

# Creative Industries: The Next Phase

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K Kreativwirtschaft

A Austria

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WKO  
WIRTSCHAFTSKAMMER ÖSTERREICH

bmwfw  
Federal Ministry of  
Science, Research and Economy



# Innovation Impulses & Crossover Effects: Key Results From The New Austrian Creative Industries Report

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# Innovation & Crossover impact channels

# Characteristics of the CI

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- **Small size structure:** 61% One-Person-Enterprises
- **High formal qualification level:** 38% of entrepreneurs with university degree
- **New forms of employment:** part-time and hybrid entrepreneurs (e.g. employed + freelance), co-working, crowd employment, etc.
- **B2B relations:** 78% of CI count businesses among their most important clients
- **Broad definition of innovation:** CI as „early adopters“ of new innovation forms (e.g. open innovation, service innovation, social innovation)
- **High innovation level:** 74% with product/service innovations
- **High propensity to collaborate** across sectors and along the entire value chain
- **Customised products:** 83% of the CI newly adapt their products/services for every customer

# High innovation intensity of CIs...

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...as a precondition for crossovers

- 91% of the CIs with **innovations**
- 44% of the CIs with **innovative business models**
- 41% of the CIs with **research & development activities**
- 44% of the CIs with **innovation cooperations**

# Crossover effects

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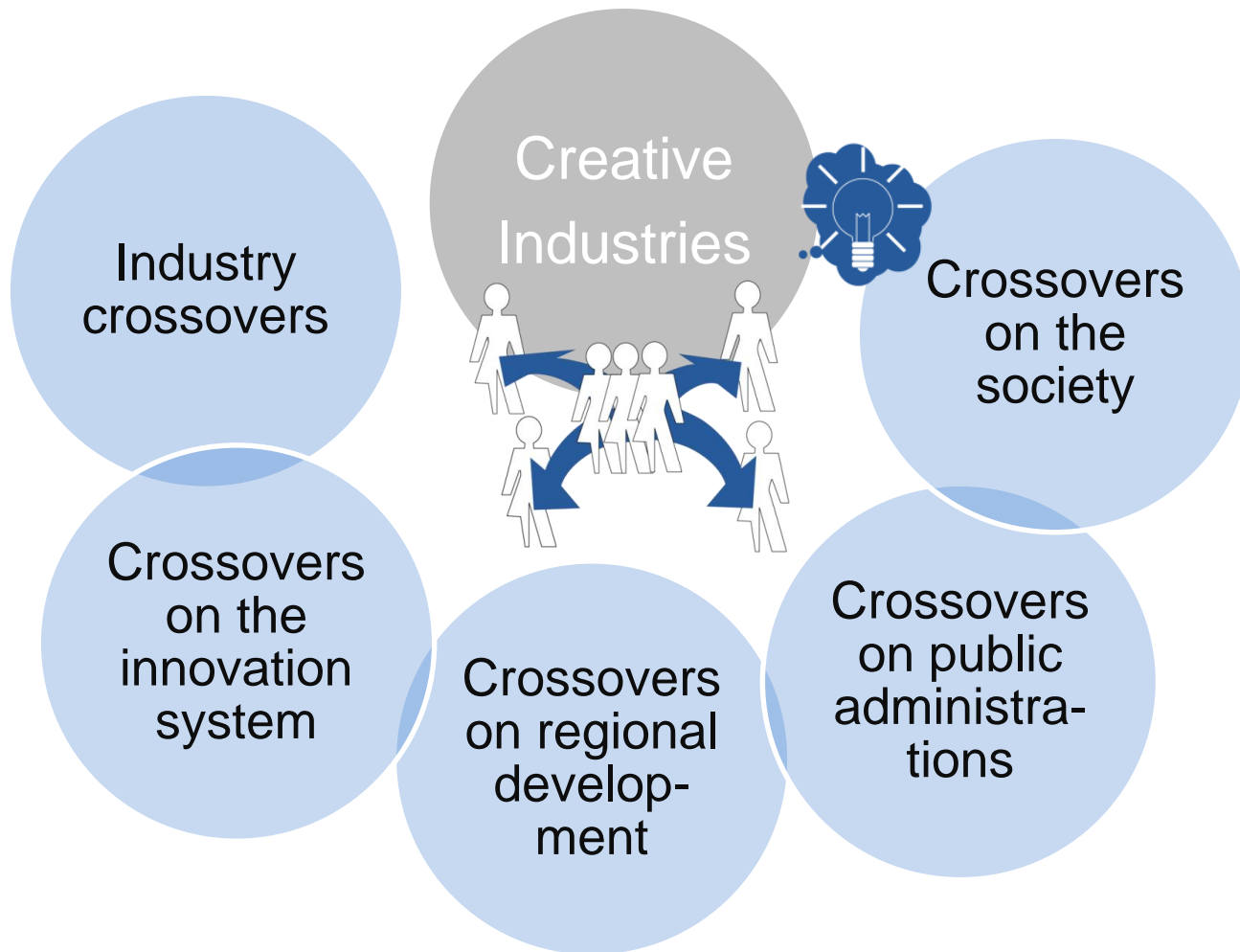
*“...a process of combining knowledge and skills specific to the cultural and creative sectors together with those of other sectors in order to generate innovative and intelligent solutions for today’s societal challenges”*

Council conclusions on cultural and creative crossovers to stimulate innovation, economic sustainability and social inclusion (2015/C 172/04)

## Crossovers vs. Spillovers

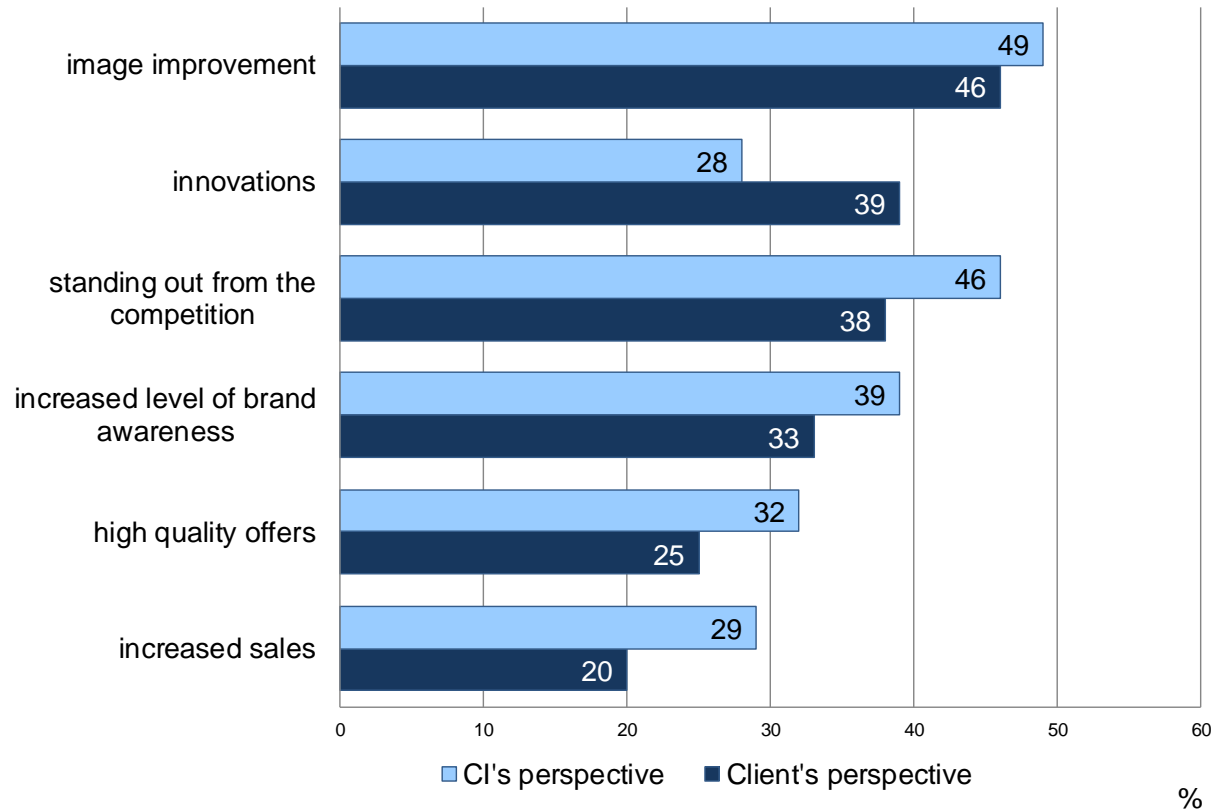
- |   |     |  |
|---|-----|--|
| <ul style="list-style-type: none"><li>• intended</li><li>• planned</li><li>• targeted</li></ul> | vs. | <ul style="list-style-type: none"><li>• unintentional</li><li>• random</li></ul> |
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# Crossover effects – impact channels



# Industry crossovers of CIs

## Most important industry crossovers



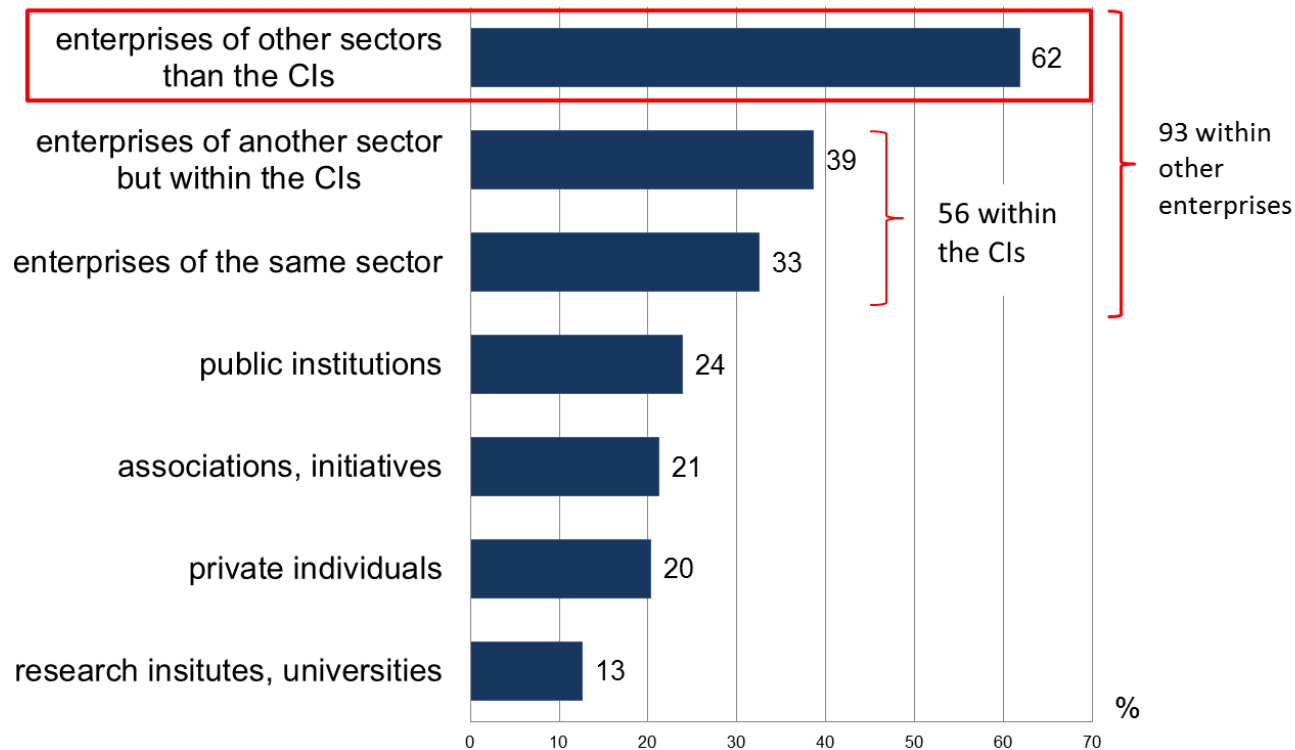
CIs underestimate their role in supporting innovation in their client's companies

Source: Sixt Austrian Report on Creative Industries



# Evidence for industry crossovers: CIs as a driver of innovation

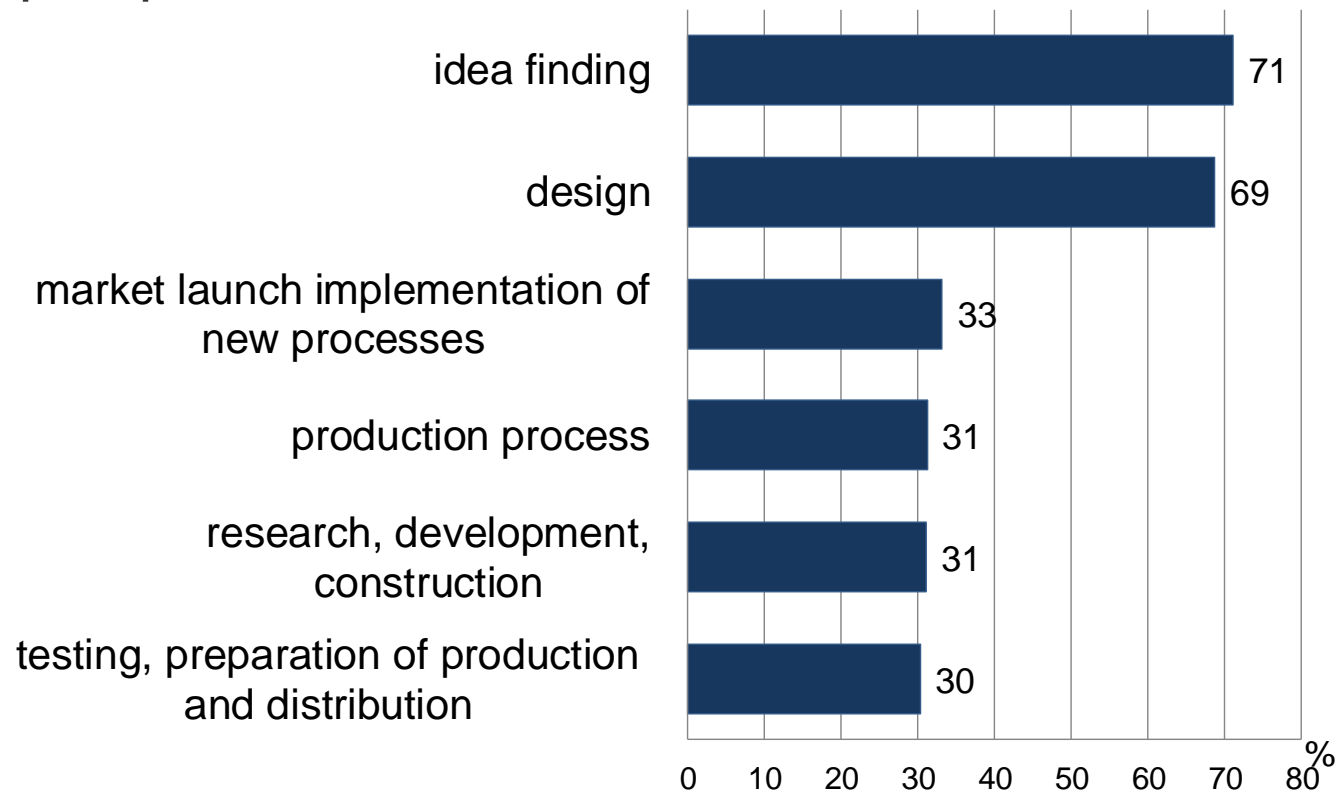
40% of the CIs support their clients in introducing innovations  
... mainly in other sectors than the CIs



Source: KMU Forschung Austria, enterprise survey

# Phases of the innovation support of CIs

## CI's perspective



Source: KMU Forschung Austria, enterprise survey

# Network crossover effects of the CIs

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- CIs as an important factor for **regional development**
- Most important clients, suppliers, cooperation partners of CIs are in the same region (exchange with other regions/cities however important)
- 15% of CIs state that the main purpose of their innovation activities is to **initiate change processes in the region**
- Most important network crossovers: **economic growth and employment creation, prevention of brain drain, change of image of a region, improved quality of live and regional identity**

# Crossovers of the CIs for public administration

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- Total public (direct & indirect) demand for creative work: € 3,4 billions or **20 % of total domestic sales** of the Austrian CIs
- 43 % of the CIs count **public institutions** among their **important clients**
- About 25 % of the CIs **supported public institutions to introduce innovations**
- 16% of the CIs with **innovation cooperations** with public institutions
- Important crossovers: **new public management, E-government**, innovations in **the health sector**

# Crossovers of the CIs for the society

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- Many CIs with **Social innovations**
- Almost 20% of CIs introduce innovations with the aim of **solving societal problems**
- 21% of CIs **supported associations and initiatives** to introduce innovations
- **Case : Anne Eli** – human centered design to improve the access to health knowledge of pregnant migrant women

# Economic Impact of Creative Industries

# The economic impact of creative industries:

## Overview

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- Based on the newly created **satellite account for creative industries** and **input-output analysis** the **overall economic impact** of creative industries in Austria are quantified and multipliers given.
- Effects on **production**, **value added** and **employment**. E.g., each employee in the creative industries secures additional 0.7 jobs elsewhere in the Austrian economy.
- The structure of creative industries is special in terms of its **intermediate and primary inputs** and **distribution of its output**. Creative industries are intertwined and strongly connected to the Austrian economy.
- If one follows the **value chain until the final demand**, for which category of final demand (consumption, investments, exports) is creative industries' output destined? Creative industries contribute an important part to the **strengthening of the competitiveness** of the economy.

Economic  
impact  
analysis

Structural  
analysis

Value  
chain  
analysis  
(forward  
linkage)

# A satellite account for the Austrian creative industries

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## Satellite account for creative industries

- Extension of the system of national accounts
- More detail, additional variables
- In accordance with definitions of national accounting

## Disaggregation of input-output-table

- All 10 sectors of creative industries form separate IO-sectors
- This enables the analysis of the **impact** on the national economy and of the **entire value chain** of creative industries



# Input-output analysis

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## Why input-output analysis (IOA)?

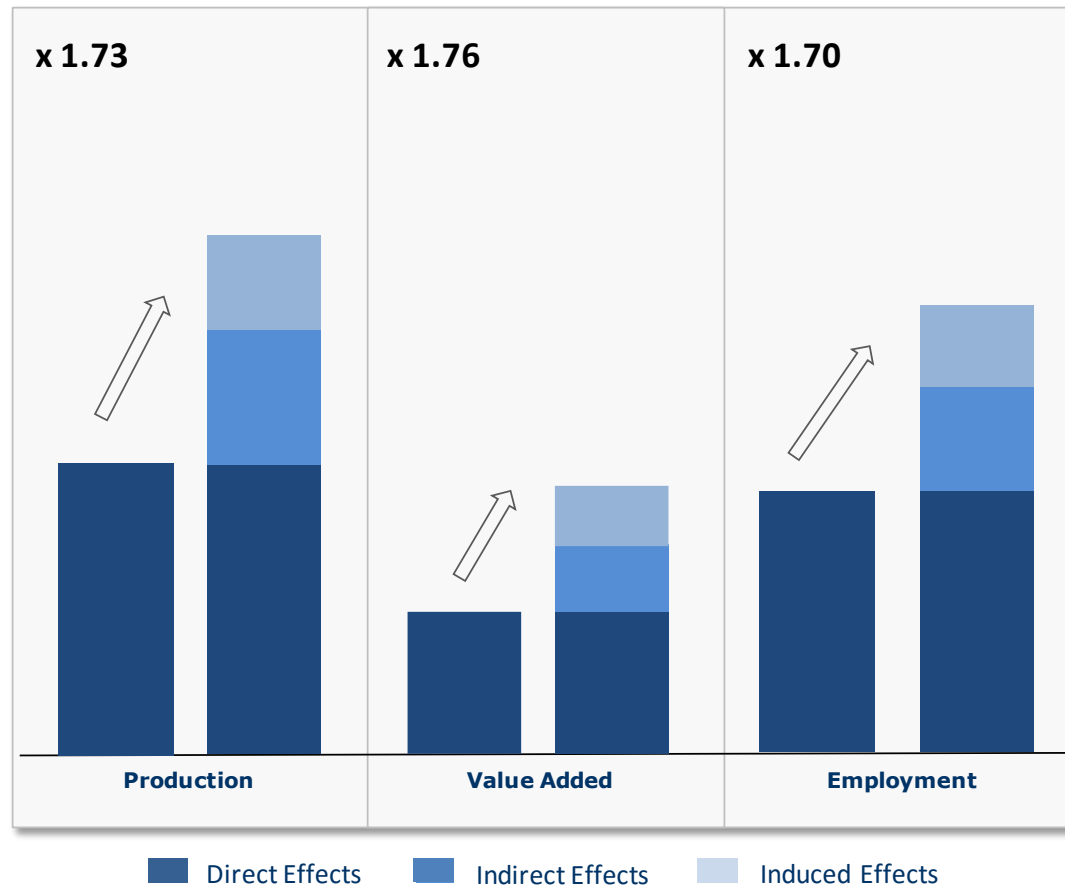
- IOA allows to quantify the overall impact of an economic impulse on the economy, taking into account all interrelationships.
  - **Direct effects:** the production, value added and employment taking place in the creative industries
  - **Indirect effects:** comprise the production, value added and employment resulting from the demand of the suppliers of the creative industries as well as the suppliers of their suppliers, ...
  - **Induced effects:** arise from the income—consumption cycle

## Methodological aspects:

- Use of an extension of the „mixed model“ of IOA (Stone 1961) that takes **production in some sectors as exogenously given**, using market shares → **no double counting of effects**

# Economic impact of creative industries in Austria

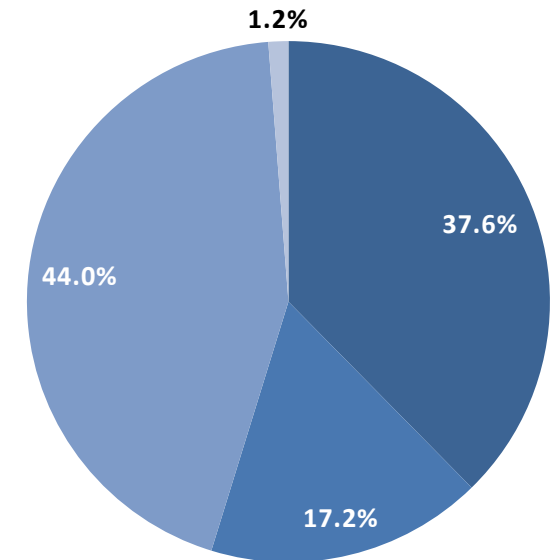
Direct, indirect and induced effects on the Austrian economy, 2014



# Structure of intermediate and primary inputs of CIs

- **Intermediate inputs:** 52.9 percent of gross output
- **Value added:** 47.1 percent of gross output
- Main **suppliers:** creative industries, service industries
- Relatively low share of value added, but with **emphasis on labour compensation**

Structure of intermediate inputs

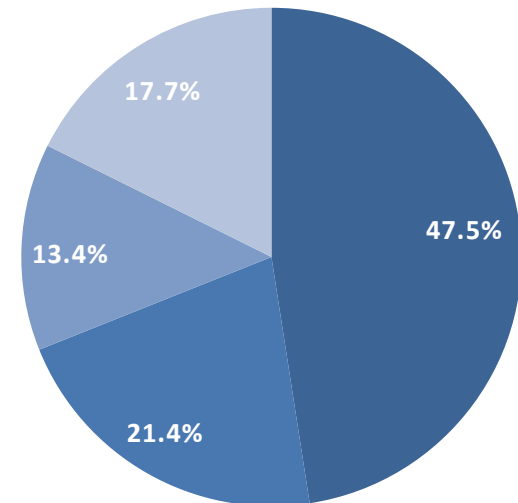


- Goods and services of creative industries
- Primary goods and commodities
- Trade and business-related services
- Public administration and other services

# Distribution of output of creative industries

- Demand for intermediate inputs: 47.5 percent
- Final demand: 52.5 percent, of which:
  - 21.4 percent consumption
  - 13.4 percent gross capital formation
  - 17.7 percent exports

Distribution of output



- Demand for intermediate inputs
- Consumption
- Gross capital formation
- Exports

# Value chain of creative industries (I)

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## Length of the value chain:

- How many steps/transformation processes are passed until final demand is reached? By this measure, creative industries have a relative long value chain: **1.76** (average for services: 1.52)

## Attribution to final demand:

- If **one follows the value chain until final demand is reached**, what category of final demand is the output of creative industries destined to?
  - Consumption (private, government and NPISH): 42.3 percent
  - Investment (fixed capital formation): 20.6 percent
  - Exports: 37.1 percent
- Thus, creative industries contribute to the strengthening of the competitiveness of the Austrian economy

# Value chain of creative industries (II)

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Splitting up the output of creative industries: **direct** and **indirect** deliveries to final demand:

- Indirect deliveries 50.9 percent
- Direct deliveries 49.1 percent (of which 12.0 percent for gross fixed capital formation)

This analysis offers an alternative view on **industry cross-overs**. Accordingly, **industry cross-overs are supported by at least 61 percent** of the production of creative industries.

# Résumé

# The results illustrate that...

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- Their specific characteristics make the CIs an **important partner for other sectors and the entire value chain**
- Input-Output-Analysis indicates:
  - CI are **intertwined and strongly connected** to the Austrian economy.
  - CI have a strong **impact** on the national economy in terms of production, value added and employment
  - CI especially support investments and exports and thus contribute to the strengthening of the **competitiveness** of the Austrian economy



# Evidence of crossover effects

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- Industry crossovers: CI **support a variety of sectors**
  - in image improvement, innovation ability, enhancing the quality of offers, innovate their business models, cope with structural change, etc.
- Innovation system: CIs are highly innovative and **forerunners in new forms of innovations**
  - such as business model innovations, open innovation, service and social innovation
- Regional crossovers: CIs can help to strengthen **regional value added networks and innovation systems**
- Crossover effects on the public administration and the society as a whole: CI can support the **modernisation of public administrations** and contribute to **solutions for societal challenges**

# How to exploit crossover effects of CIs

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- Establish a **broad understanding of innovation**
  - On all policy levels (regional, national, EU-level)
- **Enhance awareness** for CI and their crossover effects
- Establish a **mindset** of co-operation, openness, appreciation for other disciplines and sectors
- **Enhance competences** in the areas of co-creation, open innovation, network based interdisciplinary work
- Overcome **silos thinking**
  - between policy areas, disciplines and industries
- Create diverse (virtual and real) **spaces, meeting areas, clusters, platforms**

Thank you for your attention

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