

# INTERNATIONALIZATION PROCESS OF CREATIVE INDUSTRIES: TENDENCIES, PROBLEMS AND CHALLENGES

**Tomas Mitkus**

e-mail: tomas.mitkus@vgtu.lt

Vilnius Gediminas Technical University, Lithuania

**Abstract.** Today creative industries are not only a giant in global economy, but as well a segment that constantly shows growth, and is a source of innovation. This did not happen without globalization in XXI century. Analysis shows that although internationalization process is greatly supported by international and national government-based funding platforms for continued growth of creative industry full government-based support is needed to increase co-production and insourcing.

**Key words:** creative industries, internationalization, management.

---

## Introduction

It is safe to say that today we know an impressive lot about the creative industries. Culture and economy scholars have probed into to this concept of art and business, not to mention, sociology, law, communication and management scholars have also taken to study this still not clearly defined concept. And it will continue to be vaguely defined because there is no clear method to define creativity, therefore, to establish a creativity measuring unit system that would allow successfully filter creative and non-creative economic segments. Although, ironically, there are quite few easy ways to measure economic value generated by creative industries.

Discussions about cultural industries usually start from Theodor Adorno who first coined the term in 1947 (Adorno, Horkheimer 1979). But only in the 1990s scholars took a closer look at the few creative industries segments and they have discovered that culture and creative industries are not only important for creating modern cultural identity, but are also an important contributor to the economic growth. Today reports on creative industries indicates how effectively (in compare to other economic sectors) creative industries creates value, how fast it creates new job places, how successfully this industry's products are exported, how well this industry withstands economic recessions and how intensely this industry provides with innovative solutions (Blair et al. 2001; Hotho, Champion 2011; De Propriis 2013; Goede, Louisa 2012; Daubaraitė, Startienė 2013; DCMS 1998). Starting in the 90s. there had been a boom in interest in creating national strategies to help develop national „creative industries” (Pratt 2006).

This paper examines the evolution of creative industries and explores the literature on the concept and identity of creative industries and its core segments to establish analysis framework for identifying relationship between creative enterprise, internationalization process and its growth. The analysis employs a pragmatic approach by analyzing Europe film and animation industries to determine what tendencies, problems and challenges internationalization process produce with the goal of contributing to a more general understanding of insourcing, outsourcing and co-production.

## 1. The concept of creative industries

One of the reasons for the popularity of the creative industries as a concept, and thus influenced the transformation of cultural industries in the creative industries, is formed in the 1990s a new provision that we can expect continued economic benefits of culture and art (Girdauskiene 2013). As pointed out by Garnham (2005), the term “cultural industries” had a rather well-defined policy framework, which sets out how and why it is worth investing in culture. Cultural products once identified as economic benefit shifted the place and significance of the art and culture in the economy, and thus the relationship between cultural policy and industrial and economic policy. In other words, policy-makers point of view of the culture shifted from notion of “social support” for a creative segment to “investment” that brings economic benefits (Mitkus 2011; Mitkus, Nedzinskaite-Mitke 2015).

As already mentioned the economic benefits of the creative industries have become the main stimulus to create or adjust the existing national strategies for cultural products and services sector. However, policy-makers strategies quickly faced with a major problem – how to clearly define organic, having a plurality of segments and constantly changing economy sector, of which a key part are – creativity, arts and culture – is extremely difficult to measure. Currently, there are several popular concepts of creative industries. Florida (2002) describes creative industries<sup>1</sup> firstly as a professional social community (or class), which assigns both artists and scientists. Meanwhile, the European Union sees creative industries in particular as a number of market segments (EC 2010, 2012). Howkins (2001) offers creative industries regard as “just another industry.”

The fact that for decades there was no compromise how to clearly define the creative industries, leads to another problem, i.e. use of wide and related terms. Creative industries are often still referred to such terms as “cultural industries” (Markusen et al. 2008) „creative sector” (Wiesand, Söndermann 2005), „copyright industry“ (Makselis 2007), „content industry“ (Lemly 2011), „entertainment industries“ (Vogel 1986), „creative economy“ (Markusen et al.

---

<sup>1</sup> Richard Florida describes the term of “creative class”, and not “creative industries”, however his inclusions of people from science, engineering, architecture, design, arts, music and entertainment clearly correlate with the concept of creative industries.

2008), „orange economy“ (Restrepo 2013) and etc. But each of these terms has a slightly different definition, and automatically introduces an even greater confusion in the concept of creative industries. It is necessary to point out that quite lively usage of so many different terms is a conscious phenomenon. This is because different term brings slightly different key emphasis to the definition. Also the national and international institutions need to adjust concepts to their policy making and business purposes. How a slightly different emphasis can be used to strengthen one’s position can perfectly be illustrated by presenting the concepts of creative industries by five different organizations (Table 1).

Table 1. Definitions of creative industries

Source	Definition
UNESCO (2016)	Term ‘creative industries’ encompasses a broader range of activities (then cultural industries) which include the cultural industries plus all cultural or artistic production, whether live or produced as an individual unit. The creative industries are those in which the product or service contains a substantial element of artistic or creative endeavour and include activities such as architecture and advertising.
UNCTAD (2008)	Creative industries are at the crossroads of the arts, culture, business and technology. In other words, they comprise the cycle of creation, production and distribution of goods and services that use intellectual capital as their primary input.
WIPO (2006)	Copyright-based industries: activities or industries where copyright plays an identifiable role. Core copyright industries: industries that are wholly engaged in creation, production and manufacture, performance, broadcast, communication and exhibition, or distribution and sales of works and other protected subject matter.
DCMS (1998)	The creative 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
EC (2012)	Creative industries comprise activities related to the creation, production and/ or distribution of creative goods and services as well as with the integration of creative elements into wider processes and other sectors.

Thus, one can easily see how a slightly different interpretation of the term can create political and economic benefits of the entity that employs the term. It is therefore not surprising that WIPO aggressive shifting emphasis on intellectual property (and protection of it), while for the DCMS the most important element of creative industry’s is the ability to create jobs and financial well-being.

The possibility to organically change definition of creative industries for political purposes in developing strategies for creative industries is precisely why term is so popular at the local and international institutions. And that brings to an interesting paradox – the concept of creative industries beyond academics and clerks in governmental apparatus is extremely uninteresting and vague. However, as the creative industries input in creating economic value became apparent, most policy-makers ought to respond to this phenomenon, although to this day the concept and the object is not always the same thought as researchers and the government or the corporate world.

## 2. Identity of creative industries

In order to understand the evolution of concept of creative industries we need to start at the UK government's Department for Culture, Media and Sport that produced the first Cultural Industries Mapping Document in 1998 (DCMS 1998). This document is widely recognized as it had played a groundbreaking role in developing the concept of creative industries, and the majority of authors considered this as a first attempt and a catalyst seeking to systematically list all creative industries segments (Hartley 2005; Pratt 2005; O'Connor 2007; Hesmondhalgh 2012).

This document later became the starting point for most publications and authors tried to improve this list of segments. Some of them (Hawkins 2007; Levickaite, Reimeris 2011) seek to split the list as far as possible (e.g. film, television, documentary, video advertising, animation, pornography, distribution, rental, film distribution and so should be considered as separate and independent segments). Other authors (Higgs et al. 2008) try to compress the creative industries segments as much as possible (e.g. Architecture, Visual Arts and Design is one segment, Software, Computer Games and Electronic Publishing is another single segment, etc.). Hesmondhalgh (2012) even questioned whether cultural tourism (museums, historical exhibitions, etc.) and sports have a place in the creative industries.

Therefore, in 2000s, the main debate between the creative industries policy-makers shifted from "what is the definition of creative industries" to "what is the core of creative industries". Also, "what clearly should remain outside of the definition of creative industries". This question is quite important because the enterprises of creative industries today can expect not only financial support for their activities from the government, but also the help by improving the tax and legal environment.

In terms of the creative industries politicians and scholars are often forget one important aspect – creative industries consist of very different industries that often have very little in common, have really different problems and needs. This circumstance extremely complicates the work of government organizations that are willing to create universal strategy for the overall development of creative industries in the country, or, in other words, to create a universal "vitamins" recipe, which would successfully stimulate all segments of the creative industries. And while development strategy prepared by governments really allows one to create better conditions for creative organizations that today are in competition in a global scale, however, universal "vitamins" method, of course, it is the least effective for those segments that do not have formed a strong representation or lobbying organizations.

One of the most interesting solutions to solve the problem of defining the core segments of creative industries was reached by the Australian government.

After conducting an in-depth research Australian government identified the segments of creative industries which are the strongest in the country (Valuing Australia's Creative Industries 2013). After identifying that music and performing arts, film television and radio, advertising and marketing, software and interactive content, writing publishing and printing media, architecture, design and visual arts segments of creative industries are the most valuable for Australia, the government began to develop the strategy to improve the development of national creative sector. The industries overview issued every couple of years allows the government to monitor which government instruments were used the most effectively to contribute in promoting the creative economy.

To sum up, the concept of the creative industries is mostly important to international and national organizations in order to help develop creative economy sector, or, at the very least, to defend it better against the challenges posed by globalization. To professionals working in creative industries the concept of creative industries is not clear or important because, for example, theater, video games and movie industries have more things that separate them than unite. The artists identify themselves primarily with the industry (segment) of their profession rather than with the general phenomenon of creative industries. Term of creative industries is perfectly suited to identify how an activity that combines entrepreneurial spirit and creativity makes a significant contribution to the economy. However, to create strategies that would insure systematic growth of different segments of creative industries each segment has to be assessed separately.

### **3. Internationalization process of creative industries**

Today developed economies with well-established creative industries show strong participation in global markets of creative products. By contrast, the creative economy in the developing world has not been able to realize its full potential (UNCTD 2008). The survival of creative enterprises in competitive global or even local market is highly depending on successful internationalization. XXI century belongs to those who understand globalization and its effects to the market. Globalization is usually described as a process beyond that of internationalization when the systematic relations between countries that affect the seamless global cultural, economic, and, to a certain extent, the political system or network formation (Lorenzen 2007; Held et al. 1999; Friedman 2000; Stiglitz 2002; Amin, Cohendet 2004). Globalization process in creative industries is highly visible in a few aspects, namely, globalization of (1) involvement in creative idea development; (2) creative product or service consumption; (3) creative project production; (4) organization of creative project and (5) distribution. Digitalization revolution<sup>2</sup> did wonders for segments of creative industries that could distribute products or services in digital form. But digitalization

---

<sup>2</sup> The term of 'digital revolution' means the change from mechanical and analogue electronic technology to digital electronics.

as well was a platform to create tools for effective communication, therefore, allowing to access a pool of talents that can be even continents away from the core team. In fact international outsourcing for economic or creative merit in creative industries is very common practise. Arguably the most famous American TV family “The Simpsons” for decades is produced in South Korean animation studio (CD 2005); cult TV series “X-files” about two FBI agents looking for the truth for the first five seasons were filmed in Vancouver, Canada (Lowry 1995); world-class game developer “Sega Games Co.” have a network of studios across the UK, US and Canada (SEGA 2016); internationally successful Disney movie “Guardians of the Galaxy” (2014) was filmed in London based studios (Siegel 2013) and this list of examples from all segments of creative industries can go on. But internationalization of creative enterprises also reveals the fact that globalization and digitization processes today have created a vast and competitive global market in which local creative industries are obliged to undertake necessary reforms if they want to compete successfully. Otherwise, creative industries in developing world will not be able to attract investments and also lose their talent (employees). Simply stated one cannot provide just highly quality creative product or service for competitive price in local market, because competition today is global.

Today there are two main aspects that greatly infuse internationalization process of creative industries: (1) creative enterprises in developed economies looking for economically sound outsourcing possibilities; and (2) national and international funds that is available only for internationally co-produced creative projects. The first aspect at this point is greatly researched and documented. Many segments of creative industries outsource expensive and less creative elements of the project to countries that can generally provide competitive price. For example global film industry still is greatly affected by “Hollywood great migration” or simply “runaway productions” to foreign locations with tax incentives (McDonald 2014; Lorenzen 2007; Yoon, Malecki 2009). And as Yoon and Malecki (2009) point out, today for animation projects the preferred vehicle is co-production, and global animation industry is experiencing a new wave of runaway production – toward locations where local co-production funding is available. Kanzler’s (2008) research on performance of European co-productions compared to 100% national European films, both inside and outside their national markets clearly revealed that not only on average European co-productions get released on more European markets and generate higher admissions than their entirely national counterparts. As well, Kenzler came to conclusion that co-productions enable producers to raise financing for larger budgets, therefore higher production values; helps to access international broadcasters and distributors; have a cross-border appeal and to a certain degree, co-productions will generate higher admissions by being released on more than twice as many markets as entirely national productions.

The second aspect that greatly infuse internationalization process of creative industries is funding platforms like Creative Europe (TV, films, animations, documentaries, video games, fine art events and etc.), Euroimages (for films, animations and documentaries only), World Cinema Fund (for films and documentaries only) etc. The reason why national and international funding platforms for creative projects stimulate internationalization process is because the most of them have requirement for applicants to submit projects with at least two co-producers from different member states of the fund. Or, at very least, creative projects are given better evaluation if it is submitted by co-producers from different countries. And for creative team to be able to secure a lump sum that comes without any creative requirements to alter the projects vision is a great stimulation to look for foreign co-producers. Not to mention that most European countries provides nonrefundable support to creative projects.

And it is important to point out that international funding platforms to support co-production in creative industries today have a very important positive spill-over effect<sup>3</sup>. And this effect was reached by a set of requirements for funding applicants. For example Creative Europe application requires from applicants to answer questions like:

- describe the financing strategy envisaged to finance the development of the submitted project;
- describe the planned distribution strategy at national and European/international level and if you have already entered;
- describe your intended marketing strategy (national and international): what media, what marketing tools (online and offline), what calendar? What is your main target audience and why?

Questions like these are forcing creative projects managers, event those that are mostly orientated to a creative execution, rather than commercially orientated to adapt the rules of modern global market. It is hard to stress enough how important, even for artisan style creators in Europe is to understand how global animation market works, to be able fully realize its artistic potential.

And to generalize internationalization process of creative industries – today development of national creative industries without strategically supporting internationalization process of selected segment it is simply the slowest way to die for the industry. But there have to be cooperation between creative industry segments and government policy-makers. These two elements will not create a much needed synergy to reach full potential of creative industries if they are not in synchronization. And that, in extend, means that creative enterprises (its managers) have to implement strategy for internationalization from the very beginning, of course if one is planning to grow. Internationalization in creative

---

<sup>3</sup> “Spill-over effect” is the process by which an activity in one area has a subsequent broader impact on places, society or the economy through the overflow of concepts, ideas, skills, knowledge and different types of capital.

industries makes local creative enterprises adapt and use innovations faster, creates new and better paid jobs, co-production helps to reach new markets easier, funding platforms for co-productions provided non-refundable investment that helps to create better (bigger in scope) creative project. It is safe to say, that internationalization in creative industries is here to stay.

## Conclusions

Quantitative indicators show that culture and creative industries is one of the fastest growing European economic sectors, and have not yet reached its full potential. To unlock this potential, especially in developing countries, policy-makers have to take all necessary measures to fully reform and separate culture industries from creative industries starting from conceptual level and ending with practical political applications. Government-level support is essential to segments of local creative industries that they could compete in the global market.

Internationalization process being one of the best stimuli to increase creative enterprise competitiveness also faces a set of new challenges. Based on literature review and data analysis these tendencies, problems and challenges were revealed:

- the interpretation and definition of the creative industries term will continue to be vague. The concept itself is mostly used by academic and government bodies in order to help develop creative economy sector;
- while people working in creative industries do not associate themselves with concept of creative industries, but first and most with the segment that they are working in (like film, animation or video games industries and so on);
- developed countries use internationalization for economic merits and/or to access larger (and mostly cheaper) talent pools.
- therefore internationalization process (co-production and insourcing) in creative industries is highly supported by national and international funding platforms.
- today creative enterprises compete in a global market, therefore, segments of creative industries from developing countries have to provide services or product that is to a global industry standard, but in the same time, for a competitive price.
- national government body in charge of developing creative industries have to analyse each segment independently and determine with such a plan of action which is the best for the local industry and helps to increase co-production, insourcing and prevents outsourcing.



## References

- Adorno, T., Horkheimer, M. (1979), *The dialectic of enlightenment* trans, John Cumming, London: Verso.
- Amin, A., Cohendet, P. (2004), *Architectures of knowledge: Firms, capabilities, and communities*, Oxford: Oxford University Press.
- Blair, H., Grey, S., Randle, K. (2001), Working in film – Employment in a project based industry, *Personnel Review*, 30(2): 170-185.
- CD (2005), ‘The Simpsons’ made in South Korea, *China Daily*, available at: [www.chinadaily.com.cn/english/doc/2005-03/05/content\\_421986.htm](http://www.chinadaily.com.cn/english/doc/2005-03/05/content_421986.htm) (accessed 1 May 2016).
- Daubaraitė U., Startienė, G. (2013), Creative industries impact on national economy in regard to subsectors, *Procedia – Social and Behavioural Sciences*, 213: 129-134.
- DCMS (1998), *A new cultural framework*, London: HMSO.
- De Propriis, L. (2013), How are the creative industries weathering the crisis?, *Cambridge Journal of Regions, Economy and Society*, 6: 23-35.
- EC (2010), *Green Paper, Unlocking the potential of cultural and creative industries*, Brussels: COM 183/3, available at: [http://ec.europa.eu/culture/documents/greenpaper\\_creative\\_industries\\_en.pdf](http://ec.europa.eu/culture/documents/greenpaper_creative_industries_en.pdf); (accessed 1 May 2016).
- EC (2012), *Communication from the Commission to the European Parliament, the Council, the European Economic Social Committee and the Committee of the Regions – Promoting cultural and creative sectors for growth and jobs in the EU*, Brussels: COM 537 final, available at: [http://ec.europa.eu/culture/our-policy-development/documents/com537\\_en.pdf](http://ec.europa.eu/culture/our-policy-development/documents/com537_en.pdf); (accessed 1 May 2016).
- Florida, R. (2002), *The rise of the creative class and how it’s transforming work, leisure, community and everyday life*, New York: Basic Books.
- Friedman, T.L. (2000), *The lexis and the olive tree*, New York: Anchor.
- Garnham, N. (2005), From cultural to creative industries. An analysis of the implications of the “creative industries” approach to arts and media policy making in the United Kingdom, *International Journal of Cultural Policy*, 11(1): 15-29.
- Girdauskiene, L. (2013), *Kūrybinės organizacijos vadybos sistemos įveiklinimas žinių aspektu (doctoral thesis)*, Technologija, Kaunas: Kaunas University of Technology.
- Goede, M., Louisa, G. (2012), A case study of the creative zone Scharloo and Pietermaai in Curacao, *International Journal of Social Economics*, 39(11): 844-858.
- Hartley, J. (2005), *Creative industries*, Oxford: Wiley-Blackwell.
- Held, D., McGrew, A., Goldblatt, D., Perraton, J. (1999), *Global transformations: politics, economics and culture*, Cambridge: Polity and Stanford University Press.
- Hesmondhalgh, D. (2012), *The cultural industries*, London: SAGE Publications.
- Higgs, P., Cunningham, S., Bakhshi, H. (2008), *Beyond the creative industries: mapping the creative economy in the United Kingdom*, London: NESTA.
- Hotho, S., Champion, K. (2011), *Small businesses in the new creative indus-*

- tries: Innovation as a people management challenge, *Management Decision*, 49(1): 29-54.
- Howkins, J. (2001), *The creative economy: How people make money from ideas*, London: Penguin.
- Kanzler, M. (2008), *The circulation of European co-productions and entirely national films in Europe 2001 to 2007*. Report prepared for the Council of Europe Film Policy Forum co-organised by the Council of Europe and the Polish Film Institute, Kraków.
- Lemly, M.A. (2011), Is the sky falling on the content industries? *Journal of Telecommunications and High Technology Law*, 9: 125-135.
- Levickaite, R., Reimeris, R. (2011), Kūrybos ekonomikos penkiakampis, *Santalka: Filologija, Edukologija*, 1: 83-91.
- Lorenzen, M. (2007), Internationalization vs. globalization of the film industry, *Industry and Innovation*, 14 (4): 349-357.
- Lowry, B. (1995), *The truth is out there: The official guide to the X-Files*, New York: Harper Prism.
- Makselis, R. (2007), Lietuvos kultūros įstaigų valdymas kūrybinių industrijų plėtojimo pagrindu. Šiuolaikinis kultūros įstaigų administravimas ir valdymas, Vilnius.
- Markusen, A., Wassall, G.H., DeNatale, D., Cohen, R. (2008), Defining the creative economy, industry and occupational approaches, *Economic Development Quarterly*, 22(1): 24-45.
- McDonald, A. (2014), *Film L.A. feature film study*, Los Angeles: Film L.A. Inc.
- Mitkus, T. (2011), Lietuvos kino industrija XXI a.: valstybės remiamas menas ar verslas?, *Santalka: Filosofija, Komunikacija*, 19(2): 76-89.
- Mitkus, T., Nedzinskaite-Mitke, V. (2015), The impact of globalization to creative industries: the analysis of film industries of Central and Eastern Europe, *Creativity Studies*, 9: 1-11.
- O'Connor J. (2007), *The cultural and creative industries: A review of the literature*, London: Arts Council England.
- Pratt, A.C. (2006), Advertising and creativity, a governance approach: A case study of creative agencies in London, *Environment and Planning A*, 38(10): 1883-1899.
- Restrepo, F.B. (2013), *The orange economy*, Inter-American Development Bank, available at: <http://careers.sega.co.uk/> (accessed 1 May 2016).
- Siegel, L. (2013), SDCC '13: Marvel reveals avengers: Age of ultron, guardians cast, more, *Newsarama*, available at: [www.newsarama.com/18439-sdcc-13-marvel-studios-thor-cap-more-live.html](http://www.newsarama.com/18439-sdcc-13-marvel-studios-thor-cap-more-live.html) (accessed 1 May 2016).
- Stiglitz, J. E. (2002), *Globalization and its discontents*, New York: Norton.
- UNCTAD (2008), *Creative economy report 2008*, New York: United Nations.
- UNESCO (2016), *Creative industries*, available at: <http://www.unesco.org/new/en/culture/themes/creativity/creative-industries/> (accessed 1 May 2016).
- Valuing Australia's creative industries (2013), *Valuing Australia's creative industries: Final report*, Sydney: Ultimo University of Technology.

- Vogel, H.L. (1986), *Entertainment industry economics: A guide for financial analysis*, Cambridge: Cambridge University Press.
- Wiesand, A., Söndermann, M. (2005), The “creative sector” – an engine for diversity, growth and jobs in Europe, available at: <http://www.culturalfoundation.eu/library/2014/1/4/-embracing-cultural-diversities-when-promoting-european-citizenship-and-shared-values> (accessed 30 September 2016).
- WIPO (2006), *national studies on assessing the economic contribution of the copyright-based industries*, Geneva: WIPO.
- Yoon, H., Malecki, J.M. (2009), Cartoon planet: Worlds of production and global production networks in the animation industry, *Industrial and Corporate Change*, 19(1): 239-271.

