

the **entrepreneurial** dimension
of the cultural and creative industries



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Education and Culture DG



executive summary

Context

1.0 The impact of culture and creativity or '*culture-based creativity*' has attracted much attention in the debate on fostering and unlocking the potential of a European '*creative economy*' thriving on its innovative potential. This study, commissioned by the European Commission, responds to the growing importance of the creative economy, and more specifically of the role of the Cultural and Creative Industries (CCIs), as tools to tackle Europe's current and future challenges. Indeed, innovation is now acknowledged as encompassing more than just technological and scientific changes. The cultural and creative industries offer the opportunity to bring essential change in non-technological innovation for products and processes, contributing to a more inventive Europe.

1.1 The aim of this study is to provide a better understanding of the operations and needs of companies in the CCIs, especially small and medium-sized enterprises (SMEs). The intention is not to provide a comprehensive overview but rather to describe some of the problems and provide recommendations. The study highlights transversal problems common to all these cultural and creative industries. It indicates specific challenges that could hamper entrepreneurship and prevent cultural and creative industries from benefiting from the internal market and the digital shift.

1.2 The study describes the main characteristics of the cultural and creative industries and considers national environmental factors that influence the development of these enterprises. The study provides an understanding of the key determinants for strengthening entrepreneurship for cultural and creative industries, such as access to finance; market barriers; intellectual property rights; education and training; innovation; and collaborative processes. From these key challenges, the study suggests general approaches for developing a conducive environment as well as specific recommendations to provide support for each determinant, highlighting best practices and considering sectoral differences, the different levels of policy as well as the different development phases in which the enterprises find themselves.

Creative Entrepreneurship & Characteristics of the CCIs

2.0 There is a no general agreement on how to define entrepreneurship, whether as risk-bearing, enterprise creation or stimulation of innovation, and even less agreement on how this can be defined within the cultural and creative sector. However, given the strong economic contribution made by the cultural and creative industries to GDP in EU Member States, defining the entrepreneurial dimension of this sector is clearly important. 2.1 With this focus on entrepreneurship, the question arises under what circumstances entrepreneurs can flourish or are hindered in their operations. The OECD/EUROSTAT Entrepreneurship Indicator Project has identified six themes that describe the determinants affecting entrepreneurial performance. In other words, *six major areas that determine the landscape of entrepreneurship*: access to capital, technology and R&D, entrepreneurial capabilities, market conditions, regulatory framework and an entrepreneurial culture.

2.2 At the same time CCI enterprises, in particular SMEs, have specific characteristics that may separate them from 'regular' entrepreneurship. They frequently operate in specific market conditions, produce goods that are 'cultural' by nature, work with people who are often more content-driven than commercially oriented and usually create very small enterprises (micro-SMEs) that may exist on the basis of permanent networks.

2.3 A *cultural and creative entrepreneur* can be understood as someone who creates or brings to market a cultural or creative product or service and who uses entrepreneurial principles to organise and manage this creative activity in a commercial manner. However, achieving a balance between creativity and entrepreneurship is not straightforward and entrepreneurs differ according to their motivations and the sectors in which they operate. The term thus refers to the fact that these enterprises have certain characteristics that will affect the management of their entrepreneurial activity.

2.4 The term is not always well accepted in the cultural sector as it is still overly associated with a financial dimension while not sufficiently recognising the cultural and social values behind this. On the other hand, the cliché of the artist who cannot manage a business and lacks financial skills is still commonly held among economic policy-makers and influences the ongoing division between entrepreneurship policies and cultural policies.

2.5 Just as artists are often reluctant to describe their individual expressive processes, so too are entrepreneurs often reluctant to divulge their individual paths to innovation. If we accept that all of these processes are important, there is a clear need for them to be considered explicitly in order to forge more creative paths to growth. The term cultural and creative entrepreneurship thus attempts to draw these worlds together: recognising the latent entrepreneurial spirit of an artist, the latent creative spirit of the entrepreneur.

2.6 The tension between the creator of a cultural work and the entrepreneur, typical of many cultural and creative enterprises, is often seen in the desire to prioritise the cultural value of the creation with little motivation for generating economic value (creation-oriented), while the entrepreneur will prioritise the economic exploitation over its cultural value (growth-oriented).

2.7 The diversity of cultural and creative industries is reflected in its range of businesses. This includes every type of enterprise from multi-national corporations to sectors characterised by a high proportion of SMEs (for example, architecture, fashion, crafts) and others that include a broader spread of large and small businesses (notably software, publishing and media).

2.8 However, the majority of the cultural and creative industries consist of very small enterprises. Around 80% of enterprises in the CCIs are SMEs with many sole traders or micro-SMEs employing only a handful of people. In fact, CCI workers are more than twice as likely to be self-employed than the average for the whole economy. Although the vast majority of cultural and creative industries businesses are micro-enterprises (smaller than 10 people), they are responsible for only a modest percentage of the total turnover of the CCIs (18 %). Within this majority of 'micro-enterprises' almost sixty percent consist of very small micro-businesses with only 1 to 3 employees.

2.9 The number of large-scale enterprises is marginal at less than one percent, but they are responsible for more than 40 % of the annual turnover. These statistics confirm an important basic characteristic of the cultural and creative industries: namely that while the vast majority

of enterprises are SMEs and micro-enterprises, the larger enterprises (with more than 50 employees) contribute a substantial part of the overall revenues. Not surprisingly this characteristic has important implications for policy-makers.

2.10 This characteristic linked to size and the composition of cultural and creative industries is often called the 'missing middle': medium sized enterprises seem to be almost absent. In view of the statistical observations and the interviews conducted, there is substantial difficulty for small enterprises to grow from small initiatives into medium-sized firms. The gap between the 'bigger players' and the micro-SMEs renders the growth of micro-SMEs difficult and increases the difficulty in accessing markets for the 'smaller players'. A very small number of large-scale enterprises have long-established infrastructures for research and development activities while, on the other hand, micro-SMEs do not have access to similar paths to sustainability and growth.

2.11 The use of different strategies by these micro-SMEs is necessarily small-scale, highly dynamic and requires risk-taking in order to compete with more established enterprises that do not require such flexibility. The structural characteristics of these micro-SMEs impose a requirement for dynamic entrepreneurial skills but do not seem to provide clear paths to enterprise growth. Smaller enterprises tend to adopt a more flexible and dynamic attitude when responding to market opportunities. This may involve outsourcing, taking up of multiple projects or clustering with different organisations in order to benefit from a larger collective structure.

2.12 In addition to facing uncertainty and high competition, digital convergence has also modified the distribution process of cultural and creative products and services. The 'digital shift' is changing the pattern of distribution and disturbing traditional production value chains. The increase in the speed of communication channels and technological improvements have opened up many opportunities to reach a wider audience and a much broader range of culturally diverse products and services can be offered. The traditional value chain of creation and consumption is being actively reshaped by these changes and in many instances it is SMEs in the cultural and creative industries that are at the forefront of these changes.

2.13 The traditional concept of the production chain is now in question, given the possibility to bypass intermediaries. Taking its distance from the uni-linear production process implied in the concept of a value chain, the term '*value creating ecologies*' encompasses the idea of a 'constellation of firms that are dynamic, with value flow being multi-directional and working through clusters of networks'. Often the cultural and creative entrepreneurs have to create direct user-producer interaction. They have to interact closely with their target audience so that they can monitor trends or initial reactions by early consumers of their own products.

2.14 Considering the specific characteristics of the cultural and creative industries, with regard to size, composition and product creation, the cultural and creative industries have many complex challenges to face. They are also working in an environment that is not always prone to rewarding risk taking behaviour, but which puts further complications on their paths to sustainability and growth.

Main Thematic Outcomes

3.0 In view of the characteristics of the CCI, a framework was developed to elicit pointers for blending new models of collaborative and competitive advantage for CCI in order best to

support them and embed CCI support within Innovation, SME, Entrepreneurship and Cultural Policies.

3.1 From the interviews conducted across Europe for this study, one of the general findings that quickly emerged was the overriding need to gather more consistent data regarding cultural and creative industries. National statistics are not homogeneous and this means that any comparison is flawed.

Access to Finance

3.2 Perhaps the greatest obstacle faced by entrepreneurs and enterprises in the cultural and creative industries is how to locate the funds to finance their endeavours. The perceived lack of finance for the cultural and creative industries was further exacerbated by the effect of the recent financial crisis.

3.3 Most of the cultural and creative industries consulted have a short-term span of financial planning. The online questionnaire revealed that 22% of the cultural and creative industries had no financial and economic planning, while 53% had a one-year forecast. Only 4% had a financial forecast of up to 5 years. Moreover, considering the necessity to combine administrative tasks with the creative process, the online survey showed that 75% of these companies elaborated their forecasts themselves, as opposed to 20% that used a professional consultancy service.

3.4 One characteristic that sets the cultural and creative industries apart and, in many ways, impedes their access to finance, is the dependency on intangible assets. The creative entrepreneur combines traditionally tangible information with intangible information products; cultural qualities and 'media content'. However, intangible assets such as novelty, soft innovation, copyright and creativity are often not reflected in accounts. Financial institutions such as banks often fail to sufficiently recognise their economic value.

3.5 While many similar types of support are offered throughout Europe, the level at which they are offered and the sectors to which they are made available may differ considerably. Findings from the study's online questionnaire reveal that the most important financing source is undoubtedly self-financing. Public and private grants have a residual role, while the other sources are secondary. Bank loans remain one of the most important ways to finance SMEs.

3.6 However, due to the financial recession, many banks have become more risk-averse and, as a result, are increasingly less likely to support businesses in the cultural and creative industries due to their perceived high-risk characteristics. Investment in the cultural and creative industries often needs to be longer-term than other venture capital investments. For the micro, small and even medium sized enterprise, it is exceptionally difficult to attract strategic investment. Similarly, many cultural and creative entrepreneurs are generally nervous about partnerships with investors, fearing loss of control of their company, and are reluctant to share profits in return.

3.7 While subsidies from the public sector may assist in the start-up and funding of SMEs, they are often more accessible to the core cultural sectors than to the cultural and creative industries as a whole. In addition, responses from experts suggest that public initiatives seem unable to meet the expectations and needs of entrepreneurs in the cultural and creative

industries because they are complicated to understand, often detached from the territory in which the company operates and are not necessarily long term financial support.

3.8 Many experts suggested the use of tax credits and fiscal exemptions. Tax exemptions and bank loan guarantees were, overall, the most favoured means to provide financial support. Other sources such as business angels, venture capital and innovation vouchers were also put forward as providing effective financial support. Greater understanding of the particular needs of cultural and creative industries was crucial when providing the correct funding mechanisms, such as the need to recognise the value of intangible assets in funding programmes. For this reason, the region, as an intermediary level provider of financial support, is often 'not sufficiently developed'. Regional instruments were reportedly a better option to adequately implement funding.

Market Access

3.9 Being able to access a market is necessary for the build up of the activity and is essential for the growth and the sustainability of the cultural and creative enterprise. The markets for cultural and creative products and services are often characterised by unpredictable demand conditions. Entrepreneurs have to take heterogeneous, changing tastes into account. This means that at virtually no stage in the production sequence can the project's final outcome be predicted with any degree of certainty: sleepers inexplicably turn into smash hits, and sure-fire successes flop.

3.10 The position of the micro-SME entrepreneur has to be taken into account in this context. The main barriers to entering the market are in great part due to the exclusive agreements with key distributors and access to knowledge on market opportunities. The presence of large and multiple competitors was also a complementary impeding factor. Micro-SMEs main concerns relate to knowledge about new external market opportunities and the competitive environment typical of the cultural and creative industries sector. The importance of access to knowledge about market opportunities is key to enabling micro enterprises to flourish.

3.11 The prevalence of SMEs in the cultural and creative sector highlights the need for policy-makers to address size-related constraints in the market. The absence of medium-sized enterprises increases the impact of the gap between the micro-SMEs and the big majors in certain sectors. The asymmetry in the market position between the two extremes is striking. Enabling access to the market for start-up SMEs and, at the same time, working on potential paths to growth in the market for 'growth oriented' cultural and creative enterprises, can thus ensure a cultural diversity.

3.12 The key challenge is also to find appropriate new business models. The overall consequences of ICT for culture are ambivalent. On the one hand technology opens up new opportunities for creators to produce and distribute their works to a wider public, independently of physical and geographical constraints. On the other hand ICT disrupts traditional content. While new models struggle to emerge, the risk is that cultural content may be considered as any other commodity traded in the virtual world and may be devalued.

IPR instruments

3.13 From the online survey, a majority of SMEs did not receive any IPR advice before the start of their entrepreneurial activity. It was also reported that one third of the CCI SMEs did not

use any specific instrument for protection. Informal IPR, namely confidentiality agreements, were used by one fifth of CCI SMEs.

3.14 Future policies to support the development of cultural and creative industries will have to take into account the changing IP environment and changing business models, while keeping in mind the importance of IPR as an incentive for cultural and creative entrepreneurs and the reward for their creation. Moreover, as many cultural and creative SMEs do not presently make use of IPR, the question of how to best make use of IPR in their entrepreneurial activity comes to the fore.

3.15 The relatively low use of protection measures can demonstrate the need to increase awareness on the use of IPR regime and to facilitate its access by CCI SMEs for which such systems are still complex. The issue of IP management for the cultural and creative industries is a central determinant to their entrepreneurial drive as it gives the cultural and creative industries entrepreneur the opportunity to be rewarded and can act as an enabler for their activity. The availability of IPR advice to cultural and creative entrepreneurs is critical and the moment when it is given is important.

Entrepreneurship education, skills and training

3.16 There is a general lack of entrepreneurial skills within all sectors of the CCIs. Despite the dramatic increase in entrepreneurship and education programmes in recent years, there is relatively little data and evaluation on the outcomes of these programmes. The narrow model of entrepreneurship focused solely on commercial success does not seem to correspond to the cultural and creative industries for whom critical creative and cultural achievements are often more important. However, stimulating the development of entrepreneurial skills is needed for enterprise growth, market orientation, return on creativity, communication skills, networking, and team-building within the entrepreneurial lifecycle.

3.17 A specific skill set ranging from basic business planning skills to presentation (i.e. pitching an idea) and management skills are critical for the cultural and creative entrepreneurs. From the expert questionnaires, it appears that market entry, as well as other determining barriers to success, is directly inhibited by knowledge-obstructing factors such as the lack of business skills and lack of knowledge about market opportunities.

3.18 The difference between formal and informal entrepreneurship education is a recurrent discussion in the cultural and creative industries. For some of the interviewees, there is a lack of integration of entrepreneurship education in national curricula and arts education. According to some of the respondents, support to develop entrepreneurial skills should come as early as possible, and the question of the desirability of becoming an entrepreneur should be addressed very early. For some of the respondents, classes in financial or administrative management should be incorporated within the educational curriculum to address the lack of entrepreneurial skills.

3.19 Conversely, some experts claim that competence building and skills in entrepreneurship are irrelevant. Against the lack of evaluation of educational programmes, there are suggestions to redirect the present educational micro efforts aimed at stimulating entrepreneurship (both governmental and non governmental programmes) to instead develop macro policies that are deemed more effective in the long run to support entrepreneurship for

SMEs. According to such arguments, macro measures such as taxation and state regulations are what influence levels of entrepreneurship.

3.20 This tension between the micro and the macro 'interventionist' initiatives is reflected in cultural and creative industries' support programmes, tilting the balance towards intermediary and complementary solutions that combine 'learning by doing' and 'peer to peer' coaching. Indeed, rather than focusing on education curricula, a complementary alternative to support sustainability and growth could be to bolster the connections between the cultural and creative entrepreneurs and individuals experienced in business. Multidisciplinary projects between businesses and educational institutions could be helpful in increasing the interaction between the 'business' and the 'creative' worlds.

3.21 From simple to complex financial support, the cultural and creative entrepreneurs are responsible for their own business model and financial resources: bank loans, guaranteed loans by governmental or non-profit agencies, crowd-sourcing, grants and subsidies. Business models are focused mainly on components of value propositions, relationships with visitors and clients, cost structures and value chains. Due to the involvement of cultural values, business modelling based on cultural and creative industries is an essential competence. Formal education systems do not provide the proper entrepreneurial and business tools. Early integration of creativity and entrepreneurship in the educational system curriculum is important. Thereafter Life Long Learning programmes can provide valuable on-demand support.

Access to innovation

3.22 The acknowledgment of innovation, incorporating hidden innovation, soft innovation, or design processes as a driver of user-centred innovation are signs of the potential role that the cultural and creative industries could have in enabling innovation in Europe. Open innovation methods that include collaboration between different sectors can be enablers in promoting cultural and creative industries to engage in innovation. Triangulation of methods and knowledge between academia, cultural and creative industries SMEs, and businesses, as well as engaging with other sectors can be another prompt for cultural and creative industries to access innovation.

3.23 Design is increasingly seen as a particular strength for Europe and a source of competitive advantage. The Commission staff working document on Design as a driver of user-centred innovation showed that non-technology R&D was as competitive as technology R&D and could be seen as a solution for low technology SMEs to increase their competitiveness. This was confirmed in the results of the open consultation on design which led user-centred innovation to be integrated in the future innovation policy. However, one of the greatest barriers is the lack of awareness of policy makers and CCI SMEs themselves of the economic and innovative potential of design.

3.24 Many cultural and creative enterprises deploy user-oriented strategies. Despite often being associated with a specific sector linked to 'product aesthetics', the EC recognises design as a potential instrument for innovative solutions and products. The changing dynamic between audience and content creator, especially with the rise of digital content, is strongly influencing the distribution and business models of creative industries. Enabling such exploratory environments to emerge is vital for unlocking the potential of cultural and creative industries to innovate and consequently spread their innovation to other sectors.

3.25 Access to external knowledge is also a key factor for a firm's competitiveness. There is a need to promote knowledge sharing and stimulate new skills and cross-sector collaboration in order to promote open innovation processes and develop new brands, products and services. As the differences between sectors become blurred, cross-sector knowledge transfer can take place more easily. The exchange of knowledge between various actors such as academia, business and creative industries can enhance the potential of innovation. At a national level, the use of alternative options such as innovation vouchers could be promoted by regional and national governments. Regions are encouraged to work with intermediaries in order to link CCl, in particular CCl SMEs, with other businesses so as to foster innovative platforms and processes to emerge.

3.26 Fostering a culture of innovation through non-technological drivers such as entrepreneurship requires more attention to the skills gap and the relationship between the Applied Research sector and SMEs. In order to enable SMEs to locate sustainable paths to growth, they must be able to tap into specific skills more-or-less as they are required, or on-demand. SMEs are themselves often unaware of their applied research needs and are unable coherently to express them. A mediating intermediary level is clearly required to negotiate between the educational and training perspective and the economic perspective. Such a layer could be provided on a regional basis to support small scale, practice-oriented business innovation.

Clusters and collaboration

3.27 In order to increase the capacity to experiment, to innovate, to grow as successful cultural and creative entrepreneurs with the right skills and sources of finance, there is a need to foster conducive environments where cultural and creative industries will prosper with a certain security and with access to the right information and knowledge. In this regard, collaboration and networking is a key enabler to strengthen all of the issues mentioned above.

3.28 Collaboration and networks can allow cultural and creative industries SMEs to enter a pool of information. Networking can allow a greater exchange of information and is key in enabling innovative processes, but working in a collaborative manner also implies exchanging practical information that might serve the company, especially the start ups that need guidance in administrative, financial and innovation measures. Placing cultural and creative industries SMEs together can enable them to not only benefit from each other's resources, but also pool their efforts for working space, for accounting services and other required support for entrepreneurship.

3.29 There is now a conflation of producer and consumer and different sectors are adapting their processes to integrate these changes through applied research. However, the sectoral concerns and processes of adaptation are more difficult to explain and to map across academic approaches and disciplines. Knowledge can lead to experience but in the case of creative processes, experience also leads to new knowledge, which may not be efficiently captured.

3.30 The use of collaborative processes found in multi-disciplinary environments where cultural and creative industries, academia and private sectors work within a dynamic framework, where products and processes can be constantly evaluated and can benefit from support (research as well as financial), is clearly to be encouraged. This can enable the cultural and creative entrepreneur to benefit from training and learning processes as part of the

interaction with the other stakeholders. Cultural and creative industries are highly dynamic in merging the creation of experience, as well as knowledge, in terms of new processes and products by designing, developing and producing efficient new instruments. Associating venture capital strategies with such collaborative processes can secure a return on investment for the funders as well as securing funds for the cultural and creative industries SMEs and entrepreneurs.

3.31 From the statistics of the study, it can be seen that in the beginning of the entrepreneurial activity the cultural and creative entrepreneur will mostly rely on informal and personal networks and collaboration while in the later stages of its activity, such as in the build up and build-out phase, the cultural and creative SMEs make greater use of cluster initiatives. This suggests that personal, on demand support such as matching and coaching, might be more useful in the beginning; while more formal collaborative schemes such as clusters may be more suited to the cultural and creative industries that are looking to grow to a broader market and benefit from the initiatives of the surrounding partners.

Main Recommendations

4.0 On the basis of the work undertaken a number of general and specific recommendations were made. These recommendations cover the general European context, the wider innovation agenda and the need to stimulate entrepreneurship as a non-technological driver of innovation.

4.1 In order to correctly target the needs of cultural and creative industries, more data and statistics are needed for the cultural and creative industries, and especially for each individual sector.

4.2 Targeted support needs to be matched with the characteristics of cultural and creative industries and most importantly with their structure. Targeted measures for SMEs and micro-SMEs that will be developed through the various flagship initiatives of the Europe 2020 Strategy should take into account the specific needs of micro-SMEs in the formulation for SMEs.

4.3 As seen from countries that have advanced support mechanisms for cultural and creative industries and strong innovation results, the co-ordination of several Ministries to formulate policy for cultural and creative industries support mechanisms can serve to target the efforts and enable better coherence. As the cultural and creative industries are cross disciplinary and address both cultural and economic factors, the collaboration between Ministries, especially Culture and Economic ministries, should be encouraged and co-ordination and coherence of multi layered policies should be reinforced to achieve efficient supporting schemes.

4.4 Stimulation policies are needed, on regional, national and European levels, in order to fully address the specific characteristics of the CCIs. All levels of policy governance should acknowledge the contribution of CCIs to the new economy and help ensure a level playing field for the CCIs. National bodies shape the regulatory framework in which CCIs work. Tax exemptions for CCI products or services could encourage the production and distribution of CCIs products and services and stimulate growth across many sectors. Similarly, the mobility of artists could be encouraged by facilitating the regulatory procedures for cross border initiatives. As CCIs prefer to have close interaction and support on demand, regions could act as intermediaries between the CCIs and other policy levels such as the national or the

European. Regions could encourage regional clusters and sectoral networks to be platforms of innovation, encouraging CCI SMEs to be integrated within clusters.

4.5 The EU should encourage existing and future framework programmes for Research and Technological Development such as FP7 and FP8 or the Competitiveness and Innovation Programme (CIP) as well as the Cohesion Policy to be more targeted towards CCIs inter alia by including non technological innovation projects and incorporating CCI SMEs (not only in the ICT sector). It should also increase the visibility of ongoing activities at regional and national levels and encourage their networking.

Recommendations on accessing finance

4.6 Lack of finance is a recurrent issue for CCIs and especially for micro-SMEs. Provision of finance should respond to the different phases of the entrepreneurial life cycle according to the needs of the CCI SMEs. The use of regions to channel the funds and the use of financial intermediaries that are aware of the characteristics of CCI SMEs is essential in targeting support for the CCIs.

4.7 The large funding schemes for supporting innovation are too complex for CCIs. At the EU level, the funding schemes should be made less complex so as to allow CCI SMEs to apply more easily. Existing programmes (FP7, CIP) should be strongly targeted at CCI SMEs. The MEDIA programme gives specific support to a particular sector in the different stages of the 'value chain'. Similar support opportunities should be developed for other sectors of the CCIs at crucial points of their respective value chains.

4.8 At the EU level, the EIB and EIF funds, that also promote innovation, could be used to fund CCIs debt financing or venture capital for development of non technological innovation. They could also back national or regional initiatives aimed at developing guarantee schemes. In this regard, due attention should be paid to the example of the guarantee fund for the audiovisual sector soon to be introduced in the MEDIA programme for digitalisation of cinema. In coordination with the Member States, it is recommended that the EU consider the creation or strengthening of lower VAT rate and other tax incentives for both online and off-line labour intensive creative services and products.

4.9 National States are encouraged to consider tax shelter measures for other sectors and support the development of Venture Capital Funds (such as public venture capital funds), the investment of Business Angels in CCIs and micro credits to fund CCIs. Similarly, the national level could stimulate financial support structures through specific measures such as bank guarantees. The investment of the European Structural Funds in CCIs should be encouraged, with special support for regional networking initiatives and platforms for CCIs.

Recommendations on accessing the market

4.10 The EU should promote the opportunities for CCIs to access the market by using public procurement measures that hold untapped potential to support innovation. Public procurement requests could be targeted at innovative non-technological processes, products and services to which CCIs, and especially micro-SMES, could apply.

4.11 The Lead Market Initiative (LMI) launched by the EU in 2008 was set up to identify new needs and new markets for innovative products or services. This can help target future demand and thus offer an experimental playing field for innovators. In order to target societal

needs, the EU should consider opening up LMI to non-technological innovation and innovation in services to tap into CCI's innovative potential.

4.12 Accessing the market remains difficult for CCI SMEs, especially where a few large companies dominate the market. The EU should consider adapting competition policy to CCI's characteristics to avoid excessive market concentration. This could ensure that all cultural players have a minimum access to all distribution channels, including on the online market to offer real cultural diversity and choice for consumers.

4.13 CCIs and especially micro-SMEs do not have sufficient information on market opportunities both in their region but also more specifically across regions and for cross-border markets. Regions should promote the dissemination of information about cross-sectoral and cross-border market opportunities to CCIs through a regional network. Regions can act as a platform for exchange of best practices on both technological and non-technological issues. Regions could encourage a minimum access to the market by setting up platforms where CCI SMEs could showcase their products/services and as such promote the visibility of the CCIs in the region.

Recommendations on bridging the entrepreneurial skills gap

4.14 There is a general lack of entrepreneurial skills within all sectors of the CCIs. Despite the importance of the topic, there is still little integration of entrepreneurship education in general curricula, and particularly in arts education. With a budget of € 7 billion for 2007-2013, the Life Long Learning Programme is the EU's main funding programme for education and training projects and activities. It is suggested that the programme prioritise the development of creativity and support for entrepreneurship training including in the creative sector.

4.15 European Social Funds could be used to help strengthen employment in CCIs by, for example, channelling the funds into creative apprenticeships in order to ease the transition from education to employment by promoting 'on the job' learning. ICT skills training should be included or strengthened in the curriculum of arts institutions in order to foster the innovative potential of CCIs and help them further exploit the opportunities offered by the digital shift.

4.16 CCIs are also producers of knowledge through applied research processes. Linking collaborative work between knowledge institutions and local SMEs could act as a complementary catalyst to innovative capacities in the region. Universities of Applied Science (UAS) could play a valuable role in linking regional activities to other European regions and networks of CCIs. Further linking CCI entities and applied research institutions would also contribute to the professional skills-upgrading of SMEs in the region regarding professionally oriented innovation, entrepreneurship, creativity and research competencies.

Recommendations on developing entrepreneurship as non-technological driver of innovation

4.17 In order to stimulate the innovation potential of CCIs, and develop entrepreneurship as a non-technological driver of innovation, consideration should be given to the widening of the definition of innovation in the up-coming review of innovation and research policy to encompass all forms of innovation, both from the public and private sector, including processes of soft and hidden innovation and recognise R&D in some of the processes typical of the CCIs, such as design processes or talent scouting.

Recommendations on supporting the use of copyright

4.18 The EU should improve SMEs' access to copyright instruments and facilitate easier use of IP instruments for SMEs. The digital environment has brought some challenges in terms of IPR in the digital world. Creative solutions that reward the rights-holders but ensure flexibility and easier applicability should be sought at the European level.

4.19 CCIs face new opportunities as well as challenges with the 'digital shift' and they need to be adequately supported to take advantage of them. Special funds should be allocated to CCIs, especially SMEs, to ensure greater media literacy and take-up of digital tools within their enterprises.

4.20 One of the key outcomes of this study is the realisation that cultural and creative entrepreneurs rely heavily on the use of networks within highly innovative and risk-oriented environments. This shapes the need for CCI SMEs to look for collaborative solutions in terms of organisation, business support or production. Developing an entrepreneurial activity in this context requires a certain degree of flexibility, risk oriented solutions and cross-disciplinary skills that can also provide a non-technological innovation driver for the rest of the economy. In order to support the CCIs, collaboration and networks need to be supported.