in the top ten developed economies list. In 2008, Germany was the top developed economy exporter of both Performing Arts and Publishing & Printed Media; Italy was the top developed economy exporter of Design and the UK, France and Germany featured in the top five exporters of Visual Arts.

Creative goods exports from the EU in 2010 represented 36% of the total value of creative goods exports worldwide, a small decrease since 2008 when they took 40% of total value.

¹ Staines, J. and Mercer, C. (2013) Mapping of Cultural and Creative Industry Export and Internationalisation Strategies in EU Member States, European Expert Network on Culture (EENC), 129 p.

² UNCTAD/UNDP. (2010) Creative Economy Report 2010. Geneva: United Nations Conference on Trade and Development. (423 pp.)

http://unctad.org/en/Docs/ditctab20103_en.pdf

The Eurostat Cultural Statistics ³ report in 2011 found that in 2009 the EU-27 exported more cultural goods to the rest of the world than it imported, recording a trade surplus of around €1.9 billion. The main products exported were books, works of art, antiques, newspapers and DVDs. According to a study conducted by Bastian Lange and Nina Lakeberg (2014)⁴ to go international “it becomes more and more important to have highly specialised products and services that open the way into new market spheres”.

However, internationalisation seems to be hard to conceive for many sectors in the creative industries. Despite the advantages of embracing globalisation and the risks of not doing so, many European SMEs still remain focused on their national markets. According to 2007 figures ⁵ « *only 8% of EU27 SMEs export and only 12% of the inputs of an average SME are purchased abroad. The main reported reasons are a lack of financial resources but most of all the lack of skills or skilled human capital to tackle internationalisation*”.

The following recommendations are an attempt to tackle those challenges.

2. Methodology

To define appropriate policy recommendations a logical framework approach has been used. This methodology used by European and local institutions allows to match challenges with potential solutions to achieve an identified objective. It is structured by three main steps: defining a main objective (what we want to achieve, in this case to promote access to internationalisation), identifying the main challenges and finally propose adapted solutions.

³ European Union - Eurostat. (2011) Cultural statistics. Luxembourg : Publications Office of the European Union. (253 pp.)

http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-32-10-374/EN/KS-32-10-374-EN.PDF

⁴ Lange, B., Lakeberg, N. (2014) Feasibility Study, MULTIPLICITIES-Belius (29p.)

⁵ European Commission, Enterprise and Industry Directorate General, promotion of SME competitiveness, Final Report of the Expert Group on Supporting the internationalization of SMEs (December 2007)

Access to internationalization



3. Recommendations

Successful policies to increase the number of internationalised CCI must start by understanding what are the main challenges faced by CCIs.

As a first identified challenge there is the need to have a **common agreement and understanding about what Internationalisation means and implies.**

We propose to refer to a general the definition given by Buckley and Casson (1998). According to this definition internationalisation is the process through which a firm moves from a situation where it operates exclusively on the domestic market to a situation in which it operates in international markets. Internationalisation of firms can manifest itself through different forms and do not refer exclusively to exports. Indeed, *“exporting as the traditional way to internationalise, is still very important, but [...] other forms of internationalisation such as foreign direct investment (relocation or outsourcing), technology transfers, participation in international value chains, and other forms of inter- SME cooperation, mobility are gaining ground”*⁶. In all cases, the quest for greater competitive advantage is a priority.

Especially for creative industries, internationalisation is not always associated with export. Cultural and Creative entrepreneurs have ulterior reasons to explore the world to stimulate their creativity and propose new ideas, concepts and products.

To better understand what internationalisation means for creative and cultural entrepreneurs we propose to adopt an experienced based approach. This is the best way to detect policy levers to help them grow. Those experience based approaches could be transmitted thanks to storytelling (a recognised way to transfer creative experiences) and via cluster organisations.

To go further, we could add that there is a great need create proofs to convince investors (both public and private) in supporting internationalisation. Very often, the absence of evidence-based tools and methodologies (ex: meaningful CCI export statistics on regional/local level, critical mass of CCI companies on local/regional level, impact measurement, evaluation etc.) will provoke sceptical attitude toward stronger investments in internationalisation for SMEs in CCIs.

A second challenge is linked with **the weaknesses of intermediaries**. Indeed, intermediaries such as delegation of business associations abroad (e.g. Chamber of commerce, National trade councils) has a rigid protocol when they take care of internationalisation of businesses based in the geographic area of competence. This protocol descends from the preconception that internationalisation means either export or externalisation of production. These intermediaries are

⁶ European Commission, Enterprise and Industry Directorate General, promotion of SME competitiveness, Final Report of the Expert Group on Supporting the internationalization of SMEs (December 2007)

based on an old business model pre-globalisation, when international exchanges were rather bilateral and the flows were only in one direction.

It means that they are weak in adapting to the needs of creative industries. The latter not only look outside of the national market for export, but also for inspiration to find new ideas, methods, discovery and import of new technologies, sourcing, networking.

To tackle this issue, we recommend to strengthen capacity building of intermediaries. They have to be perfectly aware of creative industries specificities. The staff selection should bet on mixed and cross-competences to open opportunities abroad and hire local staff to better understand contexts and detect opportunities. Diversification of international and thematic networks to with could also be a good mean to reinforce international opportunities. Interclustering may allow initial international actions to develop more quickly, and establish collaborations – whether between organisations or between companies. The pertinence of the European Business Network (ECBN) <http://www.ecbnetwork.eu/> as well as the international chambers of commerce and the regional agencies dedicated to export is of note. The pertinence of the ECBN network is linked to the methodology with which it developed. It was established from the bottom up, so as to directly match the needs of the cultural and creative industries.

Soft landing is a practical tool to facilitate the internationalisation of companies. We strongly recommend a customisation of soft landing activities dedicated to cultural and creative industries.

Case study : European Creative Business Network ECBN

Responsible project partner: Leo Van Loon

Location of the case (region): Rotterdam, The Netherlands

1. Introduction

The European Creative Business Network (ECBN) connects creativity across Europe.

We help entrepreneurs, creative centres, and development agencies to connect and collaborate.

Our programme of exchanges and trade missions helps creative entrepreneurs to do business across Europe

We connect creative centres (incubators, hubs and workspaces) to help them learn from each other, access European funding and find trusted partners.

We give creative industries development agencies insight into European policy and connections to other policymakers. We work with them to access European funding for themselves and the businesses that they work with.

We have members in 18 of the 28 EU member states.

2. Cluster connection

ECBN links clusters and emerging clusters across Europe and helps them to grow across borders.

Our members come from across the full range of creative entrepreneurs, although we have stronger representation from the design and digital sectors.

In most cases, these creative entrepreneurs are represented by a cluster support organisation, or an incubator or creative hub. For instance, our members include the Amsterdamse Innovatie Motor (Netherlands), Creative Region (Austria) or Creative England (UK) who are support agencies for creative businesses. We also have members such as Creativity Zentrum (SP) who are a creative industries incubator.

In most cases, these organisations are publicly funded.

3. Role of government

Our members are mainly publicly funded organisations tasked with developing the creative industries.

The policy instruments used are (in the main):

- Exchanges and trade missions*
- Provision of connections and information on entering new markets*
- Knowledge exchange for policymakers*

4. Role of private sector

The private sector plays a key role in ECBN's work by: sponsoring our activities or programmes; supporting the organisations we work with; providing new clients and suppliers for the businesses in the network.

5. Role of knowledge institutions

Knowledge institutions are not involved at present.

6. Successes and failures of the case

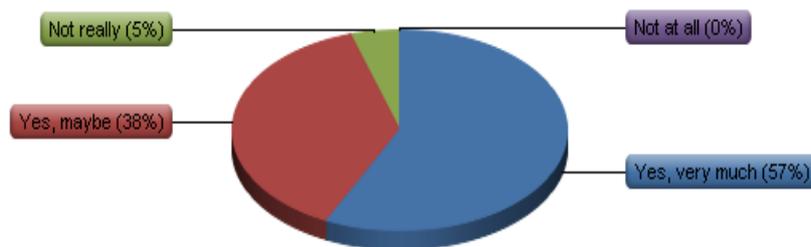
Our strengths are our clear focus and niche, the strong relationships between partners, and the impact that we make.

As a network we face some generic challenges, such as remaining responsive and connected with our members and ensuring we meet their needs.

7. Replication potential

It would be hard to replicate a network of trusted, experienced partners like ours. But we are scalable - so the more creative businesses, incubators, and development agencies that become part of the network the stronger we all are.

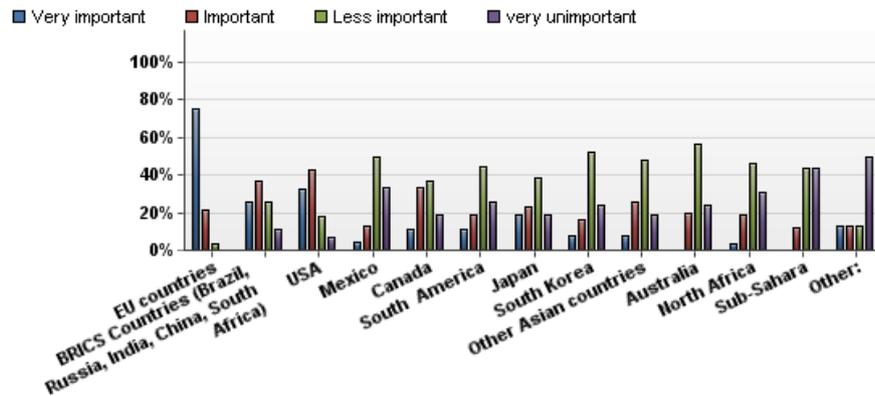
To develop adapted services an evaluation of current soft landing initiatives and practices should be done to have “customised” soft landing activities. Creating favourable pre-conditions for export seems to be essential: joint marketing, promotion of region/sector/cluster. Indeed, marketing and branding play a major role in initiating international cooperation. However, in a survey published for ECIA in November 2013⁷, just 14% of cultural and creative clusters judge it to be adequate in their own organisation.



Do you believe that it is easier for clusters with strong marketing & branding to initiate international cooperation?

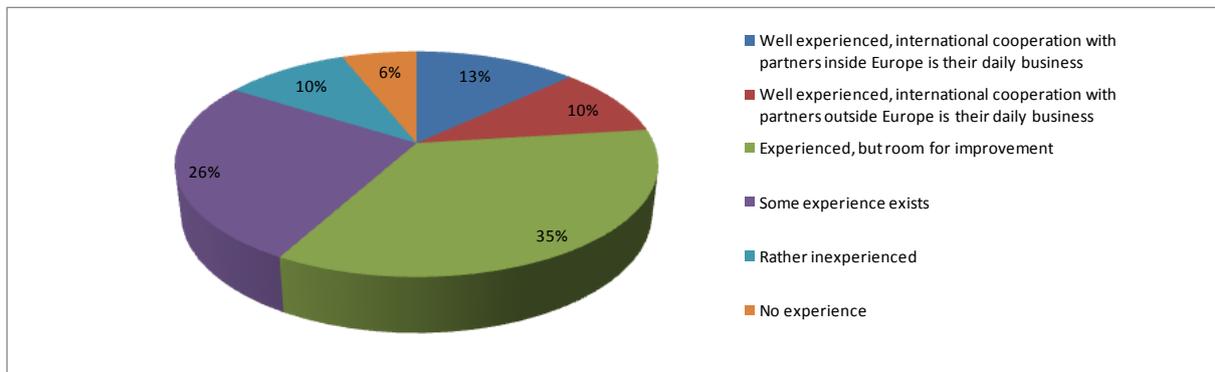
At local level, a **lack of awareness of positioning on the territory** is often observed. To overcome this problem, stakeholders involved in international development should map and detect already existing networks and jointly define a common branding to better sell and export the territory, its specificities and companies. Thanks to a survey among European cluster organisations to detect priority markets for CCIs we can assert that the EU is still a key destination. In spite of the emergence of promising markets in Asian countries and South America, the priority market for the cultural and creative industries is still the European Union, followed by the BRICS countries (Brazil, Russia, India, China, and South Africa), the United States and Canada. The predominance of the European market as a ‘very important’ partnership and commercial target is noteworthy.

⁷ Morteau, H. (2013) “Creative industries clusters and their international practices: how can clusters help CCIs go international? Services and challenges” 47 p.



How would you rank the importance of the following international markets or countries?

If we consider cultural and creative enterprises, **the lack of experience is still a limit to the break-through into an international environment** not yet explored. In a survey published for ECIA in November 2013⁸, cultural and creative clusters consider their partners to be fairly experienced even though there is room for improvement (35%). Just 23% of companies are, according to them, highly experienced.



How would you describe the international cooperation experience of the majority of your cluster members?

To help companies to go international, few solutions can be pointed out. Prior to engage an internationalisation strategy, cross-border experiences is an interesting first test at companies and cluster levels. Recent studies⁹ have proved that cross borders experiences are important to apprehend internationalisation especially if we consider cultural and creative agents.

⁸ Morteau Hélène (2014) "Creative industries clusters and their international practices: how can clusters help CClIs go international? Services and challenges" 47p.

⁹ Perrin, Thomas (2012) 'New Regionalism and cultural policies. Distinctive and distinguishing strategies', IN: Journal of Contemporary European Studies Vol. 20 Issue 4 p. 459-475,

Other concrete solutions should be stimulated like international peer review (among cluster organisations and cultural and creative companies), collective participation to trade missions, fairs and exhibition. An interesting attempt would take into account the grouping of especially small enterprises from a region, brand it “new designers from Tampere” and organise joint market presentations and venues abroad. As long as the international orientation of decision-makers/managers is a key determinant of the nature and extent of internationalization, peer review among managers tend to be a success factor. Business exchange experiences are also a traditional first step toward internationalisation. At cluster level, many organisations put in place information days to help companies from different background to exchange good practices and contacts.

In addition, *Internationalisation vouchers* appear to be very practical and useful to help companies in their international development at early stages.

Another challenge is linked with the characteristics of CCI. **The vast majority of creative industries are small companies which is a limit to their internationalisation.** A critical mass could be obtained thanks to clustering. Association of companies to purchase external services could also be a strategic mean to access international market and limit investment. Another characteristic of CCI is their project driven development cycle. To go **international implies a long-term strategy** which is in contrast with the short product or service –cycle characterising most of creative industries economic processes. Possible solutions have to constrain this paradox. Capacities building on planning strategies are interesting initiative in that sense. Cluster organisation or regional development agencies are the strategic level to take act and propose coaching sessions on planning strategies.

A fourth challenge deals with the **lack of understanding of international strategies at local level.** This is reinforced by a lack of awareness of internationalisation support and programmes. Indeed, many authors points out a “jungle support phenomenon” on internationalisation support and programmes at EU, national and local levels. Generally, there is a lack of structured information on international needs. To tackle those challenges, we strongly recommend reinforced coordination between national and local levels. Local stakeholders should mediate between the needs of cultural and creative industries and national or EU strategies. Moreover, there is a strong need for simplified information and local access points/help desk to raise awareness among CCI and help them in their international development. Shared approach and coordination among organisations working on internationalisation at local level will avoid such a fragmentation and allow mainstreaming of issues.

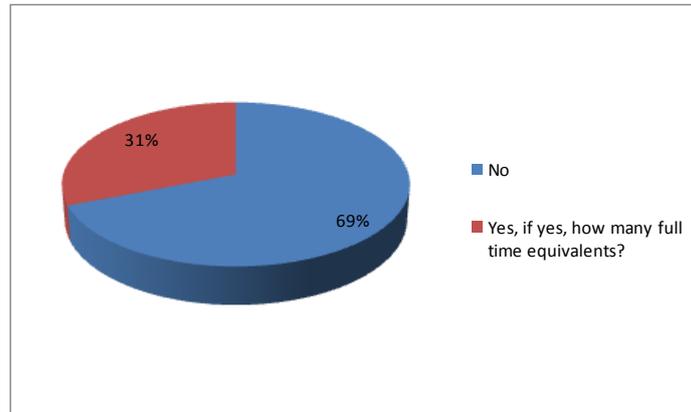
Language barriers and lack of knowledge is also an important issue to access international opportunities. This point is crucial and should be tackled by different means and tools at local level: promote face to face opportunities between entrepreneurs, develop lifelong learning or international peer review to help entrepreneurs to learn foreign languages and adapt their products and strategies to specific cultural habits. Mentoring between experienced and young entrepreneurs should be stimulated to overcome the lack of knowledge and apprehension. Moreover, local contact

points should provide information on EU policies which already foster CCI internationalisation processes. Indeed, there are a set of activities on the EU-regional Policy level that principally support SMEs:

- EU-Regional policy between 2014-2020 (ERDF) is enhancing the competitiveness of SMEs through developing and implementing new businesses models for SMEs, in particular for internationalisation
- The COSME programme (2014-2020) is helping small businesses operate outside their home countries and improve their access to markets. Thereby, they provide help for cross-border activities
- Creative Europe (2014-2020) fosters international networks to create professional opportunities and is aiming at supporting transitional circulation

Going international means to be aware of international regulations. National policies play a strategic role here and should protect and launch awareness campaign about copyright, foreign market, legal differences and further social networks. This goes on with obstacles such as export restrictions for cultural goods and export of service, technical requirements, withdrawal of tax, Intellectual Property Rights, tax and VAT regulation rules as well as digital market restrictions. They also could help to harmonise fiscal policies, allow a greater flexibility of international logistic regulations and facilitate access to visa for cultural workers. Efficiency and transparency of both collective right management and cross-border licensing should be supported as well.

Another challenge is **the lack of local settings** when we consider internationalisation for CCIs. Indeed, at local level there is often a great lack of both virtual and real infrastructures for collaborative activities. Implementing help desks and soft landing infrastructures/services within cluster organisations or regional development agencies will definitely help CCIs to receive adapted information and advices to go international and develop international projects. Help desk should hire dedicated and skilled staff to deliver those services. In a survey published for ECIA in November 2013, 69% of CCIs clusters don't have any staff dedicated to international matters. Where they do have this, it represents on average 1.3 people (full-time equivalent).

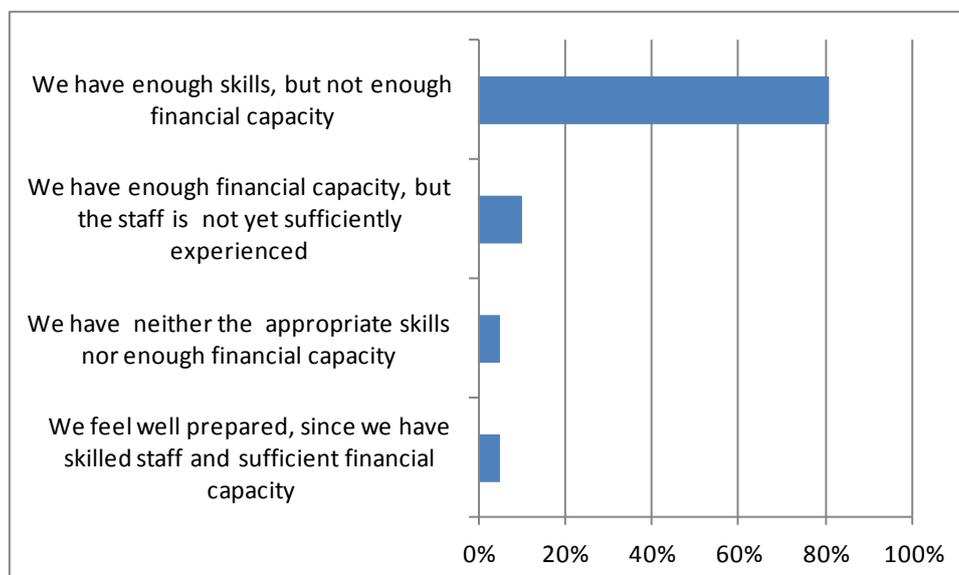


Do you have designated staff appointed to support SMEs on internationalisation?

If we consider cross border collaborations to be the first step towards internationalisation, it could very useful to implement cross-border incubators to stimulate cooperation and projects.

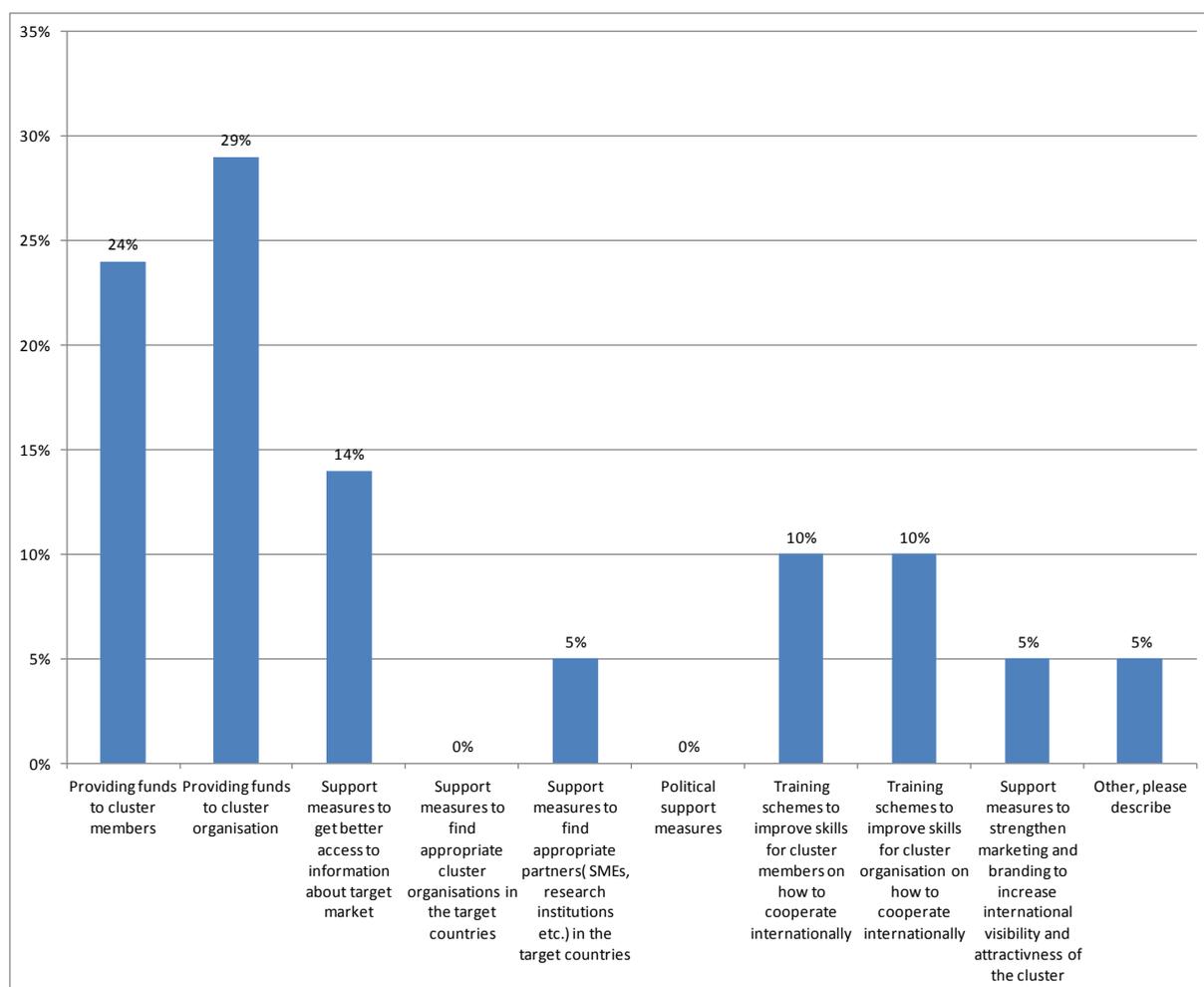
If CCIs are fully understood at EU level, we observe misunderstandings coming from local cultural spheres. Indeed, many cultural diplomacy strategies do not fully grasp the whole spectrum of CCIs in their approaches and mostly adopt a traditional definition of culture.

Finally, the **last main challenge identified to favour internationalisation CCIs is the access to finance**. In a survey dealing with cultural and creative clusters and their international practices 81% of the sample consider themselves to have adequate knowledge but inadequate funding to help their members in an appropriate manner.



Does your cluster organisation have the skills and financial capacity to provide appropriate support on internationalisation for your members?

In anticipating future services to provide in cluster organisations, budgetary lines should focus mainly on the creation of financial funds: 29% of the clusters surveyed apply for funding in their own name to help their companies, whereas 24% of the clusters consider that it should be the companies that directly benefit from these funds. Reaching a different conclusion than previous results, interclustering should not benefit from higher funding in the future. 14% of those surveyed consider that additional measures are needed in order to get more information on target markets. 10% of those surveyed think that future funding should be oriented towards training for companies, to help them better cooperate internationally, whereas 10% consider that these same training courses should be restricted to cluster personnel.



Where should future funding schemes be focused, to best support your cluster members in going international?

Possible solutions can be pointed out. Clusters can play a strategic role in facilitating access to finance and act as a brokerage between CCIs and investors. Indeed, we need an update of traditional financial tools which do not fully understand the economic potential of CCIs and their risky nature. In another hand we have to consider and better communicate the diversification of financial tools: loans, vouchers, guarantee fund.

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