

## From 'The Culture Industry' to the 'Creative Economy' – but where's the culture?

**This review of the academic and policy literature surrounding the development of the arts, culture, heritage and creative sector reflects a worrying trend: digital development and extension of the sector is being encouraged, but at the expense of its original, traditional players – the arts, cultural and heritage sectors.**

### From culture, to “Cultural Industry” to “Cultural Industries”

As the recent British Museum exhibition *Ice Age Art* shows, the creation of cultural artefacts, products and experiences has an ancient history.<sup>1</sup> The impact of the original disruptive technology on cultural creation was Gutenberg's 1450 printing press, which increased the speed at which cultural commodities could be reproduced and sold. Mass reproduction meant lower cost initial investment in materials, skills, and shorter times for that initial investment to be recouped: by volume sales of the copies. With each new technological improvement of the printing press, the time and effort involved in reproduction fell. The cheaper the copy, the more the potential profit for the publisher.

The impact of the disruptive technology of the printing press was the beginning of the print revolution, which resulted in the production and reproduction of cultural commodities accelerating to the point where they were considered industrialised (Briggs, 2005).

The 'industrialisation' of culture is often associated with the modern technological developments that allowed reproducibility: the new industries of mass reproduction and distribution which emerged over the 19th century – photography, film, sound recording, mass circulation daily newspapers, popular prints. In the early 20<sup>th</sup> century, broadcasting technologies introduced mass radio and television broadcasting. The digitalisation of these reproduction technologies over the late 20<sup>th</sup> and early 21<sup>st</sup> centuries further accelerated the creation of instances of disruptive technologies which expand the production and reproduction of cultural commodities .

In fact, the emergence of the term 'culture industry' was in 1947, when Theodore Adorno and Max Horkheimer coined the term in their essay *The Culture Industry: Enlightenment as Mass Deception* (Adorno and Cumming). 1979). Adorno's subsequent writings on the Culture Industry coincided with the post-war creation of national cultural ministries and national arts foundations, and the beginning of cultural policy. Adorno's ideas on the Culture Industry were about the commodification of culture; but were also about the organisation of cultural commodity production on a mass industrial scale (Adorno, 1991).

Miege built on this idea to develop a systematic taxonomy for models of realising exchange value. He developed three kinds of cultural commodities:

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<sup>1</sup> <http://www.britishmuseum.org/IceAgeArt> - a 2013 exhibition exploring art made 40,000 years ago

1. physical objects carrying cultural content were sold as commodities to individuals – books, records, videos etc.
2. TV and radio broadcasting were available free to consumers, were unrestricted, and made money out of advertising and sponsorship. The State made big interventions to take broadcasting out of private ownership. There were fewer paid-for subscription services paid then, and in many nations broadcasting was provided as a public service financed by taxation. Some mix of public service and commercial stations was in place in most states. Newspapers and magazines occupied an intermediary position, where individual copies were paid for but advertising brought in the bulk of the revenue.
3. Forms associated with public performance – music, theatre, and especially cinema - which depended on restricted viewing and charging an admission fee. (Miege, 1987), (Miege, 1979), (Miege, 1989).

As such, the concept of the Culture Industry gave way to that of the cultural industries, where each sub-sector had different ways of realising exchange value, different ways of managing demand and creative labour, and different levels of capital investment and corporate control. Hesmondhalgh identified that this conceptual shift facilitated the recognition of:

- the connections between technologies of production and distribution;
- changing business models;
- the emergent connections between symbolic and informational goods; and
- between culture and communications systems (Hesmondhalgh, 2007).

### **The “creative industries” emerge**

Since 1997, the cultural industries (or sector) have sat within the UK government’s wider definition of creative industries, a term coined by the Department for Culture Media and Sport (DCMS), then under New Labour minister, Chris Smith (Smith, 1988). A new status was given to cultural policy and the cultural industries. Academic writers noted the political motive. New Labour built on the oppositional popular culture that stood against Thatcherism: articulated in the form of the emergent discourse around cultural industries, creativity and socially responsible entrepreneurialism. The cultural industries, previously ignored in government policy or conflated with ‘the Arts’, were to become central to a new contemporary image for Britain (New Labour’s “Cool Britannia”), and high-profile exemplars of the creativity and innovation that were to remake Britain for the 21st century (Redhead, 2004), (O'Connor, 2010).

The DCMS defined creative industries as being tangible products or intangible services, with the market objective of distributing and disseminating creative content for economic and cultural value. The creative industries were defined as the cycle of creation, production and distribution of marketable products or

services that people create through using their intellect and imaginations - those “which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property” (DCMS, 1998, revised 2001).

Practically, creative industries were defined as a cluster of creative outputs and services which had a wide breadth of various sub-sectors related to cultural heritage, fine arts, crafts, performing arts, media and broadcast, film, publishing - the classic cultural industries sector – adding functional services such as design, fashion and advertising; and, more controversially, ‘software’ and computer game design to these. The shift in definition brought into play a whole range of correspondences and tensions around the issues of culture, technology and economics (Hesmondhalgh, 2007).

Economically, the creative industries were positioned in a ‘new economy’, which was driven by digital technologies and closely linked to the knowledge economy. It was the exploitation of intellectual property (IP) rights that was to position the creative industries at the forefront of economic competitiveness. Garnham pointed out in 2005 that it was the impact of software employment (during the dot-com boom) that made the statistics look especially impressive to the Treasury. Garnham pointed to both the over-inflated claims for this new economy, and the dangers of it. He was building on the central insights of the political economy school, and he proposed that the new concern with IP rights was an attempt to overcome one of the key restrictions on profitability in the cultural industries – the tendency of cultural goods to become public goods - which of course previously precluded them from being tallied into the bottom line of UK economics (Garnham, 2005). The inclusion of software, and video games in the DCMS creative industries definition was very important to its positioning of the sector as the industry of the future.

By 2005, a globalised and interconnected world was increasingly dominated by rich, multi-media images, and digital sounds. The creative industries which created the rich media mix were already leading employment, trade and innovation in many countries. According to UNCTAD’s global database on world trade of creative industries, between 2000-2005, international trade of creative goods and services increased at an unprecedented average annual rate of 8.7% reaching US\$ 424.4 billion in 2005 (United Nations Conference on Trade & Development, 2012). The ‘creative industries’ definition birthed in the UK is now commonly globally recognised, according to the United Nations Conference on Trade & Development (UNCTAD) *Creative Economy Report*, although exact definitions differ country to country, depending on governments’ own classifications (United Nations Conference on Trade and Development, 2008). Only ten years previously, the DCMS was undertaking initial efforts to map the size of the UK creative industries as it emerged as a sector.

## **Creative industries and the impact of digitalisation**

Since 1995, the speed and breadth of digitalisation and technological development has presented all private and public sector businesses, enterprises, and organisations with an age of change. Moore's law<sup>1</sup> correctly continues to define the pace of technology development, with transistor/chip/semiconductor power doubling every couple of years. This drives down the cost of the technology, making chip-driven devices (computers, mobile phones, consumer electronics, etc.) accessible to an increasing number of people.

New business models emerged within the creative industries when advances in information and communication technologies (ICTs), especially the development of web 2.0 and social media, altered the patterns of cultural consumption worldwide and the way creative products were created, produced, reproduced, distributed and commercialised at national and international levels.

- Technology as a tool began supporting the creative process (for example, sophisticated video editing tools that previously needed expensive bespoke suites were now available as free software running on the cheapest models of portable computers and high end tablet devices).
- Technology provided the distribution routes to, and enhanced the consumption environments of, audiences and consumers through convergence.
- Technology underpinned the power of social networks that have brought a new dynamic to the creative process locally and globally, remixing the traditional with contemporary cultural and creative expressions.
- Technology was integral to product/output - computer games, and increasingly media, broadcast, publishing, and music (Technology Strategy Board, 2009).

"On top of being essential drivers for cultural diversity in Europe, these industries... are one of Europe's most dynamic economic sectors. These industries are faced with a rapidly changing environment characterized in particular by new technologies (digital shift) and globalization, which bring with them new challenges and opportunities. Moreover, businesses in this sector, and especially SMEs, too often face obstacles to fulfilling their full potential. The current economic crisis is also adversely impacting on these industries, making it even more difficult for them to access the resources they need to finance their activities and adapt to the new environment."<sup>2</sup> - Neelie Kroes, Vice President, European Commission.

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<sup>1</sup> Gordon Moore, Intel Co-founder, made his prediction in 1970, which is now popularly known as Moore's Law. <http://www.intel.com/content/www/us/en/silicon-innovations/moores-law-technology.html>

<sup>2</sup> European Commission's Cultural and Creative Industries policy development statement by the Vice President, 11th February 2012 by video and web - [http://ec.europa.eu/culture/our-policy-development/cultural-and-creative-industries\\_en.htm](http://ec.europa.eu/culture/our-policy-development/cultural-and-creative-industries_en.htm). Accessed February 12th 2013.

## **2008 legacy: a confusion of definitions and a blurred framework for business support**

The creative industries came of age politically as a key industrial sector when their importance to the UK's digital economy was highlighted in Lord Carter's 2008 *Digital Britain* Report, commissioned by BERR and DCMS. The report aimed to envision and pragmatically set out how Britain could sustain its position as a global digital society and economy. The report had seven aims outlining what the UK government should do on certain issues. Civic interest topics such as digital participation levels, digital communications, digital physical infrastructure, and industrial safety frameworks were the focus of the aims, but the report also included an aim specifically focussed on the creative industries. The report would achieve:

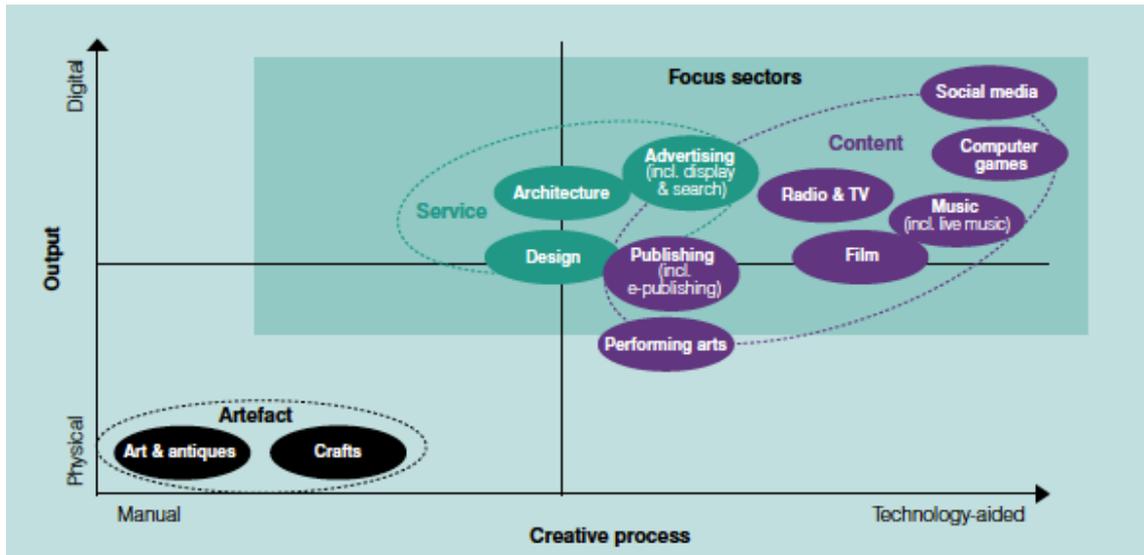
A statement of ambition for the future growth of our creative industries, proposals for a legal and regulatory framework for intellectual property in a digital world, proposals on skills and a recognition of the need for investment support and innovation. (BERR, 2009).

This stated aim embedded the creative industries at the heart of the notion of a successful "Digital Britain": the creative industries was the only industrial sector mentioned in the aims, and was therefore given an implied elevated status (the technology and IT sectors were not mentioned in the aims). Not all arms-length bodies agreed with this, including the Technology Strategy Board (TSB), the UK government's advisory arm of Department for Business Innovation and Skills. The TSB's stated role on its website is to "stimulate technology-enabled innovation in the areas which offer the greatest scope for boosting UK growth and productivity".<sup>1</sup> The TSB's stated focus on innovation means that it does not recommend the government provides support for the digital development of the more traditional, established business models that much of the sector embodies. The Department for Culture Media and Sport was encouraged by the Technology Strategy Board to redefine the sector's segmentation, in light of the impacts upon it of technology. It advanced the definitions by proposing a matrix that segmented the sectors on the basis of physical vs. digital product, and manual vs. technology aided creative process, and added in the social media sector. Figure 1 below summarises the 2009 recommendation of TSB:

### **Figure 1: Segmentation Strategy (Technology Strategy Board, Creative Industries Strategy, 2009-12)**

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<sup>1</sup> <http://www.innovateuk.org/>



In an effort to find commonalities amongst the range of creative industries sub-sectors, the TSB clustered sub-sectors into three groups: services, content and artefacts. The cultural industries were split between the new groups. The Technology Strategy Board defended its reasoning for this:

technological development has blurred the boundaries between different creative industry sub-sectors. Businesses and markets, which traditionally had little in common, now find themselves facing very similar challenges and need co-ordinated, cross-sector solution... the economic value increases with degree of digital output and involvement of technology in the business process... the more engaged with digital technology an industry is, the more likely it needs to transform its business model. (Technology Strategy Board, 2009)

The TSB's definition of the art and antiques, crafts, and performing arts was that they were more manual than technology aided in physical process, as well as more physical than digital in output. This neglects to consider the new markets and audiences these sub sectors have engaged - through digital developments. For instance, these are well-known examples:

- Google Art Project - the high definition online discovery engine, allowing global, extreme close-up access to the world's best fine art and antiquities<sup>1</sup>.
- [Etsy.com](http://www.etsy.com) - a global marketplace for professional and amateur craft objects, mediated through an e-bay style auction website<sup>2</sup>.
- Simulcasting - the performing arts have successfully broadcast live by satellite content to digital cinemas around the globe (Metropolitan Opera, Glyndbourne, and National Theatre London are frequently on the bill in UK cinemas).<sup>3</sup>

<sup>1</sup> <http://www.googleartproject.com/en-gb/> accessed 12th February 2013.

<sup>2</sup> <http://www.etsy.com>

<sup>3</sup> <http://www.eventcinemaassociation.org/>

The TSB segmentation separated the sectors that have a digital product and/or technology aided creative process from those that have a physical output and a manual creative process. The TSB has since described the creative industries as “leading in the digital marketplace” in a January 2012 press release, but still seems to understand the sector in terms of content and services and artefacts - solely as outputs that can be traded for economic impact (Technology Strategy Board, 2012).

Were the TSB’s segmentation strategy implemented, then art and antiques, crafts, and performing arts would all be side-lined. They would fall outside of focus sectors for innovation funding and support. This would inevitably mean less public funding being available to develop them: despite the evidence that the sub-sectors are engaged with digital technology, and so therefore likely to need to transform their business models.

The DCMS’s 2013 consultation on the definition of classification of the Creative Industries begins to formalise this swerve towards digital aided processes - Arts and Antiquities and Crafts disappear completely as subsectors, despite their obviously artistic and creative physical output and (social, aesthetic, spiritual, economic) value as cultural commodity (DCMS, 2013).

### **Towards a “Creative Economy”, and a side-lining of the traditional arts, culture and heritage sector**

That the creative industries were synonymous with the UK’s digital economy (or the popular notion of a “Digital Britain”) resulted in raising sector confidence, but also created confusion around the terms “creative economy” and “digital economy”, which sectors they covered, and therefore who supported them.

Potts, Cunningham, Hartley and Ormerod suggested in 2008 that the creative industries was not an ‘industry’ at all, but part of the innovation system of the economy. This model of the creative industries wanted to connect Schumpeterian evolutionary economics, the revolutionary rhetoric of web 2.0, and a particular ‘active audience’ strand of cultural studies (Potts et al., 2008). In reviewing these ideas, O’ Connor surmised that the paper:

“tried to answer one of the problems posed to neo-classical economics by the creative industries. Markets are ideally supposed to work on perfect information, assigning price to known use-values. But the creative industries deal in novelty, unknown value, so how can markets assign price? They do so through the value placed on them by others, through interaction across social networks” (O’Connor, 2010).

Creative industries were also considered as core economic activities of the new “cognitive cultural capitalism” (Scott, 2008) and a growing literature by cultural

economists Bakhshi and Throsby highlighted the innovation capacity of the creative industries (Bakhshi and Throsby, 2010), (Bakhshi and Throsby, 2012). However, Bakhshi's definition of the creative industries is shaped by the TSB's understanding where arts and culture sit at the edge. (It should be noted that Bakhshi works for Nesta - the National Endowment for Science, Technology and the Arts, which only became an independent foundation in 2012. Prior to that it was closely allied to the TSB and UK government.)

By 2010, the UN had begun using the term *creative economy* instead of creative industries. The creative economy refers to the global creative industries, but highlights its multidisciplinary nature — its economic, social, cultural, technological and environmental linkages and impacts. Edna dos Santos-Duisenberg, Chief of the Creative Economy Programme, UNCTAD states:

In our interdependent contemporary world, the time has come to look beyond economics. In searching for remedy for our current difficulties and move ahead, the world needs to adapt and bring culture and technology into the mainstream of economic thinking. Development strategies have to be updated to cope with far-reaching cultural, economic, social and technological shifts which are rapidly changing our lifestyle. It is time to look for a more holistic approach which takes into account the specificities of countries' cultural differences, identities and real needs (Dos Santos-Duisenberg, 2008).

The term creative economy had previously been explored since 2007 as a potentially better umbrella by commentators, academics and policy makers. The creative economy definition was recognised as potentially a more helpful term because it acknowledged the whole of the creative ecosystem:

- direct creative outputs;
- *plus* creative inputs into other industries such as manufacturing and services from creative professionals;
- plus the more intangible general health, wellbeing and innovation impacts of creative input into all areas of society by both professional and amateur creatives.

Australian academic John Hartley, an early influencer of the term, reflected:

Confining the creative industries to outputs means that the high added value gained from creative inputs into other products and services is not counted. The importance of this is demonstrated by reference to a recent study in Queensland, which calculated that when the contribution of design professionals across the board is aggregated, the design sector in that state is four times bigger than traditional statistics show.

The same is true of music, performance, writing, and audio-visual production, the more so as each of these creative forms develops digital and online scale. Creativity already contributes more to economic wellbeing than most governments or observers care to count (Hartley, 2007).

A creative economy should therefore be recognised as a much more complex adaptive system: cross-cutting the economic landscape rather than sitting as a silo within it. It contains the core creative outputs from the industries. Additionally it contains the creative inputs embedded into other businesses, culture and society, and ecology through creatives working in other sectors. Plus it contains the outputs, inputs, and benefits of creative activity to a nation in general from participant professional and citizen creatives.

Nesta applied the “Creative Trident” methodology (the formalisation of a process of defining a “creative economy”, based on Hartley’s work and developed by the Australian Research Council’s Centre of Excellence for Creative Industries and Innovation) to the UK’s creative industries data in 2008 with limited success. The work discovered that 35% of the creative workforce was embedded in the wider economy (for comparison, 39% financial services workers were embedded in the wider economy), with higher than average and growing salaries. The real difficulty in applying the model in UK though was the lack of up-to-date data: business registers do not allow for sufficient granularisation of creative sectors nor track sole traders and freelancers, and population census data is only collected every 10 years - in 2008, Nesta therefore worked with 2001 data. As a result, Nesta was only able to make one extremely clear conclusion around a UK creative economy - its impact on innovation:

Our findings regarding the embedded nature of creative activities across the UK economy raise the possibility that the creative sector is significantly more involved in the wider innovation system than has been recognised to date. One possibility is that creative workers employed in the creative industries act as a conduit for knowledge and new ideas initiated in the creative industries. Investigating these channels is a priority for research, as it may have major implications for innovation policy, which has traditionally been focused on science and technology (Bakhshi, 2008).

The argument here is that the economic importance of the creative industries does not lie only in their contribution as specific industries to wealth creation and employment, but in their crucial role in the wider innovation system. Potts and Cunningham conclude that we should not follow the model of increasing growth in specific subsectors then, but should seek to implement a new kind of innovation policy (Potts et al., 2008).

This message landed well. The creative industries sought equanimity with science and technology in terms of being part of the UK's innovation policy, and in Australia, a Creative Industries Innovation Centre was established in 2009 (Eltham, 2009).

The emergence of the term "creative economy" to describe this shift centres the creative industries at the heart of an economy-wide innovation system (O'Connor, 2009). Potts and Cunningham concluded "we no longer have an industry as such but a 'complex open system' operating at the edge of innovation, organised around 'agent cognition and learning', 'social networks' and 'market-based enterprise'" (Potts et al., 2008). Not everyone agreed with the redefinition. Professor Philip Schlesinger, Director of the Centre for Cultural Policy Research, University of Glasgow in his 2009 essay *New Cartography* commented:

What's so striking about our thinking in recent years is the instability of the terms we use. We've moved from creative industries to creative economy but without this affording clear policy purchase across the board. Alongside this there's a tendency to subordinate creativity to innovation – to economise the breadth and depth of the idea (Wright and Newbigin, 2009).

Schlesinger also criticised the low priority given to cultural policy making at DCMS in his description of the formulation of 2008 strategy (Schlesinger, 2009). Holden before him bemoaned the poor understanding amongst policy makers of the nature of cultural production in a digital age (Holden, 2007).

Bakshi & Throsby in *Culture of Innovation: An economic analysis of innovation in arts and cultural organisations*, made the case that digital innovations broadly impact the whole of a cultural business' practices - new technologies open up possibilities for more effective pursuit of organisational goals. Focussing on research studies undertaken by Nesta with *The Tate* and *The National Theatre*, they developed a framework that looks at digital developments through the following angles:

Functionality – expression of value created by efficiency or rejuvenation of business model;

Public service – arts as public service publisher/ broadcaster, responsible for improving well being (value creation);

Digital engagement for strategic relationships (audience and funds development, lobbying, advocacy, campaigning, co-production);

Digital aesthetics/art form development – new hybrid artforms and storytelling techniques; and

Business model improvement in the creative economy (Bakhshi and Throsby, 2010).

This framework encouraged creative organisations to consider the impact of digitalisation on the whole of their operations, outputs, and aims: it encouraged a creative economy-as-ecology perspective, as organisations reflected on the direct

outputs which they could trade, but also the inputs and impacts where they could claim they have added social, environmental and cultural as well as economic value.

Arts Council England policy authors Fleming & Erskine stated after this in 2011, that to develop a sustainable and resilient arts sector that would deliver multiple types of value to the nation, required of them constant innovation, a willingness to adapt organisational and business models and an openness to change. They admit:

“For most arts organisations... digital has not yet fundamentally altered the way their core practice or business model. Virtually all with have an online presence for information and ticket purchasing and most will use social networking tools in marketing, but relatively few will be using digital technology to anything like its full potential”.

Whilst Fleming & Erskine championed the commitment to support the creative and cultural industries’ digital development through investment in the innovation funds that are the support mechanisms of the national infrastructure bodies, they simultaneously recognised the rub that:

“It is important then that the digital imperative for the arts does not enable some organisations to swagger across the digital divide, leaving the rest of the arts to peer longingly yet impotently toward the other side... digitalisation for the arts is still in its early stages”.(Fleming, 2011)

Therefore, effort in progressive intrapreneurship, incremental innovation and process innovation was considered a worthwhile investment, that would result in marginal additions to applications or products or services; and increased user-friendliness, management improvements, capacity, flexibility and reliability: and so should be supported and rewarded.

The Australian theorists (Potts, Cunningham, Throsby, Cutler, et al) at the Centre for Creative Industries and Innovation at the Queensland University of Technology themselves reached a more radicalised line on what the specific intervention should be for the arts. They proposed that the “subsidised arts” should no longer be included in the creative industries, because they could not properly engage with or establish novelty and value in new digital markets. O’Connor warned against this, asserting that there is a difficulty with separating the creative industries from cultural policy. Creative production legitimately has intrinsic cultural and social value, and the creative industries are better-off including the subsidised arts/traditional cultural sector. He warned “it is tempting to lose the cultural baggage in order to get a seat at the table of the powerful. The creative-industries-as-innovation provides the point of perfect leverage, but is in danger of losing a constituency” (O’Connor, 2009).

Eltham reported a continuing disconnect between cultural and innovation policies in Australia (Eltham, 2009). O’Connor’s warning has also gone unheeded in the UK. In

April 2013, the DCMS opened a consultation around the updating of creative industries classifications. The review is based on the concept of “creative intensity” (the number of people executing creative jobs or undertaking creative activity as the main part of their work in each industry) - with 30% being the lowest creative intensity level for inclusion in the creative industries classification.

It proposed reducing classifications from 13 to 7, with the removal of Arts and Antiquities, and Crafts as separate classifications. It also proposed the expansion of the software creation sub-sector to include IT and computer services:

“IT software and computer services form a readily identifiable industry group within the proposed classification and their contribution can be identified separately. The introduction of the new occupational classification (SOC2010) has enabled better identification of IT occupations which are creative (e.g. web design and programmers) from those which are not. The “creative intensity” approach leads to the introduction of a number of software and IT industries since the “digital creative” parts of these sectors can now be better identified.” (DCMS, 2013).

This increases hugely the sector employment figures, adding 470,000 new (computer) workers to the sector. As can be seen from the Figure 2 table taken from the DCMS consultation document below, IT, software and computer services represents over a third of the newly defined total creative industries, and yet computer consultancy services has the lowest creative intensity at 31.4%, just over the entry point threshold of 30%, but a full 11.5% lower than the second lowest creatively intense subsector, software publishing:

Figure 2: Proposed list of Creative Industries

Code	SIC		Employment		
			Sector (000s)	Creative (000s)	% creative
58.1	Publishing of books, periodicals and other publishing activities, to include		177	91	51.3
	58.11	Book publishing			
	58.12	Publishing of directories and mailing lists			
	58.13	Publishing of newspapers			
	58.14	Publishing of journals & periodicals			
	58.19	Other publishing activities			
58.2	Software publishing, to include		18	8	42.9
	58.21	Publishing of computer games			
	58.29	Other software publishing			
59.1	Motion picture, video and television programme activities, to include		98	55	56.6
	59.11	Motion picture, video & TV programme production activities			
	59.12	Motion picture, video & TV programme post-production activities			
	59.13	Motion picture, video & TV programme distribution activities			
	59.14	Motion picture projection activities			
59.2	Sound recording & music publishing activities		13	5	43.1
60	Programming and broadcasting activities, to include		60	34	57.4
	60.1	Radio broadcasting			
	60.2	TV programming & broadcasting activities			
62.01	Computer programming activities		215	118	54.9
62.02	Computer consultancy activities		255	80	31.4
70.21	PR & communication activities		22	14	63.3
71.11	Architectural activities		99	62	63.0
73.1	Advertising, to include		123	56	45.5
	73.11	Advertising agencies			
	73.12	Media representation			
74.1	Specialised design activities		103	61	59.0
74.2	Photographic activities		47	35	73.9
74.30	Translation and interpretation activities		20	16	83.6
85.52	Cultural education		28	12	43.9
90.0	Creative, arts and entertainment activities, to include		140	101	72.5
	90.01	Performing arts			
	90.02	Support activities to performing arts			
	90.03	Artistic creation			
	90.04	Operation of arts facilities			
<b>All</b>			<b>1,415</b>	<b>749</b>	<b>52.9</b>

Source: Labour Force Survey, March 2011 – April 2012

(DCMS, 2013)

Politically, the changes were proposed to grow the economic impact footprint of the creative industries before a pressured spending review. However, the changes further side-line the cultural subsectors, which 15 years previously had been the core of the creative industries. It is the subsectors that have a digital product and/or technology aided creative processes that are being focussed upon in the new definition of the UK's creative industries. Even Nesta is shifting it's focus away from the traditional arts, stating explicitly in it's 2013 *Manifesto for a Creative Economy* that it's remit "stretches from digital arts to games, mentoring to media" (Bakhshi, 2013), implying that only the arts and cultural organisations with digital output fall under their umbrella.

Computer programming and consultancy activities have been an impressive engine of economic growth. Given that the web, the manifestation of computer programming and consultancy and software activities, is populated by written, video and sound content, the creative and cultural industries should be doing incredibly well. However, a large proportion of that wealth has gone to a small number of computer programming and software companies (Amazon - market value at September 30<sup>th</sup> 2012 was \$110.7bn, Google - \$222.8bn, Apple - \$548.2bn, Facebook - \$56.9bn)<sup>1</sup>.

The creative and cultural industries, the content producers, the message producers, can not sustain the creation of free digital content within their traditional business models. The commercialisation or monetisation opportunities of digital content are very different for computer and software programming companies and the content creators, and therein lies the tension currently. To extend Marshall McLuhan's term "the medium is the message" (McLuhan, 1964): the "medium" – the pipes of broadband cables that the telecommunications companies own, the softwares and platforms that host the content - can grow at the expense of the "message" if the message is available to the consumer for free.

There are laws in existence against the theft of content: copyright. But the internet currently rewards the cost cutting of the value of content, and rewards the illegal sharing of content for free – at the expense of the potential for innovation and excellence. The purpose of copyright is for the progress of the arts, not just about encouraging participation. Quality as well as quantity matters. However, because of the impact of the digitisation of content, and the distribution of it that the web enables, copyright is confused across most jurisdictions, and privacy law is a mess. Internet piracy is now on the agenda in the US and in the UK, with the Digital Copyright Exchange (also known as the "Copyright Hub") currently under construction in the UK.<sup>2</sup>

Digital piracy (copyright infringement of digital media) has increasingly threatened the economic performance of the creative industries responsible for these creative works. Based on 2010 projections and assuming no significant policy changes, the European Union's creative industries could expect to see cumulative retail revenue losses of as much as €240 billion by 2015, resulting in 1.2 million jobs lost by 2015 (Tera Consulting, 2010).

The cultural subsector elements of the creative industries will struggle to make money from digitising their products if there is no way of regulating the way that the IT and computer services subsector currently hogs the lions share of the monetisation. If the cultural subsectors are to be encouraged to move from creating culture to creating digital culture, then it must be recognised that their business models come under the

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<sup>1</sup> Bloomberg Company Reports, cited in *The Economist*, Dec 1st 2012 edition, <http://www.economist.com/news/21567361-google-apple-facebook-and-amazon-are-each-others-throats-all-sorts-ways-another-game> - accessed 30 March 2013

<sup>2</sup> <http://www.copyrighthub.co.uk/>

most strain from the newly proposed subsector within the creative industries they are supposed to sit alongside - software publishing and computer programming activities.

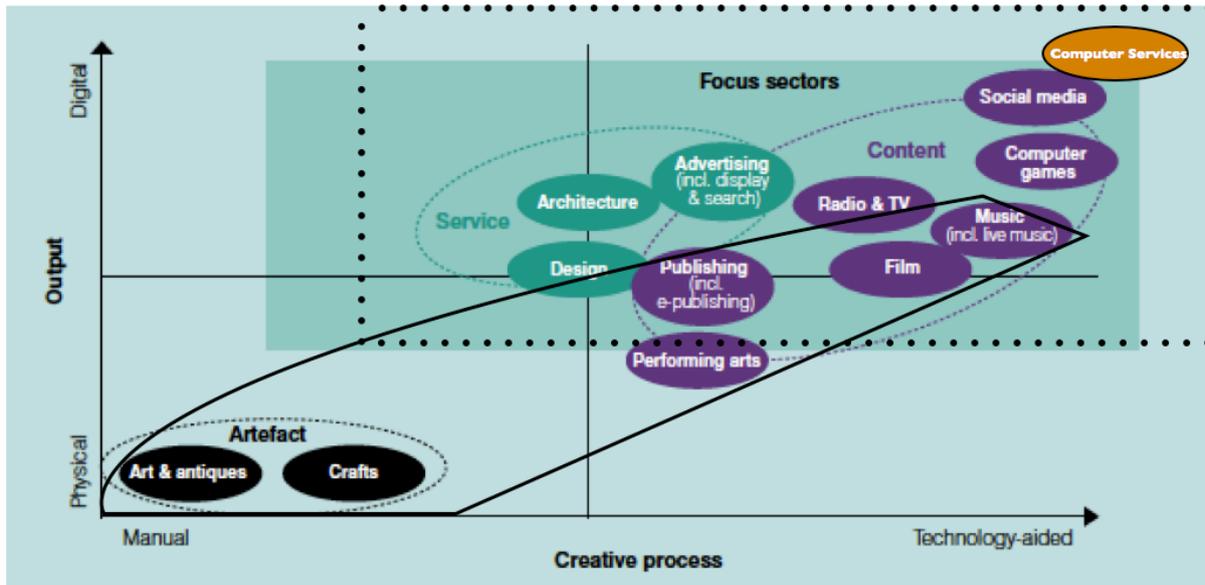
Practically, if the creative industries subsume computer programming and consultancy activities, the risk is that the innovation funds and support for digitalisation, which will be secured for the whole sector, will actually be optimised by creative industries sub-sectors that have more suitable business model structures for economising digitalisation - the computer programming and software publishing activities - at the expense of the cultural subsectors' development.

Creative industries policy has explicitly shifted emphasis from analogue/physical to digital/virtual. Additionally, with the shift in definitions proposed by DCMS, the cultural industries will become side-lined to the very edge of the sector. The whole of the creative industries is assumed to be digitisable (if you ignore the edges), and therefore an important part of a growing innovation system, feeding the UK's digital economy. Some sub-sectors (those aided by technology that now have digital outputs and services) have found easier ways into a digital economy than those with live, physical outputs and socially or community embedded services (performing arts, crafts, arts and antiques, for example). Pre-digital era, art objects and cultural commodities established their value through scarcity and novelty in real/analogue social networks. Post-digitalisation, many art objects and cultural commodities are no longer scarce; are given value by democratised and open social networks; and are distributed, copied and reassembled globally by computer driven, logistical networks. It is much harder for traditional arts and culture focussed sub-sectors to adapt to digitisation, especially when the funding opportunities driven by digital innovation and economic growth agendas of government are out of reach.

The support agencies for the creative industries will have to amplify the government's innovation and economic growth agendas - focussing on market value principles. By default, they are putting opportunities for support out of reach to the arts and cultural focussed organisations that need it most. The diagram below, Figure 2, shows my interpretation of DCMS's 2013 proposed changes to the creative industries sector definition as drawn annotations on the original 2009 diagram (above, Figure 1).

**Figure 2: 2013 DCMS repositioning of the TSB's 2009 definition of creative industries (my annotations)**

2013 amendment proposed by DCMS to TSB's 2009 creative industries definition/focus



Key: New subsector  
 Arts, culture, heritage sector  
 2013 creative industries focus

The diagram shows a key of my annotations. The 2013 focus of the creative industries, suggested by my dotted line, only covers about half of the arts, cultural and heritage sector - the more easily digitisable subsectors. A continuing focus on digital creative industries and introduction of new computer-based subsectors, will again shift the focus sectors 'square up and right: further away from the arts, culture and heritage sector, leaving them on the edge of the sector, as indicated by my highlighted border around them.

Nesta's 2013 *Manifesto for a Creative Economy* suggests guidelines for policy development that would move the newly defined sector forward. The manifesto should be independent of government agenda: Nesta are now an independent charity. However, Nesta is only a year old as an independent foundation. Prior to that, a very close relationship with DCMS existed, as Nesta's endowment is from state-franchised *The National Lottery*. It is likely therefore that the research behind the manifesto commissioned by Nesta (London, 2012), and the manifesto itself, have strongly influenced DCMS. Given the explicit shift to an understanding of the creative industries with arts and culture side-lined, Nesta's aspirations are thus:

"We set out, therefore, a new policy agenda to sustain the UK's creative economy in the next decade, based on a more constructive relationship between technology companies and creative businesses, and on grounded definitions and data revised for the digital era" (Bakhshi, 2013).

If arts and culture subsectors are no longer core in the sector, as their lack of digital product, service and leverage demote them to the edges, then any creative industries policy from now on will not be so fully for them. Nesta's manifesto recognises that the current success of the UK's creative industries are because of the:

“outstanding tradition in creative content, and a wealth of talent in Britain's creative people and entrepreneurs, underpinned by natural advantages such as the global reach of the English language. It also reflects supportive public policies, including a long-established commitment to the arts and cultural sector and a well-resourced and adaptive model of public service broadcasting” (Bakhshi, 2013).

The historic importance of arts and culture is recognised. However, Nesta believes now that the disruption digital technologies have wreaked on the sector have resulted in “an epochal challenge to the business models of the UK's creative businesses threatening to make obsolete the policies and institutions that have been vital to past success” (Bakhshi, 2013). Their manifesto suggests ten policy objectives for the future that make no mention of the arts and culture sector. Their first pledge is this: “the Government should adopt our proposed new definitions of the creative industries and the wider creative economy. These are simple, robust and recognise the central role of digital technologies” (Bakhshi, 2013).

The changing definitions of the creative industries are politically sinister for the arts and cultural sector. They have caused confusion in the political sphere; in the professions themselves; and in the minds of the general public about how to protect, grow, and engage with the value of culture. Cultural policy has been lost at industrial intervention level - it is now generalised as “creativity” (O'Connor, 2010). This has resulted in a confusing support and development landscape in all UK nations, exacerbated by the sub-sectors collected under the creative industries' umbrella term, increasingly converging and becoming harder to define as a congruent collective, with traditional arts and culture being increasingly side-lined. Creating policy and support mechanisms for businesses and practices with outputs and services that are hugely different (from fine art and antiquities to video games) has been difficult for support agencies.

This task will become harder if the UK's creative industries become broadened to include IT and computer services. The focus of support agencies' funds has become focussed on economic growth through innovation and digitisation. Whilst this offers great opportunity for organisations, that are adaptable or technologically advanced enough, to run innovation and digitally focussed research and development projects that may result in new business models; it leaves many traditional/incumbent arts, culture and heritage organisations, practices and individuals behind. They have not adapted enough to be able to engage with this

opportunity. Support is likely to be skewed to creative industries subsectors that have digital product and technology aided creative processes.

The definition “creative industries” and common understanding of the term has fluctuated and morphed during a significant age of change, 1995-2013. Definitions have recognised a broadening of the sector, from the cultural industries to the creative industries, to the 2013 point, where the digital lions, the IT, computer and software services have been given permission to lie down in the same field as the digital lambs - the traditional, incumbent arts and cultural industries.

Creation, production, distribution, discovery and consumption mechanisms have all been completely revolutionised by digital technologies. All key and integral aspects of cultural businesses, the challenge of how to create value in a digital landscape where the technology and media companies have so far received the richest economic gains, remains for most. The offer of innovation and R&D funds is useful for businesses and organisations that have the capacity, capability and confidence to undertake experimentation, then follow-up with immediate scale-up and roll-out, if things work. But for many organisations, the changes in business, operational and management models this innovation opportunity demands take much longer to shift. Businesses and organisations that are the traditional, established, incumbent creative industries need support and guidance to empower them to adapt.

Digital developments and services require of cultural organisations new capabilities, capacities, confidence and creativity as well new product ownership and business models. Cultural and artistic organisations struggle to maximise the opportunities of digital technologies because of a piecemeal approach to their operational integration (caused over the long-term by a fragmented funding and investment landscape, and an external context of rapid change). Cultural and artistic organisations also suffer a reticent reaction to digital technologies' importance and impact on: audience behaviours (e.g. altering perceptions of proximity and intimacy); artistic practices (e.g. on conventions and practices which are socially embedded rituals of experience) and business models and practices (e.g. ownership, IP and contracts, new digital production methods and digital distribution channels and consumption mechanisms) (Department for Culture Media & Sport, 2010).

The *Digital Content Snapshot* of 2009 reported on the digital developments of all of Arts Council England's regularly funded clients and concluded that whilst most had some kind of online offering that transmitted information, the best interactive experiences and content were produced by a very small number of organisations. "There is considerable scope for improvement" the report concluded (MTM London, 2009). Similarly, the Minister for Culture and Tourism at the time said "there is a real gap between those institutions who do fantastically well and others who are finding it difficult to catch up" (the Rt Hon Margaret Hodge in *Encouraging Digital Access to Culture* (Department for Culture Media & Sport, 2010).

Recent approaches to help this sector to adapt to digitalisation, such as Nesta's Digital R&D<sup>1</sup> Fund focus on funding digital innovation. Whilst this creates the potential for brand new digital products and services, only a few organisations received the grant funding - out of an initial pilot round of 495 applicants, only 8 received awards (Bakhshi, 2011).

In 2012, Arts Council England (ACE) focussed resources on developing one monolithic website for digital arts programming content, built<sup>2</sup> in partnership with the BBC at a cost of £3.5m. *The Space* hosts the digital assets of organisations "who do fantastically well" - those organisations positively identified in the 2009 Digital Content Snapshot. 750 Expressions of Interest were submitted to ACE (495 were submitted to NESTA (Bakhshi, 2011)), and in total, 61 ACE and Nesta funded digital projects in England had been given a chance to develop with £4m shared between them – 1179 had not.

This is digital content by the chosen few, it is not content by anyone/any cultural organisation in England for everyone. The sheer numbers of ideas presented to both these competitions proves that there is great hunger for digital development opportunities across the broad cultural sector, and that the cultural sector understands the opportunities for increasing reach, scale, impact and legacy that digitising content encourages. ACE report, in their press release about *The Space*,<sup>3</sup> that previously, c. 4% of their regularly funded organisations were considered sophisticated digital content producers, and these investments have been made to improve that. However, 61 successful awards out of 1240 applications is 4.9% – a 22.5% uplift on the previous scenario – but not a huge growth in capability and capacity in the sector overall, despite the investment of c. £4m so far.

Neither of these programmes encourage the "the others who are finding it difficult to catch up" (Department for Culture Media & Sport, 2010) in the development nor implementation of an overarching digital strategy. *The Space* has recently been announced as "a very small scale pilot for the Digital Public Space" (Bakhshi, 2013). The Digital Public Space initiative is to be led by the BBC, and, in 2013, is the sole proposal in Nesta's manifesto for how the arts and cultural sectors could be strengthened to adapt to digitisation. It is unclear how arts, culture and heritage organisations could utilise their own digital assets into business models that benefit themselves, as well as the BBC; or how organisations not on the BBC initiative develop digitally.

The recent approaches support radical change in the few, and do not support the widest adaption for the many across the sector of existing organisational and business models. Funds for organisational development and sectoral learning are dwindling in the sector, and internal and external finance for business model and product development is scarce. The organisational development and artistic development support programmes (that in the past would have been funded by the public sector)

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<sup>1</sup> [http://www.nesta.org.uk/areas\\_of\\_work/creative\\_economy/digital\\_rnd](http://www.nesta.org.uk/areas_of_work/creative_economy/digital_rnd)

<sup>2</sup> <http://www.thespace.org>

<sup>3</sup> <http://www.artscouncil.org.uk/funding/our-investment/funding-programmes/thespace/> accessed 21.05.13

that could have supported digital development across artistic, operation and business practices in every and any organisation in the sector - have shrunk.

Therefore cheaper, alternative models of organisational learning and development are needed in order to facilitate the adaptation of the whole cultural sector in the face of disruptive technologies. Not just for the few who are developed enough already to engage with radical innovation opportunities, but for all organisations and practices, whatever art form, scale or operating model, so the sector can transform adequately to operate effectively in the digital economy.

The academic community has recognised the impact of disruptive digital technologies on businesses, and has recently called for a new field of cross-disciplinary research and knowledge to be developed - Emerging Technology Management. Of course, many see emerging technologies as a solution for the global challenges of the twenty first century, and it is in part this hope that shapes current DCMS creative industries policy. They believe that including subsectors grappling now with emerging technologies (computer programming and software publishing activities) will put them at the top of the innovation curve. The emerging technologies at the mid-point of 2013 include big data, wearable computing, pervasive media, 3D printing, mobile technologies. Yet an adequate understanding of their commercial, cultural, social, environmental, and policy implications lags behind the development of the technology.

Groen and Walsh affirm that if emerging technologies are critical to solving global challenges (such as economic stability), "then better techniques are needed: for their management, to create policy and educate professionals to commercialise and govern them" (Groen, 2013). They report - through comparing the number of papers on a technical subject contrasted to non-technical publications on emerging technology subjects - that the necessary managerial, policy and societal considerations lag the scientific and technological development. Management techniques focused on emerging technologies are immature, and are often under-appreciated by managers (Linton, 2008). Groen and Walsh support the evolution of a "tool box" of management and organisational development techniques to ensure the successful development of emerging technologies has been explicitly called for by academics. They propose Emerging Technology Management as a new field of cross-discipline academic research and practical enquiry (Groen, 2013).

*The AmbITion Approach*<sup>1</sup> has been developed since 2007 over time as such a tool box of techniques: to support organisations to adapt, to help them change business, operational and production models to be fit enough to support digital developments. *The AmbITion Approach* is a current intervention (or action) for the arts, cultural and heritage sector. It is based on action research, and generates practical knowing. It has been iteratively designed as an intervention to support organisations and practices to undertake the digital adaptation and change needed. This is now an essential need for the traditional arts and cultural sector, side-lined by political redefining of the creative

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<sup>1</sup> <http://getambition.com/learn/toolkit>

industries towards them being entirely digital. AmbITion participants have been using a toolkit of management and development techniques that help organisations and practices adapt to changes brought about by disruptive existing and emerging technologies. They have been achieving intrapreneurial, incremental and process innovations for the last four years, positioning them as being capable of producing digital arts and culture, which at least brings them into the frame of the likely 2013 definition of creative industries. This has:

- developed the critical mass of traditional arts and cultural organisations with some capability and capacity and confidence;
- strengthened sectoral desire for more digital development; as well as
- created organisations that are now resilient enough for open and radical innovation opportunities, and collaborations with more digitally focussed creative industries businesses.

*The AmbITion Approach* has been designed to champion the digital development of the arts, cultural and heritage sub-sectors of the creative industries. The arts, cultural and heritage sectors' traditional analogue/live products, experiences, services and offer is still very much as important as new digital versions of these; and as important as completely new digital products produced purposefully as "digital art" or "digital culture". The intervention of a change management methodology and support programme to specifically meet the adaptation needs of the arts, cultural and heritage subsectors has only become more imperative with passing time, as they have become politically more side-lined within the definition and focus of creative industries.

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