Third Austrian Report on Creative Industries

Summary

Focus on Creative Industries and Innovation

CREATIVWIRTSCHAFT.AT
WKO WIRTSCHAFTSKAMMER ÖSTERREICH
part of evolve
bmwfj Bundesministerium für Wirtschaft, Familie und Jugend
Creativity and Innovation European Year 2009

Owner and editor
arge creativ wirtschaft austria (cwa), Austrian Federal Economic Chamber

arge creativ wirtschaft austria (cwa) is a competence centre for creative entrepreneurs and individuals and has been representing the interests of the Austrian Creative Industries throughout Austria since 2003. Embedded in the Austrian Federal Economic Chamber cwa acts as a link to the business community and supports all creative professionals who want to become active as entrepreneurs in this field, regardless of chamber membership.

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"The key to understanding the new economic geography of creativity and its effects on economic outcomes lies in what I call the 3 Ts of economic development:
Technology, Talent and Tolerance."

Richard Florida

"Tolerance is the key to success of our modern knowledge economy. In a post-industrial knowledge economy, in which ideas represent a decisive competitive factor, creativity is the most important resource for innovation.

And creativity needs tolerance, as it always leads to the creation of something new and different. These newly created things can only prosper if they are met with openness. Tolerance is also needed in connection with creative added value and a new working culture related thereto, which, for example, is characterised by flexible working time schemes, project-orientated working, working in networks, flexible forms of collaboration, or a greater extent of autonomy.

Therefore you have to look over the rim of the tea cup, if you want to become a successful entrepreneur."

Christine Marek,
Undersecretary of State at the
Austrian Federal Economic Chamber

Technology_Talent_Tolerance

"Technology is the instrument that helps us to put creative services into practice. Audio and video media provide us with emotional listening and viewing experiences. IT applications create virtual realities und help us to transcend space and time. New substances and materials enable revolutionary new opportunities in architecture and design, such as the roof structure of the Reichstag in Berlin, two-dimensional light design by means of LED, new fashion, or the taste of Novel Foods.

Creativity drives and focuses technological development efforts in view of new products and services. Technological possibilities, in turn, inspire fantasy – and the joy of innovation. Creativity paired with technological expertise and entrepreneurial professionalism leads to the creation of the products and of the added value the economy needs."

Christoph Leitl
President of the Austrian Federal Economic Chamber

"Talent is ephemeral, and maybe that is why it is so much sought after. Unlike volatile gases, which can be trapped in vessels, and brief encounters, which can be conserved in our memories, human talent cannot simply be shut up in a box and thus conserved. Gifted, educated, and motivated people need fresh air in order to be able to let their ideas flow. They need to be inspired by their peers. They need to be allowed to be different from the average.

It is not easy to make talents settle down so that they contribute to making the business community creative, which is a highly demanded feature these days. But it is possible, if you really want it."

Gertraud Leimüller
Chairwoman of the arge creativ wirtschaft austria

The data used in this publication is derived from two different sources:

Study "Contribution of the Creative Industries to the Innovation System in Austria"

The study carried out on behalf of the 'arge creativ wirtschaft austria' of the Austrian Federal Economic Chamber (www.creativwirtschaft.at) was conducted jointly by the Centre for European Economic Research (ZEW), Mannheim, and the Fraunhofer Institute for Systems and Innovation Research (ISI), Karlsruhe. The Fraunhofer ISI processed current research results concerning the economic significance of the Creative Industries against the background of the innovation system approach and derived working hypotheses regarding the role played by the Creative Industries in the Austrian innovation system. In the empirical part of the study, the ZEW conducted a representative survey of more than 2,000 Austrian Creative Industry companies and analysed and interpreted the data in view of the significance of Creative Industry firms for the innovative capacity of the Austrian innovation system. Methodically, the survey broke fresh ground, as Creative Industry enterprises were not only defined in terms of their affiliation to a certain sector, but also in terms of their activities (own creative performance). In addition, new measuring approaches were developed for registering innovative contributions of the Creative Industries. The survey was complemented by five case studies conducted by Joanneum Research. The processing of theory and empirical data was carried out in close coordination of the individual steps, e.g. as regards the definition and demarcation of the Creative Industries, or the focus on single innovative effects in theoretical and empirical parts. Both cooperation partners jointly drew conclusions and formulated recommendations for innovation policy.

Survey of KMU FORSCHUNG AUSTRIA (Austrian Institute for SME Research)

The results of the study for the Third Austrian Report on Creative Industries have been supplemented by surveys carried out by the Austrian Institute for SME Research. The data was updated for the present summary of the Austrian Report on Creative Industries with the data from 2007, which have been available since July 2009 (cf. "10 percent of all companies in Austria rank among the Creative Industries").

Please find the German long version of the Third Austrian Report on Creative Industries at: http://www.creativwirtschaft.at/

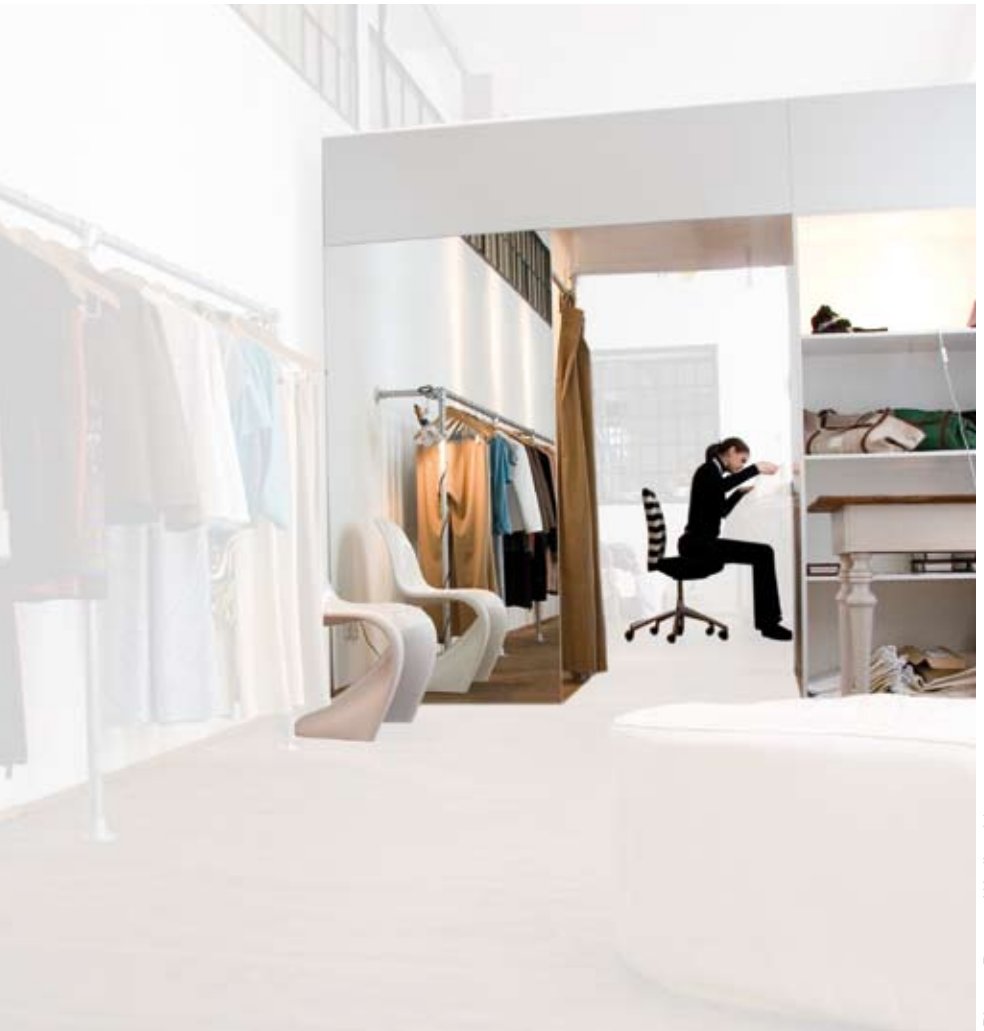

Photo: Renate Woditschka

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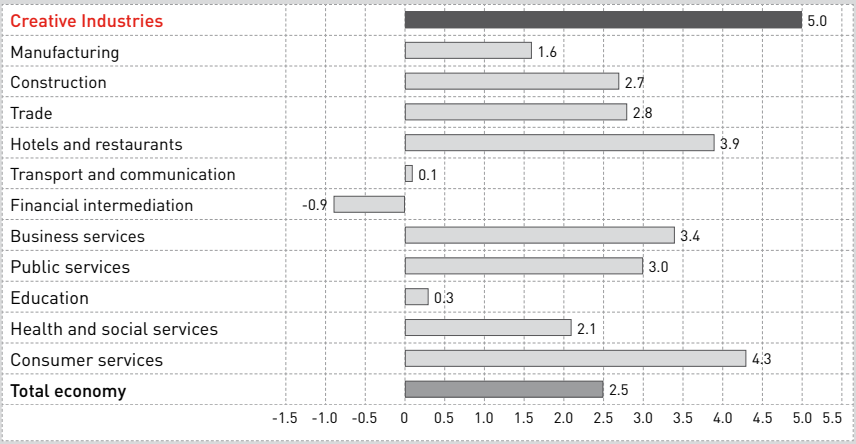
People in the Creative Industries are ...

1. Job suppliers: Creative Industries in Austria are gaining in economic importance

Particularly High Growth Potential

The number of self-employed workers and employees in the Creative Industries increased greatly between the end of 2004 and the end of 2007. The average annual employment growth of CI companies which at both points of time were economically active (i.e. without taking into account business start-ups and failures) amounted to 5.0 %. This is twice the increase of the Austrian economy on the whole (+2.5 %) and also higher than the increase in all other main branches of the economy.
The high growth, on the one hand, follows from the highly innovation-oriented management and, on the other hand, from the disproportionately growing demand for CI services, i.e. from the trend towards skill-intensive, customised, and creative products.

Change in Employment 2004-2007 by Economic Sectors



Average annual growth rate of employees, including self-employed and freelancers (%).
Source: Statistik Austria: Labour Market Statistics 2007, Mikrozensus-Arbeitskräfteerhebung; ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

10 percent of all companies in Austria rank among the Creative Industries

The Creative Industries make up over 10 % of all firms in Austria. As measured by the number of employees, their share, however, is considerably lower and only amounts to 4.4 %. This is partly due to the small average company size, but also to the high share of self-employed workers, including freelance workers. If self-employed and freelance workers are also taken into account, the number of people working in the Creative Industries is significantly higher.

The revenues of the Creative Industries amount to 3.1 % of the overall turnover of the Austrian economy. The higher share in the gross value added (4.9 %) shows that creative companies work more intensively for value added. The share in all firms has clearly risen, which points to a high level of start-up activity and a lower share of market failures.

In the year 2007, the Austrian Creative Industries – based on the definition in the "Second Austrian Report on Creative Industries" – encompassed about 33,453 private sector enterprises with approx. 111,746 employees. Compared to 2006, the number of firms has risen by 2 %. During the same time, the number of employed workers rose by 5 %.

The average company size is 3.3 employees per firm. In 2007, the sector yielded revenues of EUR 21.3 billion.The revenues and profits per employee amounted to approx. EUR 190,000 in 2007 and the gross value added amounted to EUR 8.4 billion.

Number of Enterprises and Employees, Revenues, Gross Value Added, and Share of Creative Industries in the Overall Economy in Austria in 2007

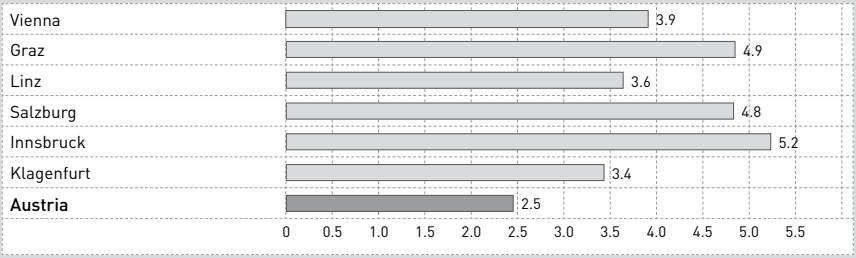
	Enterprises (#)	Employees, excl. self-employed workers(#)	Employees per enterprise (#)	Revenues (EUR m)	Revenues per employee (EUR k)	Gross value added at factor costs (EUR m)
2007 – Definition KMFA *	33,453	111,746	3.3	21,250	190	8,393
Change 06/07 **	2 %	5 %	3 %	6 %	n.m.	9 %
Share of Creative Industries in the Overall Economy in Austria ***	10.3 %	4.4 %	n.a.	3.1 %	n.a.	4.9 %

Source: Statistik Austria, KMU FORSCHUNG AUSTRIA, Main Association of Austrian Social Security Institutions
* Definition according to the Second Austrian Report on Creative Industries. The data of 2007 can be compared with the data of the previous years only to a limited certain extent, as the statistical classification method for assigning companies to certain branches of the economy was substantially changed.
** Change calculated for the Creative Industries without taking into account software companies, according to KMU FORSCHUNG AUSTRIA.
*** Excluding agriculture and forestry

Concentration in Urban Locations

The strong scientific orientation of CI enterprises, which results from the high share of employees with university degrees and the frequent cooperation with scientific institutions, is reflected by the location pattern of the Creative Industries. Approx. 50 % of all CI companies in Austria are located in one of the university cities Vienna, Graz, Linz, Salzburg, Innsbruck, and Klagenfurt, with more than 30 % of the CI firms located in Vienna. 4.1 Creative Industry firms per 1,000 inhabitants are found in these cities, compared to the Austrian average of 2.5. This spatial pattern is due to the proximity to scientific institutions, the CI firms' orientation towards other innovative enterprises, networking effects and favourable environmental conditions, such as a varied and extensive cultural scene, and a sufficiently high demand in niche markets.
On the other hand, 50 % of the CI companies are situated in the country, in smaller cities without universities, or in the suburbs of bigger cities. This shows that there also is a potential for Creative Industries in rural areas, which should not be underestimated, although the enterprise density is much lower there.

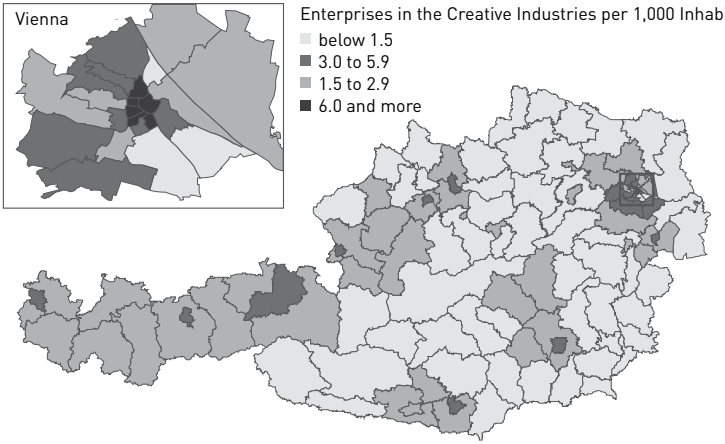
Density of Creative Industry Enterprises



Number of enterprises in the Creative Industries per 1,000 inhabitants.
Source: Statistik Austria: Census 2001; ZEW: Creative Industries Austria Survey 2008 – ZEW estimations and calculations.

A high enterprise density in the Creative Industries sector can be found in almost all larger towns in Austria and, in part, also in the surrounding districts, whereas in the rural areas, the enterprise density, as a rule, does not even attain half the average figure. The highest concentration of CI enterprises is found in the inner city of Vienna, namely in the districts around the university locations (districts I and IV to IX).

Density of Creative Industry Enterprises by Districts



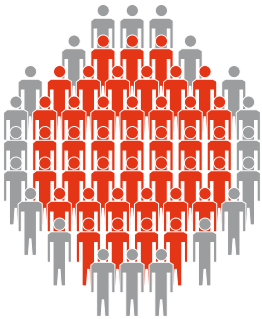
Source: Statistik Austria: Census 2001; ZEW: Creative Industries Austria Survey 2008 – ZEW estimates and calculations.

People in the Creative Industries are ...

2. Custom Tailors: Creative professionals craft unique items instead of goods in bulk

In highly developed national economies, the Creative Industries constitute an economic sector with a high potential. Creativity as a production factor does not merely represent a comparative advantage compared to other countries, but is becoming ever more significant, which will lead to a further increase of the Creative Industries' contribution to the overall economy. The Creative Industries offer precisely those services which are ever more demanded in high per capita income economies, i.e. intangible tailor-made goods which suit the individual needs and preferences of the customers. In spring 2008, a comprehensive survey of more than 2,000 Austrian CI companies was conducted to thoroughly investigate and quantitavely assess the role of the Creative Industries for the overall innovation system. The central characteristic of the survey is that it focused on firms which are active in a branch of the Creative Industries and whose business activity is also characterised by a high degree of creative services. In this context, we can speak of "highly creative" enterprises. Thus, the survey differs from practically all other studies in this field, which are merely based on a delimitation of sectors.

Amount of "Highly Creative" Enterprises in the Creative Industries



Around 30,000 companies, that is about 10 percent of all Austrian enterprises, are to be counted among the Creative Industries because of their main activities.

20,000 companies thereof belong to the highly creative core of the Creative Industries (customised, individual products and originality are important)

At the beginning of 2008, the total number of "highly creative" enterprises in Austria amounted to almost 20,000. The Creative Industries encompass the areas content (music, film/photography, writers, games, etc.), design, architecture, advertising, software, publishing houses, and technical offices, as well as the area of consulting/training, which up to now was only marginally considered in reports on the Creative Industries. The low number of highly creative enterprises, namely 20,000, in comparison to the overall number of Creative Industry firms results from the fact that, in the survey, public or non-profit organisations were not considered. Enterprises from the areas of retail trade, rental, and leasing were not surveyed. Besides, enterprises from the Creative Industries which do not provide any own creative service were also excluded.

The companies at the core of the Creative Industries are referred to as "highly creative", because the services offered by the companies included in this study, are mainly based on three core factors:

1. originality
2. individual creativity
3. customised services.

Because of their high service orientation and, thus, their proximity to their customers, the Creative Industries lead the way to "Open Innovation" by integrating the customer into the process of creating added value.

Photo: Renate Woditschka

martha ploder design
www.marthaploder-design.at

People in the Creative Industries are ...

3. Multitaskers: The Creative Industries consist of many different sectors

The Creative Industries are characterised by their cross-sectoral scope. Thanks to the wide range of products and services, the sector offers itself as a partner to diverse sectors by supporting the development of new products and services as well as their manufacture and marketing. Cross-sectoral branches usually have a better long-term growth perspective, as they do not depend on sector-specific developments or singular shifts in competitiveness between countries.

The core of the Creative Industries is formed by firms which incorporate their creativity into the design of products (including digital products) (design), which produce artistic or otherwise creative work in the areas of film, photography, music, literature, and dramatic arts (content), which shape public space, buildings, and interiors (architecture), which conceive creative approaches to market products and services (advertising), and which meet the varied requirements in connection with IT solutions by means of creative programming solutions (software). Furthermore, companies which offer creative consulting and further education courses for other enterprises (consulting/training), which publish and produce publications and digital media (publishing/printing), and which solve technical problems in a creative fashion (technical/engineering offices) are also regarded as part of the Creative Industries. In view of the number of enterprises, the areas architecture, software and technical/engineering offices dominate, whereas, regarding the number of employees, the fields technical offices, advertising, and consulting/training represent the largest share.

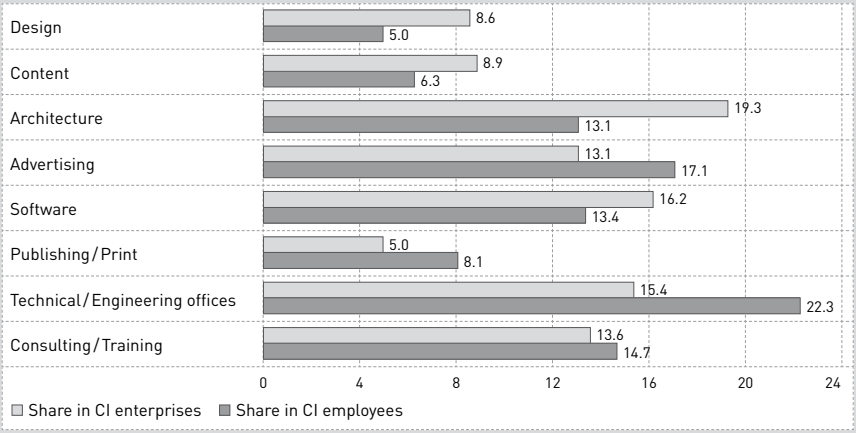
Sectors in the Creative Industries

1. Design	Fashion, product, graphic, jewellery, corporate and web design
2. Content	Film, literature, journalism, composition, acting, text creation, translation
3. Architecture	Landscape architecture, construction planning
4. Advertising	PR-consulting and market research
5. Software	Programming, excl. web design, incl. database services, etc.
6. Editing/Print	Reproduction of sound, image, and data carriers
7. Technical offices	Planning for non-construction-related areas, incl. R&D services
8. Coaching/Training	Management consulting, coaching, adult education

The individual sectors, or sub-markets, may be joined in thematic branch complexes or clusters, but they can also exist side by side without any mutual obligations. One example of a branch complex is the collaboration of advertising agencies, copy writers, photographers, graphic artists, printers, and manufacturers of promotional goods, who jointly design and implement ideas for advertising campaigns/measures. Other sub-markets in the Creative Industries usually are not that closely related to each

other, for instance architecture, web design, or jewellery manufacturing.

Enterprises and Workers in the Creative Industries by Sectors



Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations (%).

Photo: photocase©subwaytree

People in the Creative Industries are ...

4. Innovation Drivers: The whole economy benefits from the services of creative professionals

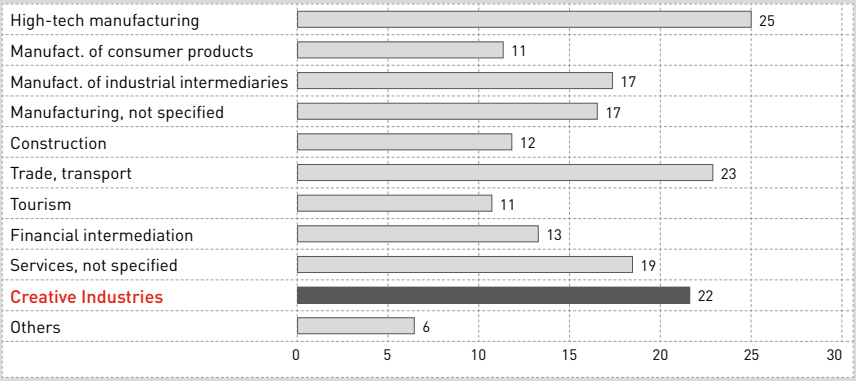
Creative Industries support industry, traditional fields of the economy, and other sectors

Without support in connection with brainstorming, design, graphics, music, marketing, and advertising, just to mention a few service types, it would be impossible to produce and promote innovations. Almost half of all CI firms (46 %) support their customers from the manufacturing industry in introducing innovations.

CI support innovations in a broad range of branches. 25 % of the CI companies which offer support to their customers in connection with innovation provide innovative contributions to the high-tech sector, 11 % to the consumer goods industry, 17 % to the manufacturing industry, 12 % to the construction industry, and 17 % to industry and trade in general.

This proves the Creative Industries to be important partners for the Austrian industry in cases where creative services are to become part of industrial innovation processes. Trade and transport (23 %), the financial and real estate sectors (13 %), tourism (11 %), and the service sector in general (19 %) also profit from innovative contributions by the Creative Industries. An especially significant contribution of the Creative Industries consists in providing creative inputs in the form of innovative ideas for and approaches to the design, implementation, and marketing of innovations to less knowledge- and research-intensive branches which invest only little in developing their own creative outputs.

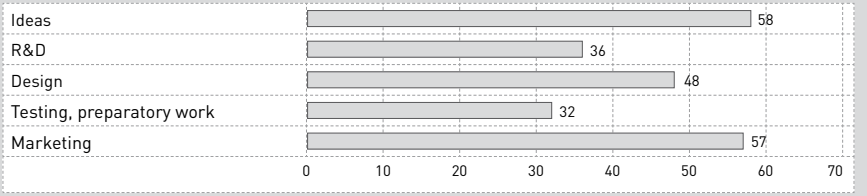
Branches supported by CI companies in Innovation Processes



Share in all enterprises that support innovation on the part of their customers (%), multiple sector assignment allowed.
Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

Broken down into the different kinds of support services offered for innovation processes, a colourful picture is revealed: 58 % of the CI companies which offer such support for innovations contribute to the clients' innovation processes in the phase of brainstorming in which ideas are generated. 57 % start supporting their clients at the time of market introduction or offer support for the implementation of innovations. 48 % contribute to the design and shaping of innovations. Relatively few CI companies, namely 36 respectively 32 %, support their clients' innovation processes through R&D and technical services, such as tests, inspections, or preparations for production or marketing.

Innovation Support offered by the Creative Industries to Customers by Stages of the Innovation Process

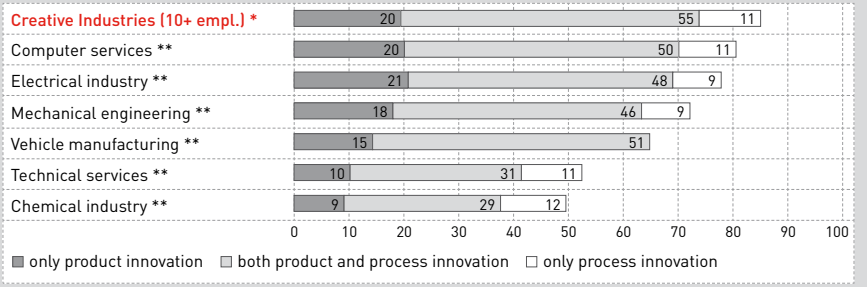


Share in all enterprises that support innovation on the part of their customers (%).
Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

Strong orientation towards R&D and Innovation

71 % of the CI companies have introduced at least one innovation within a three-year period (2005–2007), i.e. have launched a new service on the market or have implemented new processes in-house. This is an outstandingly high value compared to other branches. In a comparison of different branches – which relates to enterprises with 10 and more employees – this is the highest quota.

Innovation Activities by Economic Sectors



Share in all enterprises (%), only enterprises with 10 or more employees, * 2005-2007; ** 2002-2004.
Source: Statistik Austria: Ergebnisse der Vierten Europäischen Innovationserhebung (CIS 4); ZEW: Befragung Creative Industries Österreich 2008 – Berechnungen des ZEW.

Photo: photocase©itschidick

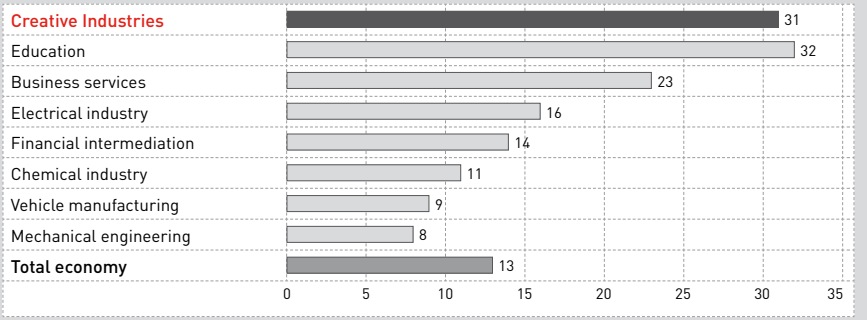
People in the Creative Industries are ...

5. Fans of education: Creative professionals are highly educated

High Percentage of Academics

30 % of all workers in CI companies hold a university degree. This share is more than twice as high as the average of the Austrian economy as a whole (13 %) and higher than in almost all other sectors. In total, approx. 50,000 academics work in the Creative Industries. That means over 9 % of all employed university graduates in Austria and around 13 % of all academics are employed in trade and industry. CI companies contribute markedly to the fact that the knowledge and the creative potential of university graduates is converted into added value.
In addition to university graduates, CI companies also employ numerous workers who have studied at higher education institutions but have not (yet) graduated (either because they are still studying or because they have dropped out of university). In total, this group amounts to 9 % of all employees in the Creative Industries, with especially high numbers in the areas of software, advertising, and in the content sector, i.e. in fields where individual creativity is particularly demanded.

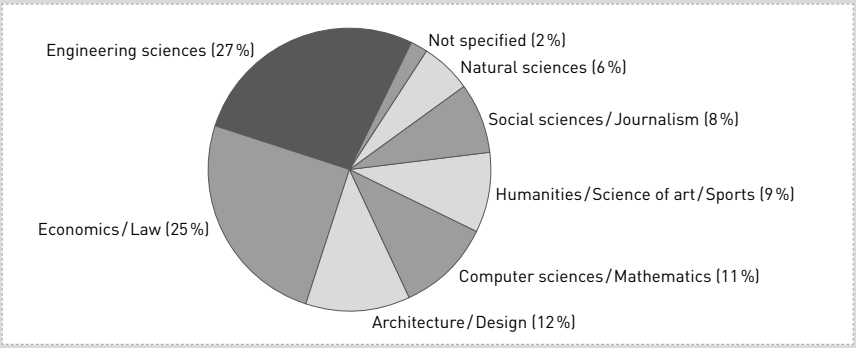
Graduate Employees 2007 by Economic Sectors



Share of university graduates in total number of employees (%).
Source: Statistik Austria: Mikrozensus-Arbeitskräfteerhebung 2007; ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

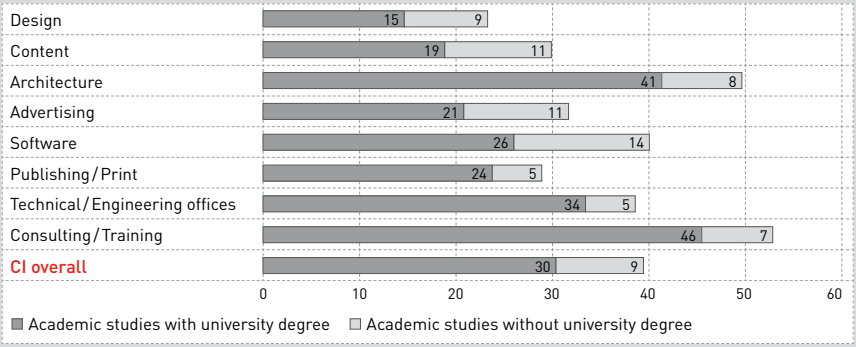
The university graduates employed in CI companies come from widely differing areas of expertise. More than a quarter has studied engineering, economics, or law. A further eighth has studied architecture/design or informatics/mathematics. Humanities and arts as well as social sciences are also frequently represented. The combination of different academic educational backgrounds is very frequent.

Employees with University Record in Creative Industry Enterprises with and without Degree according to Disciplines



Share in total number of employees with academic studies (%).
Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

Employees with University Degrees in the Creative Industries by Sectors



Share in total number of employees (%).
Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

Photo: Renate Woditschka

Markus Zahradnik, www.zahradnik.at
Freddy Prost

People in the Creative Industries are ...

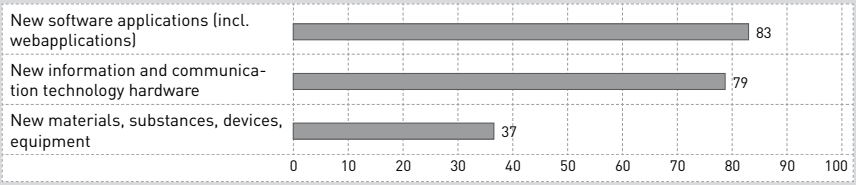
6. "Techies": Computer & Co are the tools of creative professionals

ICT and software are the technological basis for innovations

91 % of the CI companies make use of novel products, processes, or technologies, which were developed by other firms, in connection with their business activities. 83 % of all CI firms use new software applications, 79 % use new information and communication technologies (ICT). Technology trends in the fields of ICT and software are thus crucial for the future development and for the future innovation potential in the Creative Industries. Because of their high affinity for new communication technologies, the Creative Industries are recognized as an important driving force behind the diffusion of new technologies in the whole economy.

The Creative Industries play a pioneering role in using new ICT and new media. The innovation potential of the Creative Industries becomes evident at two levels: on the one hand, the Creative Industries themselves raise their own innovation potential by using innovative ICT and media in the course of developing their products and services; on the other hand, their demand for innovative ICT acts as a driving force promoting innovation on behalf of ICT suppliers. For this reason, the innovative capacity of the Creative Industries is coupled to the innovation dynamics of the ICT sector.

Use of New Technologies in the Creative Industries



Share in all Creative Industry enterprises (%), multiple answers were allowed.
Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

The digitalisation of communication plays an important role here. New possibilities for compressing data, storing data, and increasing the computing speed have enormous impacts on the added value created in the Creative Industries and, at the same time, are driven by the demand on the part of the Creative Industries as lead users. The more digital content is available on the Internet, the more differentiated are the technologies needed to select, structure, and analyse the information. A decisive precondition for the dissemination of digital products and services is the availability of (TC) networks with broadband access as well as the use of mobile telephony.

The digitalisation of communication provides the users with a more active role in the co-design and dissemination of creative content. Users are not merely co-producers of the content; they also play an active role in the selection, editing, re-combination, and linking of digital content. In this context, it is of considerable significance that

new technology is freely available and, thus, may be changed and particularised, whereby Open Source software also increases the innovation capability of the Creative Industries.

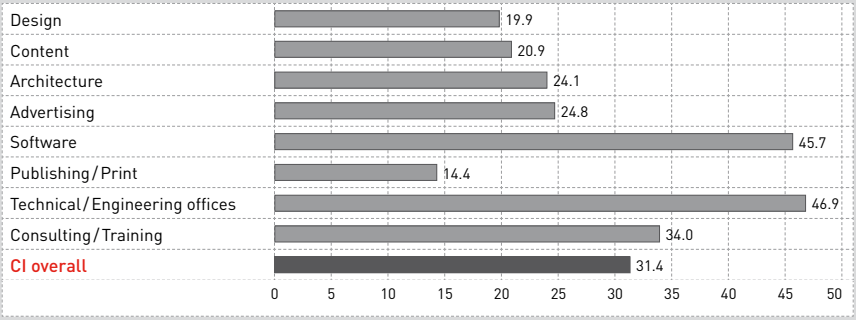
A central challenge for the Creative Industries in connection with the production and distribution of digital content relies in digital rights management (DRM). The possibilities to copy and distribute digital content via the Internet have led to an explosion of content and to its worldwide utilisation. This, however, conflicts with the existing copyright business models and the protection of intellectual property, as copyright owners and administrators of intellectual property rights (IPR) have an interest in monitoring the distribution and use of intellectual property. It is argued that the existing DRM rules no longer meet the requirements of a global economy and, instead, tend to constrain the growth and development of the sector. Attempts are being made to relax the DRM system and to look for new, appropriate models with less or more acceptable restrictions.

People in the Creative Industries are ...

7. Scientists: R&D is part of workaday life in the Creative Industries

31 % of the CI companies carry out their own research and development activities (R&D)

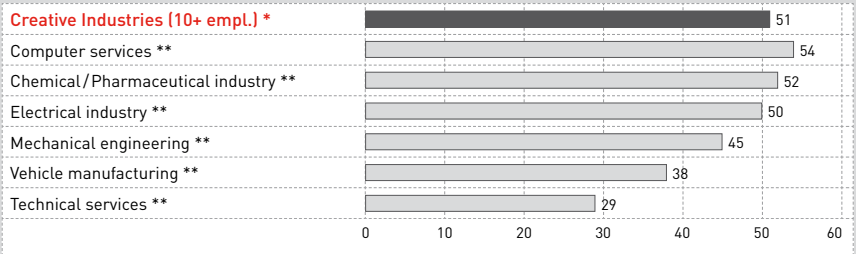
R&D activity in sectors



Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

In this respect, the Creative Industries are also leading among all business branches. In an international comparison – and once again in relation to enterprises with 10 or more employees – only the software branch (which again mainly is part of the Creative Industries) and the chemical and pharmaceutical industry show a slightly greater willingness to invest in R&D.

Enterprises carrying out R&D by Economic Sectors

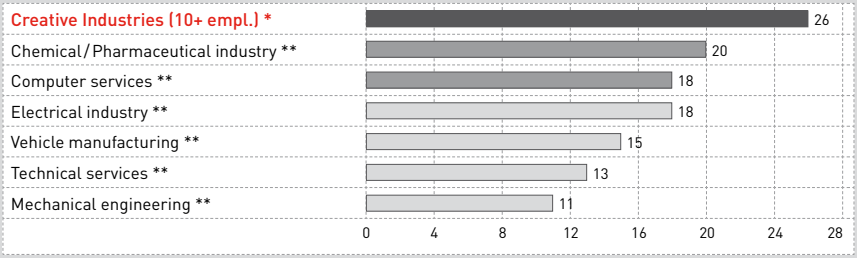


Share in all enterprises (%), only enterprises with 10 or more employees, * 2005-2007; ** 2002-2004.
Source: Statistik Austria: Results of the Fourth Community Innovation Survey (CIS 4); ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

Knowledge Transfer from the Scientific Community

24 % of all enterprises in the Creative Industries collaborate with the scientific community in the form of R&D cooperations, or by supervising diploma theses or dissertations. 14 % cooperate in the area of R&D, 17 % supervise students in cooperation with scientific institutions. In a comparison of branches, the Creative Industries top the league. With regard to actively innovative enterprises with 10 or more employees – for comparative statistics from other branches are only available for this group of enterprises – 26 % of the CI companies maintain R&D cooperations with the scientific community, whereas in other research- and science-intensive branches this quota is between 10 and 20 %.

R&D- and Innovation-based Cooperation with the Scientific Community by Enterprises from Selected Economic Sectors



Share in all innovative enterprises (%), only enterprises with 10 or more employees, * 2005–2007; ** 2002–2004. "Scientific community": universities, other higher education institutions, other public research organisations; share of the sectors outside the Creative Industries was calculated based on the assumption that two thirds of all enterprises reporting cooperation with non-university institutions were concurrently cooperating with universities.
Source: Statistik Austria: Results of the Fourth Community Innovation Survey (CIS 4); ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

An important pre-requisite for the strong scientific orientation in the Creative Industries is certainly the high proportion of academics working in the Creative Industries. They often establish contacts to universities and other research institutions which they know from their time at university and from working in scientific research organisations. The Creative Industries play an important role in opening the market for new research results and scientific methods from the university sector. This also, and in particular, applies to economics, social sciences, humanities, and arts.

Photo: photocase©shadowtricks, photocase©una.knipsolina

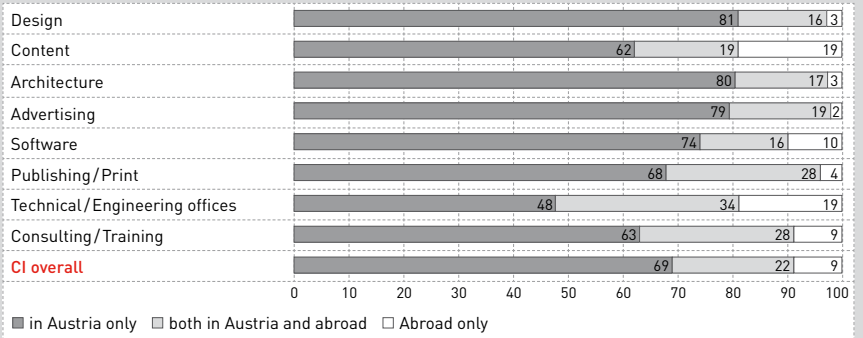
People in the Creative Industries are ...

8. Cross-border commuters: The potential for internationalisation is high

International Orientation

30 % of the CI companies which support their customers in their innovation processes also provide innovation impulses for clients outside Austria. Engineering offices and consulting and training companies exhibit a particularly high international orientation.

Location of Customers that Receive Innovation Support from Creative Industry Enterprises



Share in all enterprises that support innovation of their customers (%).
Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

The intense use of new information and communication technologies and the high level of staff qualification facilitate the companies' internationalisation. In addition, many CI firms have specialised in niche markets and very specific service offers which often represent a unique selling proposition, also in an international context.

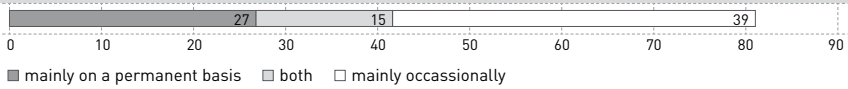
People in the Creative Industries are ...

9. Networkers: Collaboration is a big issue

Networks and Division of Labour within the Creative Industries

80 % of all CI companies collaborate with other companies in their current business activities in order to produce joint results for third parties. Around one third of the co-operating CI companies cooperates with their partners on a mainly permanent basis, approximately one half cooperates occasionally with other companies, and a fifth of the companies has both permanent and occasional cooperation partners.

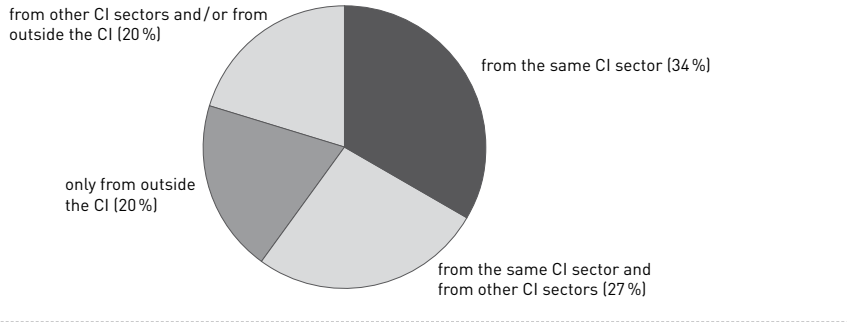
Cooperation in the Creative Industries



Share in all enterprises (%).
Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

The network partners of CI companies, to a great extent, also stem from the Creative Industries. Over 60 % of all cooperating CI companies work together with enterprises from the same CI sector (more than half of them exclusively with partners who work in the same area), a further 20 % do not collaborate with firms from the same CI area, but with enterprises from other fields of the Creative Industries. Only a fifth of the cooperating CI enterprises have network partners solely from other branches outside the Creative Industries.
This applies primarily to the areas architecture (with partners from the construction industry) and engineering offices (with industrial partners).

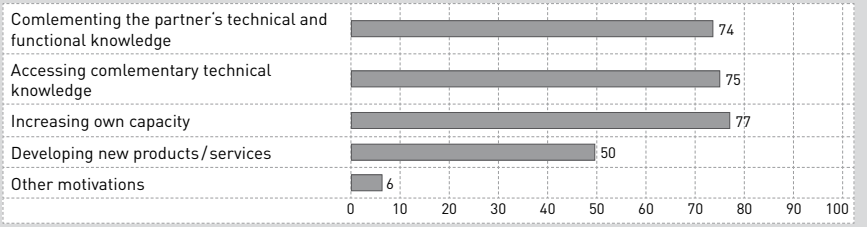
Cooperation Partners of Creative Industry Enterprises



Share in all cooperating enterprises (%).
Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

The reasons for cooperating with other enterprises vary. A frequent reason for cooperation is that the partners of CI companies do not possess the necessary specialised knowledge or do not dispose of the necessary technical pre-conditions to execute an order (this is the case for 74 % of all cooperating CI enterprises). On the other hand, CI companies enter into cooperations in order to obtain services which they cannot provide themselves (75 %). Pooling resources in order to arrive at the necessary capacities to execute a given order is the most frequent reason for cooperation (77 %). Every second CI enterprise engaging in cooperation aims at developing new services and service offers together with their partners.

Areas of Cooperation among Creative Industry Enterprises



Share in all cooperating enterprises (%), multiple answers were allowed.
Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

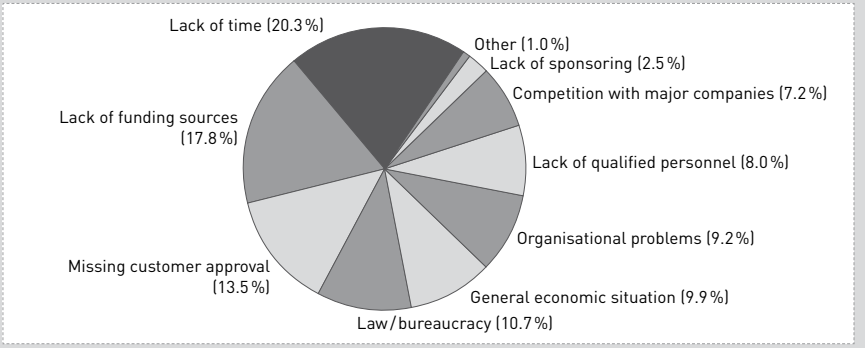
Photo: Renate Woditschka

Christoph Wildburger
www.wildburger.cc

People in the Creative Industries are ...

10. Hurdlers: Constraints are no reason to give up

Obstacles to Business Activities in the Creative Industries



Constraints that deterred Creative Industry enterprises from realising business ideas and compromised a positive business development; share in total number of constraints (%), multiple answers were allowed.
Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

Lack of Time and Money are the main obstacles

In 64 % of the firms in the Creative Industries certain constraints have hampered the implementation of business ideas and have impaired a better business development:

Considerable time pressure in connection with the implementation of ideas results in business potentials lying idle, and, thus, growth opportunities and innovation impulses for other economic branches are not made use of to the fullest extent. Around 15 % of the Creative Industry companies cite this as a constraint. The reason for this is the extremely small-scale structure of the Creative Industries: over 37 % of the firms have only one employee, who, as a rule, is also the owner. Many of these enterprises obviously find it difficult to take the step of taking on a first co-worker, either by hiring an employee or by taking on a business partner. Today most companies in the Creative Industries resort to participating in teams and networks (such as a bidding consortium, working teams, or more stable business relations to other CI companies in order to avoid capacity bottlenecks in connection with orders and to complement each other's capacities), although these opportunities are still not used efficiently enough.

If there is a lack of manpower, some good ideas might lie idle: The number of employees – decreasing, steady, increasing – can also be a factor influencing the constraints that constituted major impediments for CI enterprises between 2004 and 2007

	Number of employees in CI enterprises			
	decreasing	steady	increasing	CI overall
Experienced constraints	**72**	**62**	**64**	**64**
Lack of time	12	**16**	14	15
Lack of funding sources	**15**	12	13	13
Missing customer approval	10	**11**	8	10
Law/bureaucracy	**11**	6	9	8
General economic situation	**10**	8	5	7
Organisational problems	7	7	7	7
Lack of qualified personnel	5	3	**10**	6
Competition with major companies	**10**	5	5	5
Lack of sponsoring	**3**	2	1	2
Other	1	1	0	1

Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations (%).

Financing difficulties are encountered by a considerable number of Creative Industry enterprises (about 13 %). Particularly innovative companies are most likely to reach their financing limits. A lack of own resources is, above all, the main reason that companies are not able to "take time off", time which could be used to further develop products. Financing problems also restrict the growth of employment in the Creative Industries.

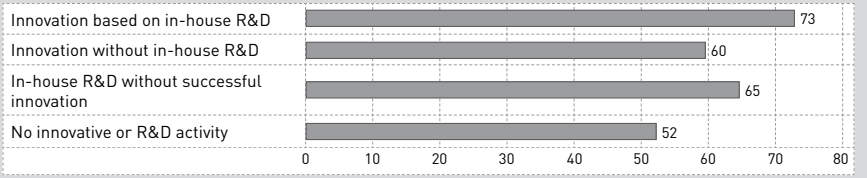
A lack of customer approval or the lack of willingness to pay on the part of clients are the third most important hampering factor, accounting for about 10 %. The more creative the offered services are, the greater the extent to which this constraint is experienced. Often it is public authorities or institutions closely related to the state which do not take advantage of creative product offers. This can present a major barrier for Creative Industry companies, as 41 % of all Creative Industry companies count public authorities among their clients. Although it is obviously the clients' decision whether they want to take advantage of certain services/outputs or not, public demanders should be aware of the fact that their own purchase options can become restricted in the long term, if creative proposals are always turned down in favour of standardised and trusted offers.

The lack of qualified personnel is not a widespread constraint (encountered by approx. 6 % of the Creative Industry companies). However, in particular growing firms have difficulties finding highly qualified workers/experts, and, for this reason, encounter constraints when putting business ideas into practice.

Innovative Enterprises especially Hampered by Constraints

Innovative CI companies report constraints on innovation far more frequently than CI companies without R&D and innovation activities. Above all, they find themselves confronted with greater financing difficulties, legal and bureaucratic hurdles, and a lack of qualified personnel. This applies in particular to enterprises with market innovations and R&D activities. For predominantly small creative enterprises R&D primarily means the new and further development of product ideas instead of carrying out their day-to-day business activities. To finance R&D, a financial "cushion" is required as R&D-intense phases normally constitute low income phases. It is hardly possible to finance such "breaks" from regular business activities by means of external funds, such as bank loans, apart from current account credits, as "intangible investments" of this kind do not provide any "securities" for guaranteeing loans. This is why R&D in micro-enterprises is financed by cash-flow reserves from past financial years. Thus, it is required that there have been years with cash surpluses.

Obstacles to Business Activities encountered by Creative Industry Enterprises according to R&D and Innovation Activities



Share of enterprises with constraints in total number of enterprises in the respective category (%).
Source: ZEW: Creative Industries Austria Survey 2008 – ZEW calculations.

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