

The Economic Power of Creative Industries

*Southern Legislative
Conference*

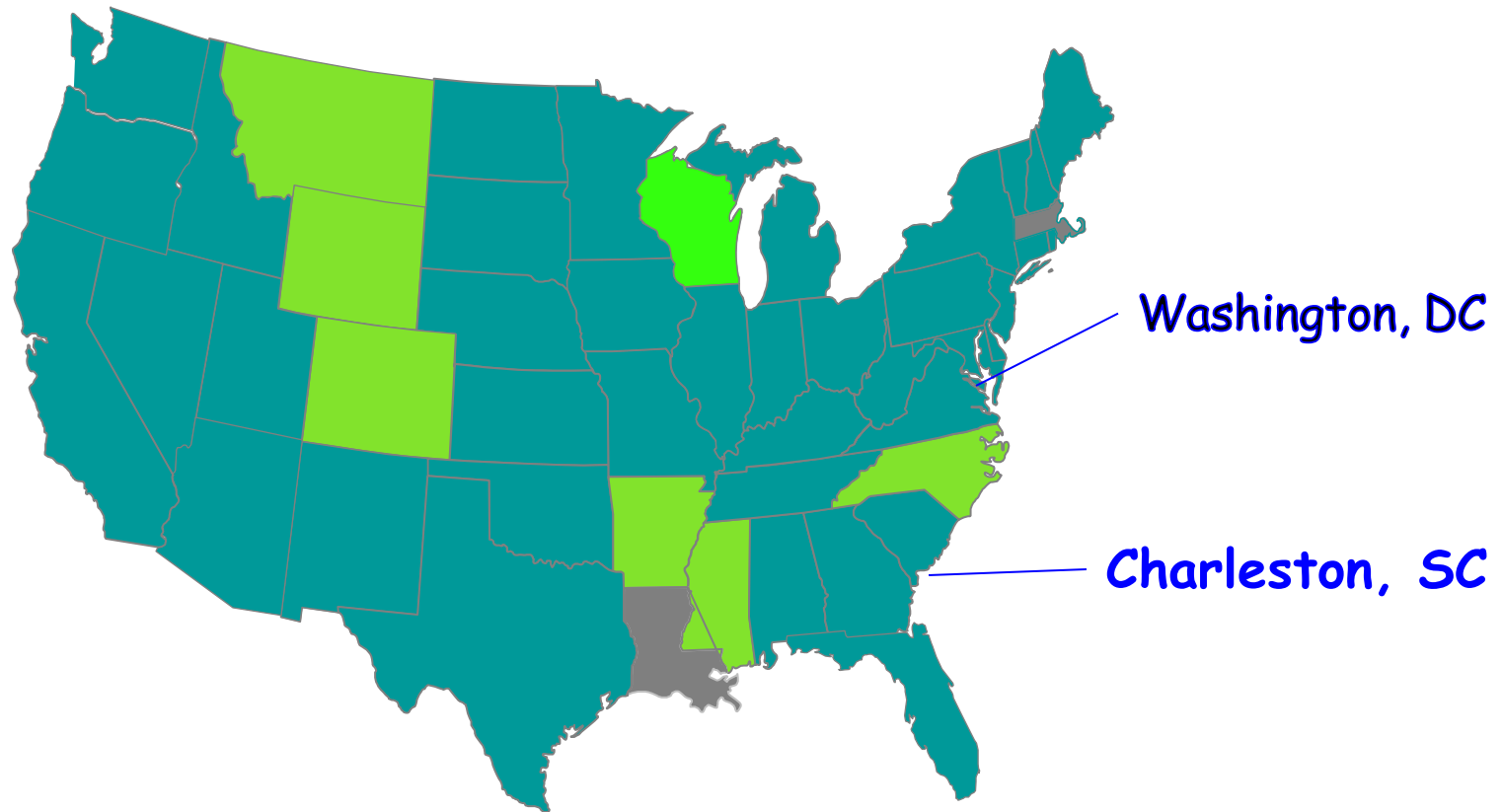
July 19, 2011

Stuart Rosenfeld

Regional Technology Strategies



RTS Creative Industries/ Cluster Studies*

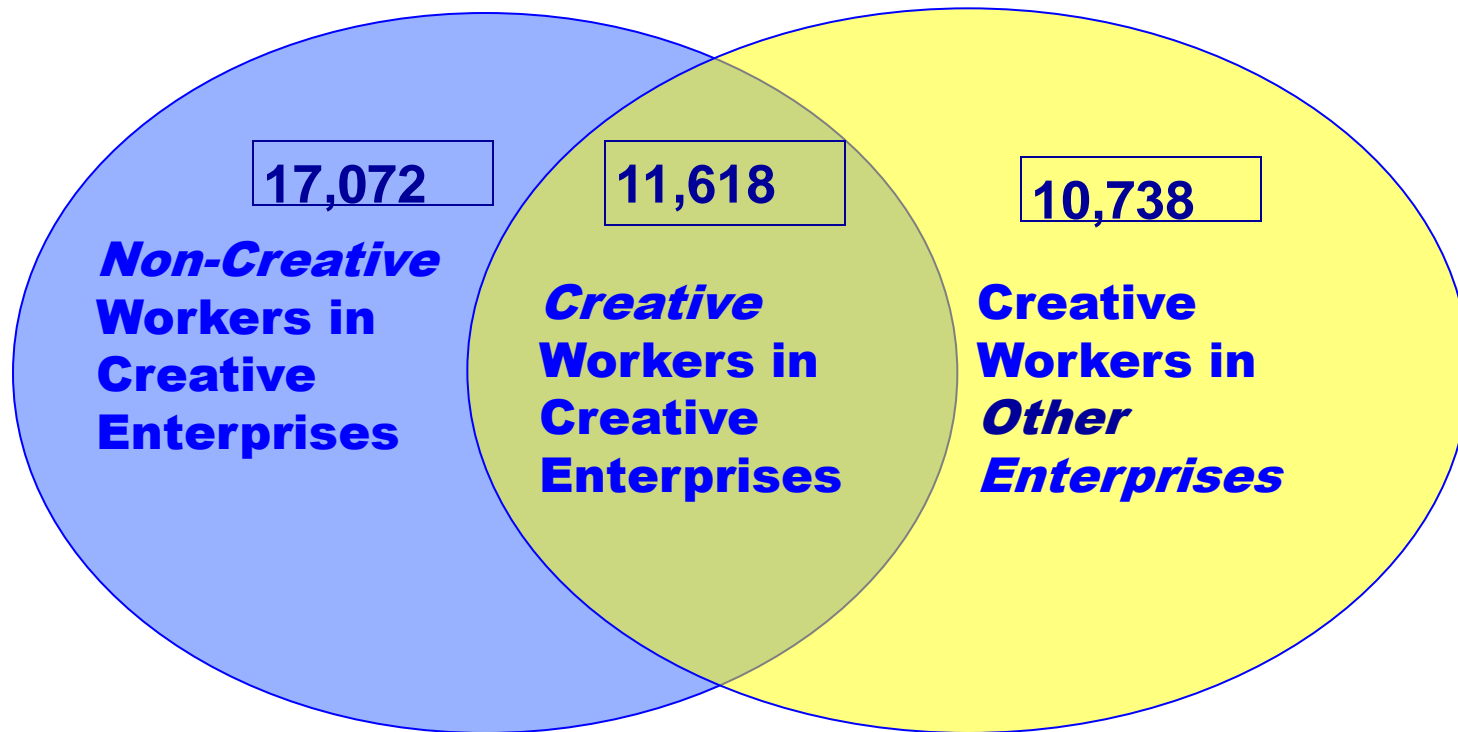


* Most conducted in collaboration with Mt. Auburn Associates

a “creative enterprise” is any company for which the primary value of its products or services is rooted in their emotional or aesthetic appeal to the customer.



NC Piedmont Triad's creative enterprises (cluster) & creative occupations (workforce)

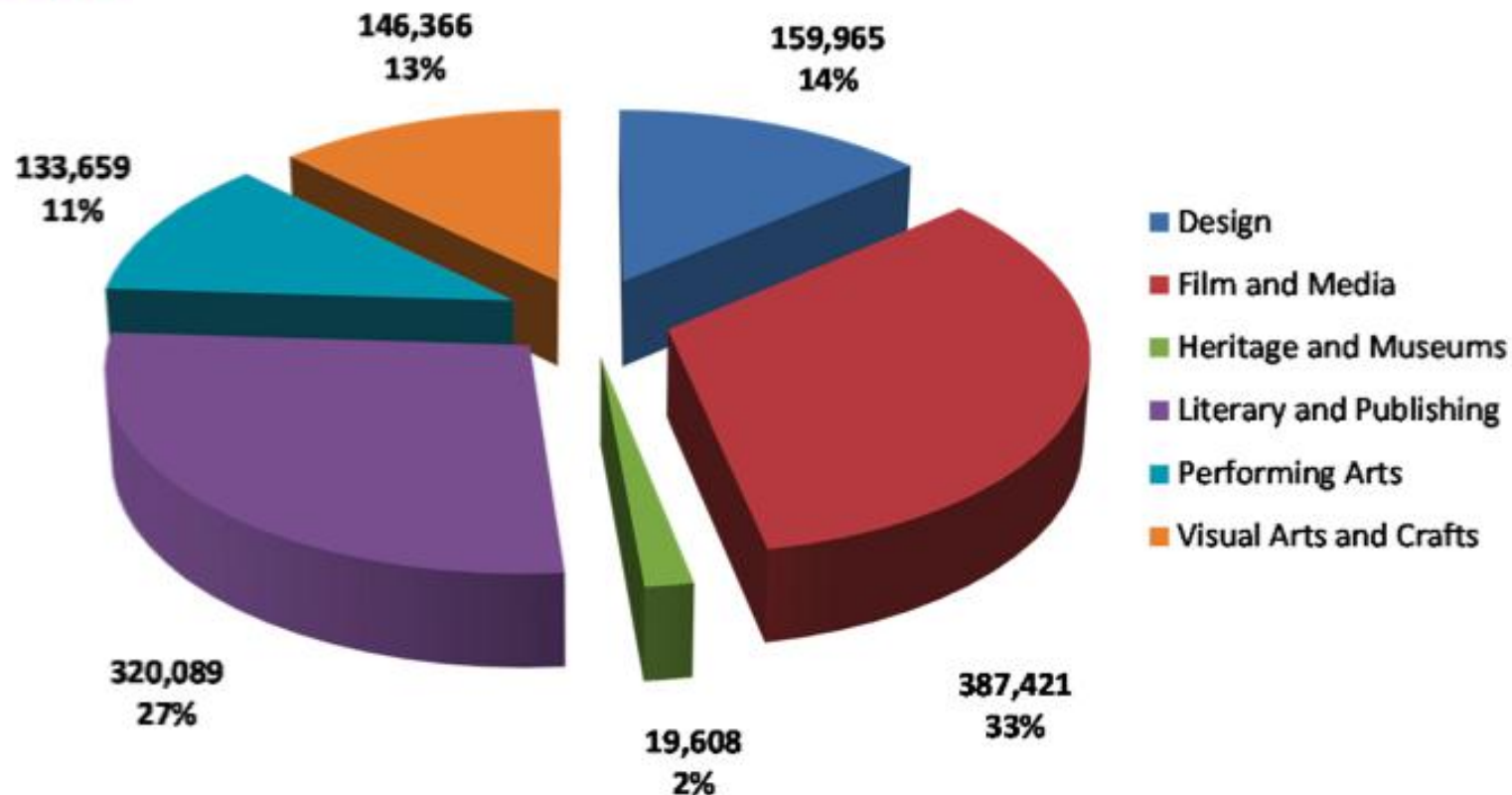


Creative Enterprises

Creative Talent



Creative Industries Employment in the South Arts Region

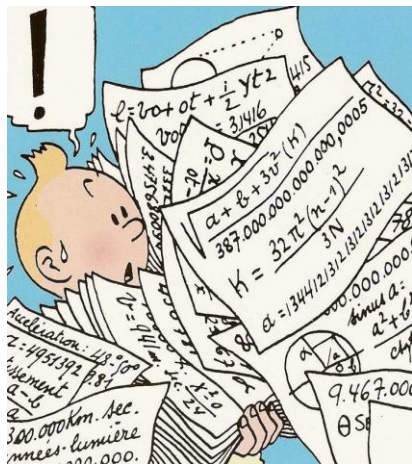


Total Creative Industries Employment in the South Arts Region: 1,167,108
(including self-employed)

How do creative industries contribute to a state's economy?

1. undervalued source of regional growth
2. competitive advantage in other growth sectors
3. attraction for businesses, tourists, and talent
4. source of inspiration and innovation
5. underutilized opportunity for disenfranchised people and places





1. It's a major job generator — but generally undervalued

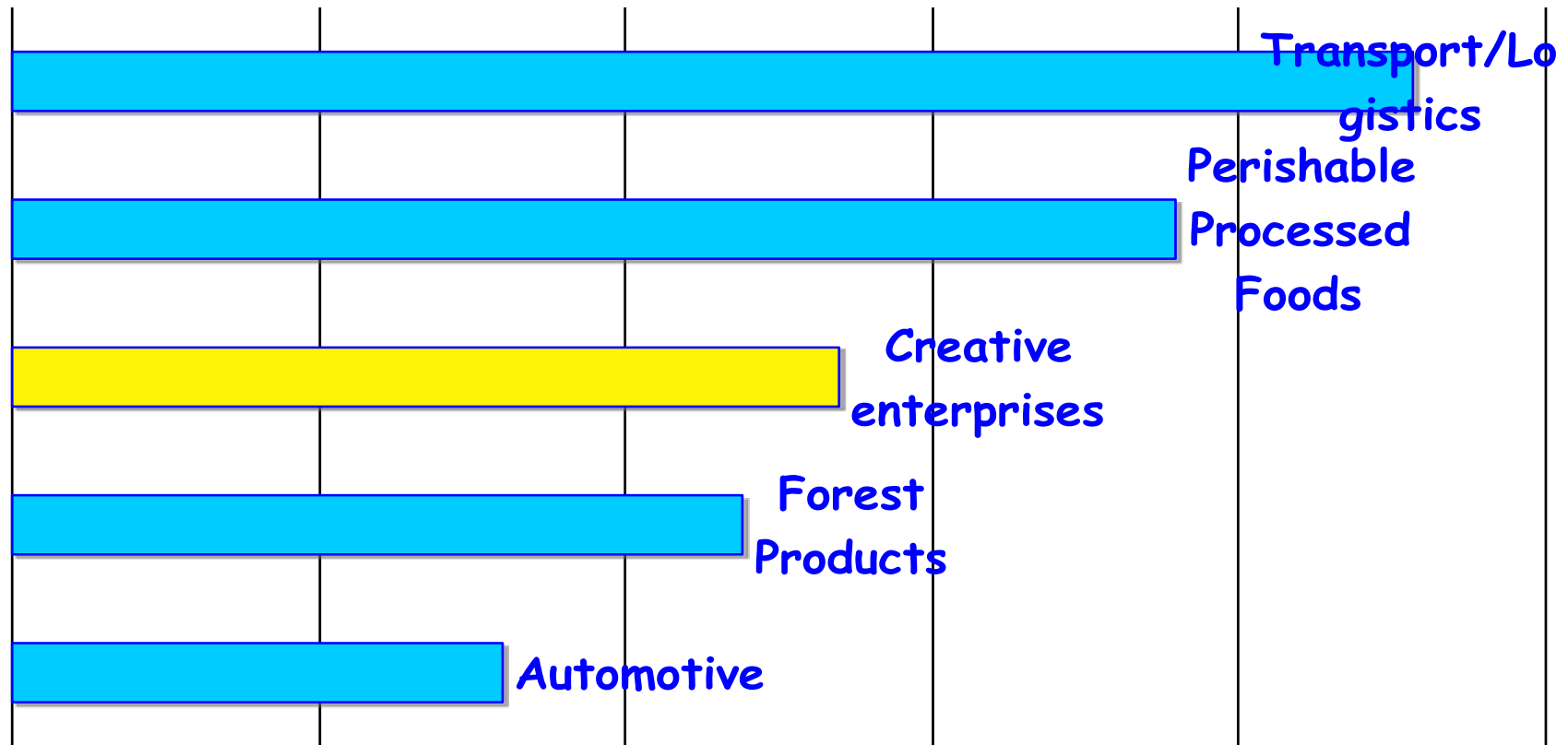
- Large part of creative economy is:
 - suppressed
 - self-employed
 - non- or under-reported
 - misreported/self-reported
 - second source
- Large part is embedded in other industries & government



Size of Creative Industries, as percent of total employment

Location	Percent employed	Year of report
Montana	5.0	2002
Colorado	3.9	2008
Mississippi	3.0	2010
Arkansas	2.8	2008
NC Piedmont Triad	5.0	2009
Southeast Wisconsin	4.2	2010
Wyoming	5.8	2009
North Carolina	4.0	2006
Washington, DC	8.6	2010

Arkansas's creative enterprise cluster ranked third among clusters in 2006



Monitor Report, National Governors' Association 2007



Increasingly overlaps other clusters



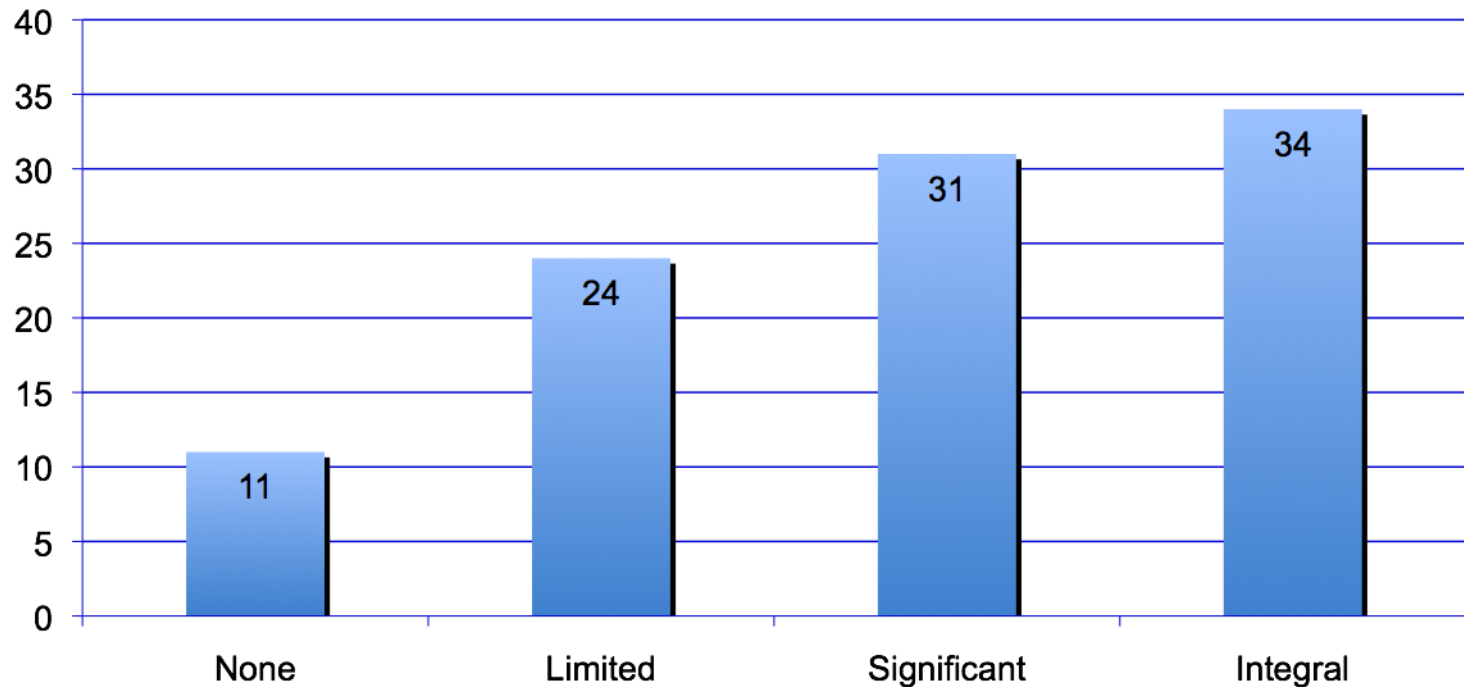
2. Changing competitive advantage

- 1960s & 1970s “Making things cheaper”
Advantages are Cost and Functionality
Division of labor, MTS, mass production
- 1980s & 1990s “Making things better”
Advantages are Quality & Delivery
TQM, JIT, flexible specialization, automation
- 2000s “Making better things”
Advantages are Differentiation & Authenticity
Aesthetics, customization, design, originality
- 2000+s “Creating memorable experiences”
Advantages are Quality of sensation, link to place



Estimated importance of aesthetics in design to competitiveness in four states

% of Manufacturers' Responses



Responses from 301 manufacturers in AR, MS, NC, & WI

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Manufacturing

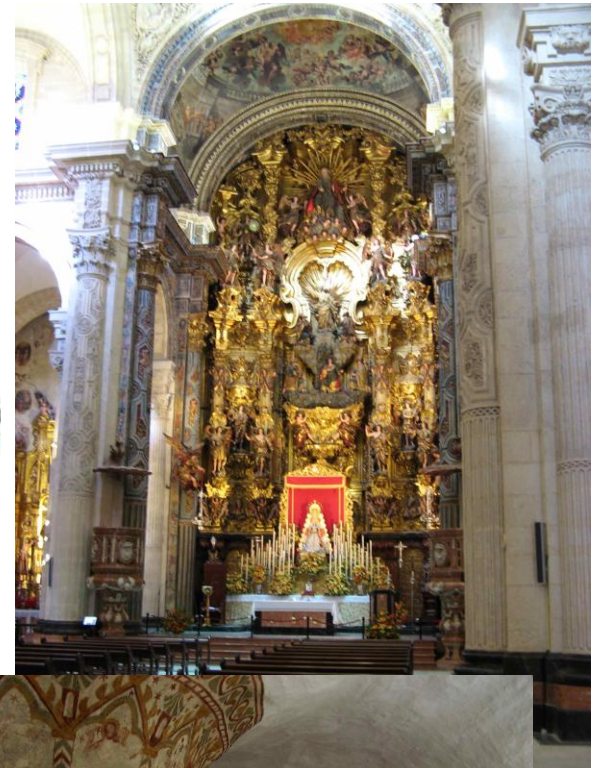




Food



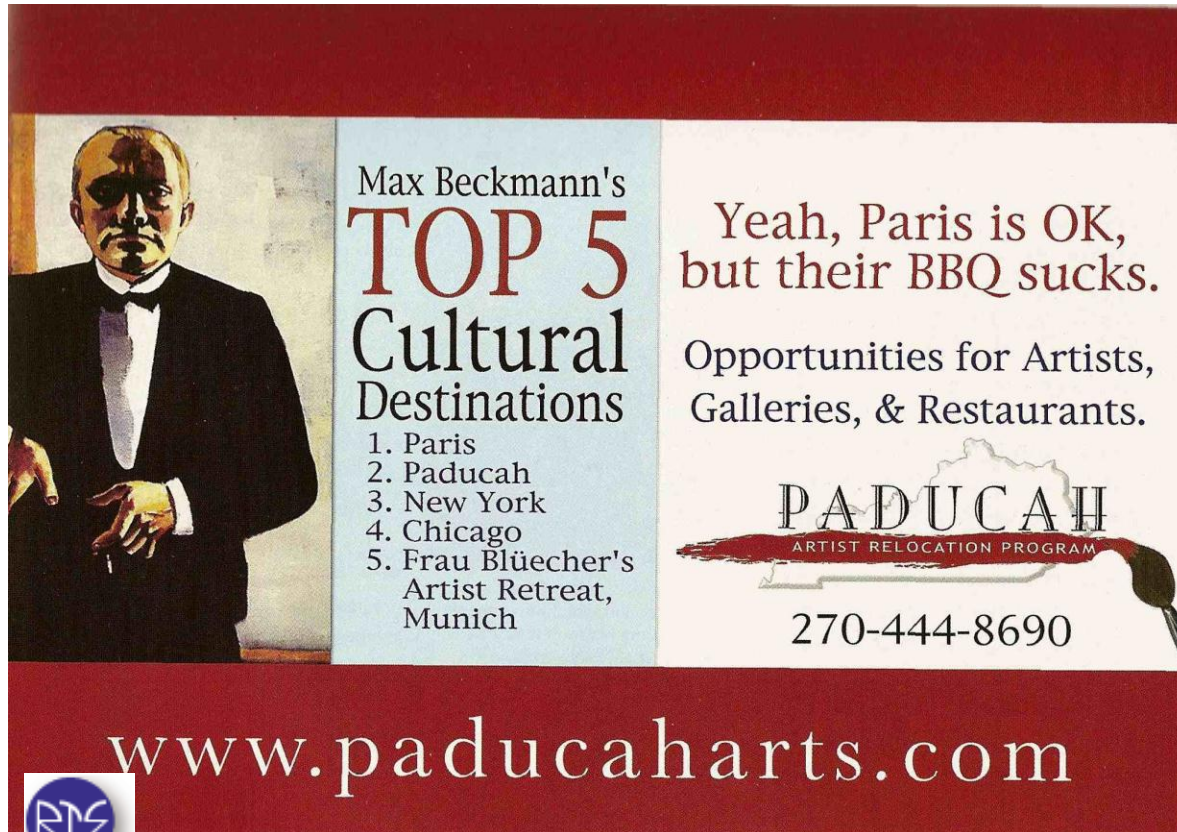
Spiritual



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3. Creativity and culture affect where people choose to travel and where talent and business choose to locate.

Places do best that invest in amenities to:



Max Beckmann's
TOP 5
Cultural
Destinations

1. Paris
2. Paducah
3. New York
4. Chicago
5. Frau Blüecher's Artist Retreat, Munich


Yeah, Paris is OK,
but their BBQ sucks.

Opportunities for Artists,
Galleries, & Restaurants.

PADUCAH
ARTIST RELOCATION PROGRAM

270-444-8690

www.paducaharts.com



•provide an
experience

•differentiate
themselves

Survey of US workers in Fairfax County (DC suburbs)

- 88% consider themselves creative
- 75% said their employers valued creativity
- 63% said their jobs were creative
- 21% would take new job at less money in order to be creative
- 29% would move to be in a more creative community (37% of young workers)



Survey conducted in 2007, Fairfax County Economic Development Authority.

The Visual Arts on the Mississippi Coast

- The Visual Arts helped Ocean Springs and Bay St. Louis recover from storms
- Recovery efforts helped Bay St. Louis artists build national market for their art ”
- Ocean Springs recognizes that their relative prosperity “ has come because of the arts”



“Arts are not isolated, arts are part of the fabric of our life here.”

4. The arts inspire “creativity”



Technological
Creativity
(left brain)



Productivity
& Reliability



*Cost &
Functionality*

Artistic
Creativity
(right brain)



Distinctiveness
& Novelty



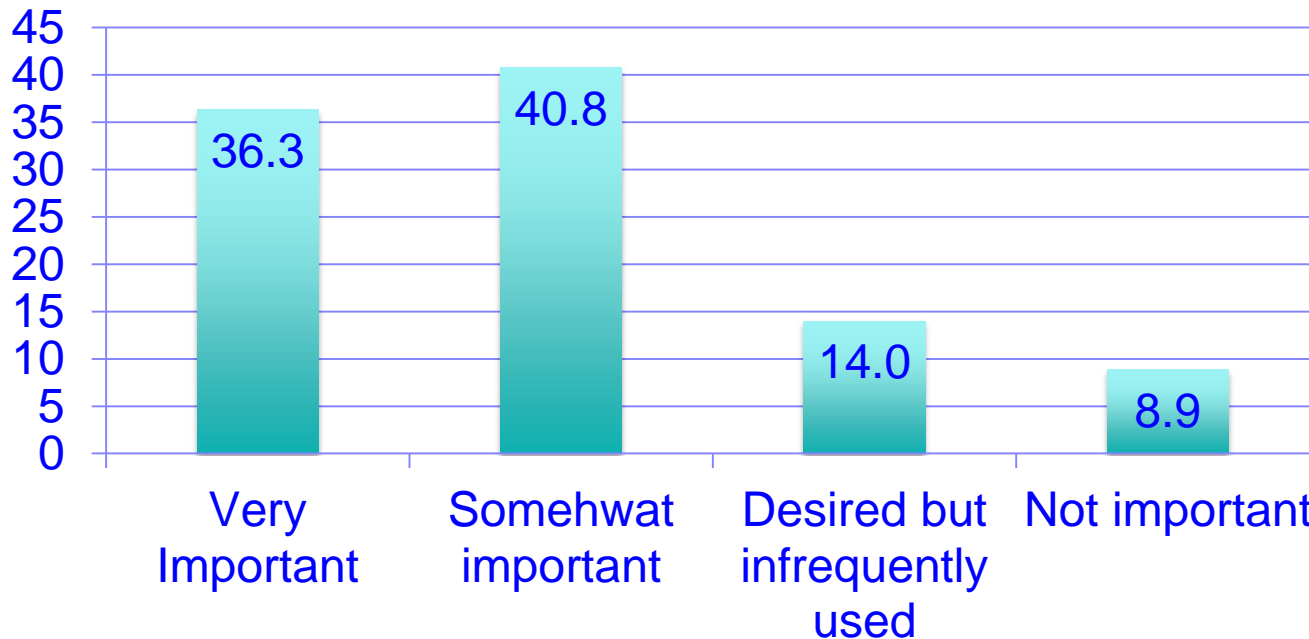
*Appeal &
Quality*



The Art of Manufacturing: Winzelear Gear, Chicago



How would you rank the importance of creativity in your employees?



Based on surveys of 301 manufacturers in AR, MS, NC, and WI



5. Community Building: Southeast Community and Technical College in Kentucky

- More than 50 people of all ages contributed to mural, one of three created in public space to involve people in their community and culture and teach communications, arts, and project skills.
- “Higher Ground”: staged plays about life in Harlan County as part of oral history project (NY Times, 2011)



Barriers to taking full advantage of creative industries economy

- Underestimation of scale and scope of art and design-based enterprises.
- Perception of arts as mainly in terms of its cultural, not economic value.
- Limited definition of sources of innovation by public sector.
- Preoccupation with recruitment.
- Lack of organization that represents full creative economy cluster.



Examples of policy recommendations for states and regions

- Integrate arts into technical and business programs in community colleges and universities
- Help state programs and resources, such as the SBDCs, MEP, and WIA Job Centers, to better understand and assist creative enterprises
- Position creative economy alongside economic development in legislative process
- Support “cultural districts,” where creative people and enterprises are encouraged to live, work, and collaborate

“Enterprising States”

U.S. Chamber of Commerce, 2011

Why Montana is among top 10
overall growth performers...

While Montana's energy and mining clusters added a combined 8,400 high-paying jobs to the state since 2002, Montana's greatest source of national dominance came from the collection of arts, entertainment, recreation, and visitor industries, perhaps a sign that the rest of the nation is beginning to discover the Big Sky country.



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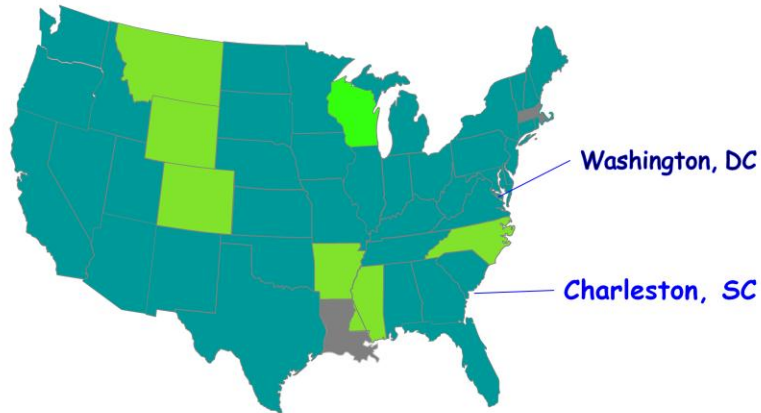
I expect many are familiar with the concept of ind clusters. That's how I became interested in this thing called creative industries.

Knew Rich Florida's work about creative class but turned it upside down from person and place to an enterprise

But what I really want to do is convince you that supporting creative industries, which includes cultural industries, is an **investment not an expense.**

During the decade I spent at SGPB creativity was a defining characteristic of the region, never treated as a source of wealth. I attended many SLC meetings and even introduced Gov Clinton at one in LR on tech policy.

RTS Creative Industries/ Cluster Studies*



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My comments will be based on where I've worked on studies of creative economies but also on reading many others and work on creative economies in Europe and Australia.

Allen Bell from SouthArts is here, and they've just applied the numbers part of this to all their nine member states

a “creative enterprise” is any company for which the primary value of its products or services is rooted in their emotional or aesthetic appeal to the customer.



To claim creativity can define a cluster, you have to establish a definition for a creative (cultural) enterprise

Creativity not just about innovativeness of a product; its about the engagement of the customer. In DK, they cal it the experience economy.

L to R

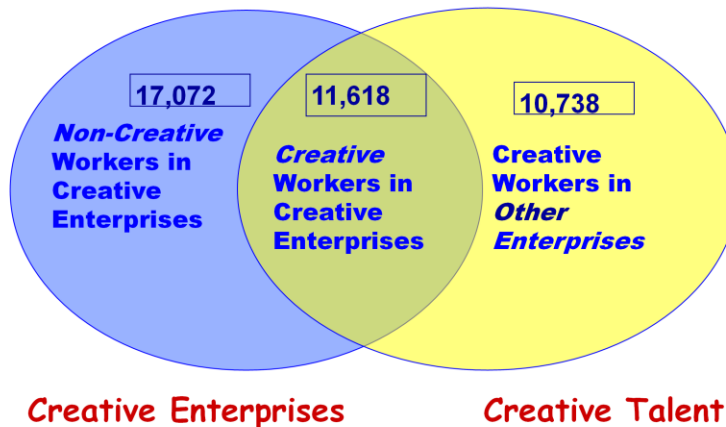
Organic Mechanic (Asheville)

Dyson British inventor, bagless vac cleaner sold for 399, started foundation to support design in UK

Briazzi, facility is a museum of objects made from ceramic tiles they sold. Showrooms in Paris, NY, Milan

Companies do not just supply creativity, rather they process it
Demand is uncertain because consumer reactions are not known in advance or often understood afterwards.

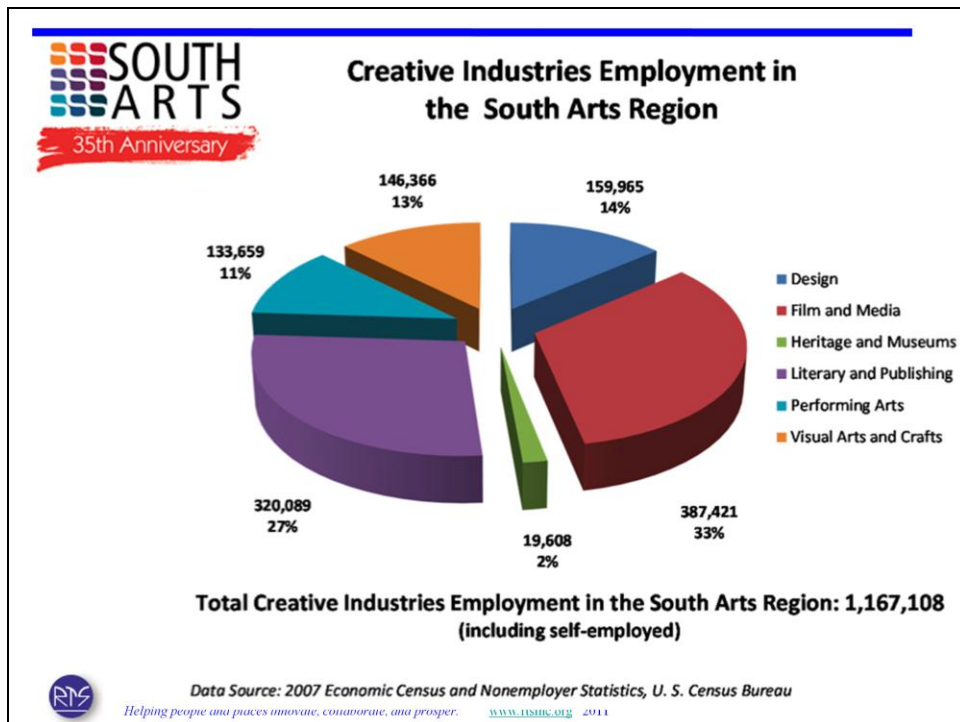
NC Piedmont Triad's creative enterprises (cluster) & creative occupations (workforce)



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Part of cluster project and Clusters are defined by enterprise and their employees, not occupations. That is our unit of analysis for the project.

But in translating that to needs for E&T, must realize that not all who work in creative enterprise need creative talents and many in noncreative enterprises need creative talents. Window dresser for Macy's, landscape architect for Marriott, writer for corporate newsletter.



To even further muddy the picture, a region's creative industries cover a lot of territory.

when thinking about what the industries need, it helps to narrow the focus. We generally do it by thinking about sub-units that act more like clusters because they share more interdependencies.

Visual/performers are often considered the core, originators of art. Consumption is the experience, not use

Entertainment and video are cultural industries, mass producing art that is original

Design, arch, advertising apply art to things that are also functional

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Arts and craft-based enterprises collectively produce significant wealth...which I'll say more about

Fashion/design-oriented products can better withstand globalization. We're not going to make commodity goods except under exceptional circumstances (no labor, spoilage, bulk). But we can make things that sell for reasons other than cost or highly customized to goods. Mass customization


Florida argument: Arts & culture attract talent tourists, and jobs--has been proven.

Creative class is attracted to places that

Tolerate of diversity and value innovation



That have cultural amenities

That have other skilled, creative workers



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Very very hard to measure CE an very labor intensive to get it close to right.

But then again all our economic analyses are based on very soft data is I think our approach is at least an improvement if not precise.

If we depended on NAICS here in DC, miss Smithsonian, recording companies operated by churches, small but growing fashion apparel industry.

Half musicians work for churches

Only 10% of books sold by independent book stores, chain book stores for 30%. Almost half comes from Walmart, costco, Target.

Hugely undervalued in educ system 45 design programs in higher ed in US in 2004, 1 PhD, Almost nothing in design Comm Colleges. Not even a occup cassification till 1995!

Size of Creative Industries, as percent of total employment

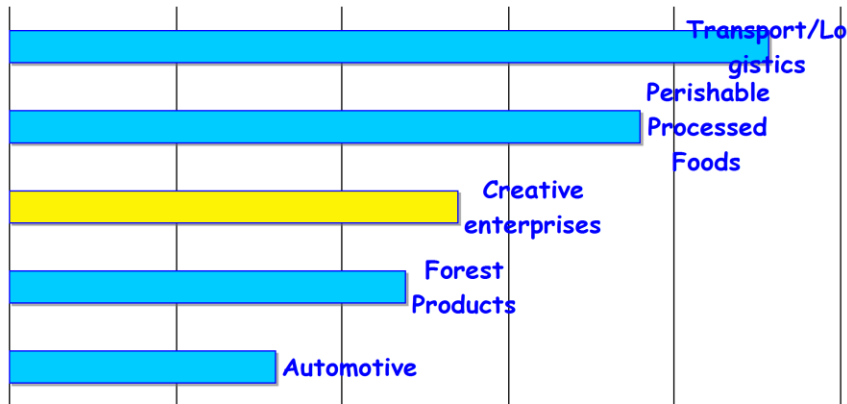
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These are all places where we've done studies. Others, including WESTAF and NE Fdt forArts, and Americans for the Arts do this but our approach is not done to rank places, which we believe is not helpful since it's a skewed distribution and most places will always fall below average. We customized to fit local conditions, which means the definition changes somewhat. Leather in WY, specialty foods in MS, custom furniture in MT.

But the 4-5% is a pretty good average and is about the same in Finland, Estonia, NZ, or

Arkansas's creative enterprise cluster ranked third among clusters in 2006



Monitor Report, National Governors' Association 2007

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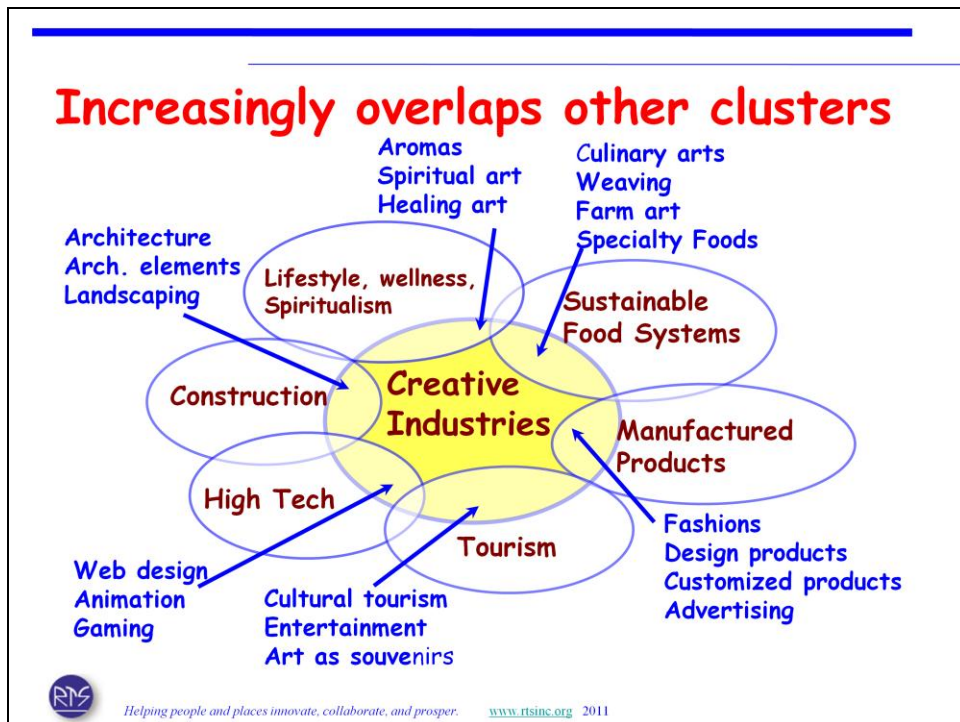
Michael Porter's report to Gov's

NC \$3.2B in wages + earnings

42,000

110,000

Greater than biotech, apparel transportation, computer&electronics,
below furniture



In many ways like what biologists call keystone species, impact far greater than scale. Adds value and can create advantage that is less likely to be outsourced because it the creativity is continual. Don't just design something and then mass produce it

It affects many industries directly, without even getting into design thinking, the new buzzwork, and effects on innovation on anyone.

2. Changing competitive advantage

- 1960s & 1970s “Making things cheaper”
Advantages are Cost and Functionality
Division of labor, MTS, mass production
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When I started out in mfg it was about **cost standardization**.

Ford: give them any color they want as long as it's black.

In 80s Japan and Germany and Italy moved into our markets and made better process tech, higher quality, on time del.

Led to decline in US mfg

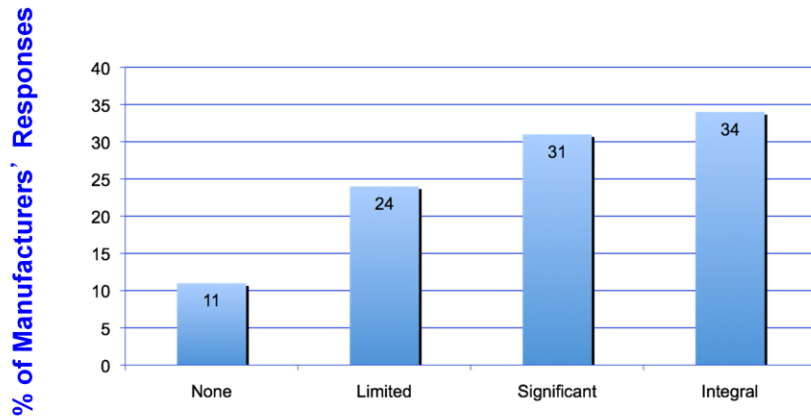
Led 7 state delegations to western Europe Gov, MEP.

NOW: **Ubiquitification**: latest tech are available in many parts of the world, many with lower costs. Globalization. China has entered the picture. What's left? What are the new competitive advantages, new sources of econ growth? But there will be opportunities for companies that can develop a niche and distinguish itself from its competitors w/ design & creativity.

Thinking back we all missed an essential reason for the success in No. Italy. Culture and art embedded in products; **CITER**

Smart phones not simply communication devices. It's creative content people are buying

Estimated importance of aesthetics in design to competitiveness in four states



Responses from 301 manufacturers in AR, MS, NC, & WI

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Survey of 707 CEOs found that 72.7% believe that design is a “key competitive weapon against low-cost imports” and 86.6% disagreed that design is “too easily duplicated to provide a lasting advantage.”



Manufacturing



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Bread in Krakow, designer omelets in Montp VT, art of coffee in NY, wormfarm institute in rural WI, handcrafted foods in Carrboro, NV

Spiritual



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3. Creativity and culture affect where people choose to travel and where talent and business choose to locate.

Places do best that invest in amenities to:

•provide an experience

•differentiate themselves

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The challenge: can every small town find its inner Austin?
Easy for amenity-rich but can those without amenities?

Fairfield, IA trans meditation
Mineral Pt, WI
Bentonville, AR Crystal Bridges
Colequitt, GA Swamp Gravy

Paducah, KY
Started in 2000 in decaying neighborhood in city in Tennessee
River of 26,000
Artist Mark Barone had vision to get rid of slumlords, add building codes, and attract other artists.
Offered 100% financing, loans above appraised value\$2500
architecture grants

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4. The arts inspire “creativity”



Technological
Creativity
(left brain)

Artistic
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(right brain)

Productivity
& Reliability

Distinctiveness
& Novelty

Cost &
Functionality

Appeal &
Quality



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We'll also pay more attention to the creative side of the brain
Eng and tech education fundamentally a left brain function, taking sequential and to solving problems
CCs have traditionally been left brain institutions, teaching procedures

Real breakthroughs, out of box thinking are right brain functions, more associated with arts and design
Corporations naming creativity directors
BB&T has directors of creativity and innovation

The Art of Manufacturing: Winzelear Gear, Chicago



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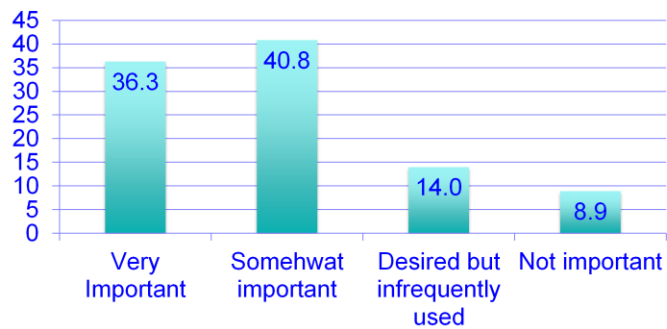
“We ...draw upon the creative thinking, technical expertise, ability to combine form with function, and the vast resources of our strategic partners, who are as committed as we are to your gear project.”

“Treating gears as art is a unique approach. It's what differentiates Winzeler, our gears, and our customers.”

Since 2007 Unique Partnership between art of gear mfg and art of Fashion.
Art Institute of Chicago.

Incorporate gears into fashion accessories, apparel

How would you rank the importance of creativity in your employees?



Based on surveys of 301 manufacturers in AR, MS, NC, and WI



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24

CO & MA Cultural Districts

2012 Kentucky Cultural District Certification Program

- To attract artists and cultural enterprises to local communities
- To revitalize downtowns and rural areas
- To encourage business and job development
- To establish and promote tourism destinations

“Enterprising States”
U.S. Chamber of Commerce, 2011
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Discovered CE in 2001 when starting a cluster analysis of Gov of MT. After working so much in industrialized rural regions where most small towns were near Interstates and hour or so from good airport, found in MT a very different kind of economy.

Discovered an artisan economy that depended heavily on being creative. But one that did not show up in the employment analyses or projections.

US Chamber just this year recognized. Not only are the creative sectors important but its what attracts the biotech and other tech and the talent they need to a region that when I started working there took 3 planes to get to any major city. And major is 50,000.

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