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The Creative Economy –Nurturing Innovative Entrepreneurship in Europe

Analysing the major challenges in acquiring entrepreneurial skills in creative SME in Finland.

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<p>The refined understanding of the drivers beneath the post-industrial economy has spurred the evolution of the economic concept of the creative economy. Advanced economies alternated from industrialized economy towards a creative economy, where extraordinary value is an intrinsic component of products and services. It is apparent that these industries are becoming increasingly an important sector and fortitude of Europe's future competitiveness.</p> <p>The purpose of this dissertation was to have a more depth understanding of the concepts of creative economy and creative and cultural industries in the European context and particularly in Finland. The aim of the study was to examine from the policy point-of-view the possible challenges that creative and cultural industries and individuals have in the future. Additionally, in the analysis the intension was to recognize possible gab's between legislations and implementation which affects small and medium sized creative and cultural industries.</p> <p>This study was conducted by thorough an extensive literature review, providing an overview into creative economy. Some conclusions can be drawn from the findings that suggest that there is a gap between the intended influence of current initiatives and the actual results.</p>	
Keywords	Creative Economy, Entrepreneurship, Creative Industries

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1 Introduction

The impact of the creative economy in fostering pervasive added economic value and creative innovation across the different regions of the national economy is increasing importance in advanced economies. Enabling creativity and especially enhancing a creative mind-set in society will generate more competitive and innovative societies (MEE 2013). Creativity in terms of creative and cultural industries (CCI) is a controversial topic as it lacks a clear definition.

The concepts of innovation and entrepreneurship often interlink. For example, earlier research on entrepreneurship has understood entrepreneurs as individuals who are dynamic, creative and original. This more psychological conceptualisation of entrepreneurship stems from a Schumpeterian tradition that blurs the frontiers between innovation and entrepreneurship in CCIs. .

Finland is considered to have one of the best national innovation systems in the world. Technological innovation in particular has great potential in cultivating sustainable economic growth. However, development of the information society, especially in high-growth firms, is showing signs of decline and Finland is noticeably lagging in comparison with the rest of Europe (MEE 2009: 21). The European Commission has contributed largely by facilitating and encouraging the development of synergies which support sustainable development and inclusive growth between member states. In its Europe 2020 strategy it outlined key areas in coming years to support growth of SMEs by increasing finance, improving training and infrastructure (European Commission 2010a: 10).

This includes examining the required skills, abilities and the transferability of creative innovations into profitable economic outputs. This focus of this study is mainly on SMEs and microenterprises in Finland, with additional attention given to current policies and developments within the European Union where relevant.

2 Research Methodology

An exploratory method was chosen to conduct this research. This will enable an exploratory approach in the analysis from the literary review, which in turn will use theoretical approach to the subject. The main objective of this thesis is to comprehend the understanding of the current and future state and challenges of creative industries in terms of policies, acquiring the right skills and capabilities for entrepreneurship in Finland. It is detailed account on the objectives, aims and actual capabilities of creative industries and individuals to contribute on economic growth.

Literature review is based on the theories in the field of creative economics and its main purpose is to examining the concepts of creative economics, innovation and entrepreneurship. The conceptual framework will be used to analyse the policies and initiatives that and their possible application in Finnish and European context. The literature review was built through extensive and critical review of academic literature, journals and government research to conceptualize a theoretical knowledge and analysis to draw a conclusion and recommendation for future key policy makers and possible research on the matter.

As this study will be conducted by using an extensive literature review and qualitative field research, the primary limitations of this research include lack of primary source of data on the contribution of creative entrepreneurs, particularly in terms of engaging into entrepreneurial activity. The concepts of creative economy, entrepreneurship and innovation are very large; therefore the focus is on defining and conceptualizing the definition in the context. Analysing the effectiveness of current education policies in order to foster entrepreneurial skills, abilities and to transfer them into fast-growth companies, could be more rounded with figures and statistics. A major limitation was to gain secondary resources on the subject, as the creative economy in the point-view of policies and government strategies, is fairly new and previous researches were recent and thus may not give a realistic picture of the current environment.

3 Literature Review

3.1 The Creative Economy

The refined understanding of the drivers beneath the post-industrial economy has spurred the evolution of the economic concept of the “knowledge economy”. The notion recognizes the desire for and greater value of expressive content in goods and services. The rise of the creative economy in the 20th century reflected the change in economic structure. It manifested itself through advanced economies changing towards a post-industrial economy, where value was created by the free flow of information and knowledge. In this post-industrial economy greater value is given to utilising services, manufacturing and CCIs, such as the entertainment industry, to reproduce intangible value. Early attempts in conceptualising the creative economy were made by cultural geographers, cultural economists and statisticians in the early 1980s (Myerscough cited in Eisenberg, et al. 2006: 18).

After categorising the different elements that were vital in determining the CCIs, UNESCO published a systematic “Framework for Cultural Statistics” in 1986, in an attempt to define the different categories of cultural industries. This enabled countries to make comparable analyses of the different creative and cultural goods and services produced. The categories were classified as follows: cultural and national heritage, performance and celebration, visual arts and crafts, literature and press, audiovisual and interactive media, as well as design and creative services, which together comprise intangible cultural heritage (UNESCO 1986: 6-8). This created a platform for future research and evolution of the creative economy, especially government’s recognition of its possible attributes in economic and societal development.

The United Kingdom was a forerunner in conceptualising the creative economy and introducing it in terms of policy setting. In 1998 Chris Smith, Britain’s first Secretary of State for Culture, Media and Sport, stated that culture and art were increasingly becoming important in social development and governmental policy (Smith 1998: 25). In defining the creative economy, most research cites John Howkins, who was a pioneer in this field. According to Howkins, there is a clear relationship between creativity and economics, which manifests itself as the ability to create extraordinary

value and wealth within the economy. In this definition different creative products and services are aligned together as creative economic outputs. Howkins describes CCIs as the heart of the global economy (Howkins 2002a: 9-14). Furthermore, Howkins argues that two significant drivers for creativity are individual striving for fulfilment and product generation (Howkins 2001b: 8).

The United Nations Conference of Trade and Development (UNCTAD) defined the creative economy as a combination of creative assets that generates economic growth and development. This can be achieved through job creation and income from exports, which has a positive impact in encouraging social inclusion, diversity of culture and development. It recognised the CCIs as central to the creative economy and thus an important consideration in making decisions in national and regional policies (UNCTAD 2008a: 4-13). The concept of cultural economy is defined by Scott (2008) as a group of sectors which produces goods and services of a certain type. He states that these products and services incorporate significant value, and thus have a higher practical function. In this approach the conceptualisation is broad and incorporates many sectors of activity. Scott outlined the components of the cultural economy, including communication, self-cultivation, ornamentation and entertainment. These products and services are manifested through music, film, design or other utilitarian functions (Scott cited in UNCTAD 2008: 20).

The concept of the “creative class” is a component of the creative economy, which was firstly introduced by Richard Florida in 2002. He argued that economic and social structures were changing rapidly, resulting in increasing demand for creativity in societies, and that value was generated by creative labour and the intrinsic characteristics of individual workers. Therefore, the creative class is a combination of creative individuals who contributes economic value (Florida 2002: 68). He argued that the most significant elements which attract creative individuals were technology, talent and tolerance and that individual creativity is mostly described as an ability to solve an existing problem by creating something new or improving an existing matter (Florida 2002: 8, 249).

In this approach there are separate classifications, the first being individuals with extraordinary creative characteristics. This can be identified as scientists, engineers, educationalists, writers, artists, entertainers and other creative producers. These creative individuals are classified considering the knowledge intensity of the industry and the ability to produce new inventions, technologies and content. The second classification combines occupations in the high-tech, financial, healthcare, business and legal sectors (Florida 2002: 68-69).

Another significant component of the creative economy is creative cities. According to UNCTAD, a creative city is defined by the cultural activities which form an integral component of its economic and social functioning. Charles Landry developed this concept further to include people as a creative city's crucial asset. He also argued that there were complex networks between individuals, enterprises and the public sector for the exchange of information and knowledge. Landry outlines ties between the private and public sectors which contribute knowledge, diverse environments, leisure, transportation infrastructure and social cohesion, arguing that this cluster can be regarded as integral to the creative economy (Landry cited in UNCTAD 2010b: 12-14).

In addition an industrial approach was proposed by Michael Porter in 1990, explored further by UNCTAD, stating that the creative and cultural economy included a broader determination of industries and also related industries. Porter argues that in the production of goods and services these industries and related industries contribute valuable input to the creative economy (UNCTAD 2010b: 16). His competitive advantage theory, based on macroeconomic factors, described that advantage accumulated from national values, culture, economic structures, institutions and histories (Porter 2008: 171). This theory is relevant in the context of the creative industry as some industries may succeed in a particular country better than others. Creative clusters can be defined as networks of independent companies, knowledge-producing institutions, bridging institutions that provide technical services and customers, which are all interlinked to the value chains (OECD 1999: 56). Creative clusters can act as a source of growth when a particular industry contributes to a certain country more than in other countries and thus establishes a creative cluster without external interference (UNCTAD 2010b: 80).

3.2 Measurement

Although the fundamental understanding of the creative economy is in a way obscure, there are some international methods used to evaluate and make comprehensive measurements of the economic impact of different creative activities. Several scholars and politicians have argued for and against the possible economic and social impact of the creative economy for national development (Cruz and Teixeira, 2012: 2). However, it cannot be understated that CCIs do have a positive impact on a nation's economic and societal development.

According to some studies, the creative sector is often influenced by historical and economic development and thus is "path dependent" meaning that technological, economic and social developments affect its development both qualitatively and quantitatively. Despite the different approaches used, the economic and social importance of the creative and cultural industries is incontrovertible. It is considered that today's European creative and cultural industries account for almost 10% of all businesses in the overall economy (Hölzl 2006: 3).

Globally there are some well-defined approaches to measuring the creative economy. However, methodologies vary depending on the available data. Depending on the approach, some researchers classify two different levels in identifying the components, such as creative and cultural. Others, however, use a more systematic approach, combining all into one classification. The first approach enables clear specification of different business activities, creative workers and accurate employment data of each sector, in order to draw a comprehensive conclusion on the indicators of the creative economy either globally or in a specific geographic area. In order to have comparative data it is almost inevitable to use measurements of specific categories from standardised secondary sources. Although this could be very challenging if the country is lacking in political and institutional transparency, in some cases this can be broadly used (Cruz and Teixeira 2012: 2-30).

According to UNCTAD (2010b: 10-37) there is a collectively agreed methodology which has been proven to be efficient and is widely used among different governments, researchers, and development practitioners. However, this methodology cannot be implemented in a standardised manner as countries differ greatly from each other. This model separates the activities into two different categories. Firstly it unifies the upstream activities as performing and visual art outputs. Secondly it categorises downstream activities as those that are influenced by market fluctuation, including media-related industries, publishing, and advertising industries. The report states that downstream activities tend to create larger economic value and enable a wider knowledge transfer across industries within the economy.

The advantage of this methodology is its sophisticated way of analysing the interdependence of industries in terms of the economy and yet systematically separating upstream and downstream sectors (UNCTAD 2010b: 37). Nevertheless, the findings of both Scott (2004) and Vang and Chaminade (2007) suggest that the disadvantage of this model is that it does not recognize the complex linkages and collaboration of activities, resulting in a lack of understanding of the possible interactions, spillovers and externalities across the economy (Cruz and Teixeira 2012: 10).

The second and more recent approach in the field of cultural economics is the systemic approach, first introduced by Potts in 2008. He defines CCIs as being a part of the broader "creative system" and emphasises their value in innovation processes within the economy and between complex social networks. Another approach, which is often referred as systematic/evolutionary, characterises the industries as evolutionary in terms of the nature of their activities, focusing on interaction between agents, firms and social networks creating value flows across core networks (Jason, et al. 2008: 170-171). This methodology can exploit the statistical information of industries and creative occupations and the interconnections of social networks of each sector. Specifically, it clarifies that supply and demand levels result from the choices of individuals within the social network and thus can be explained with network and complexity theory. The diffusion of technologies impacts individuals' tastes and preferences in the market (Jason, et al. 2008: 169-170). However, critics argue that this methodology has limitations due to its complexity in analysing mathematical models that describe the

density of flows, the interconnection of social processes and the absence of qualitative data (Cruz and Teixeira 2012: 10).

Another significant approach in the history of creative economy studies is the Industrial/Economic approach of the United Kingdom's Department for Culture, Media & Sports (DCMS). This model was further developed by UNCTAD (2004) and emphasizes core creative activities, the skills and talents that enable economic growth and contribute to job creation. Additionally it also gives significant value to the ownership of intellectual property rights (IPR) (Reuvid 2006: 175).

The Creative Trident Model was first introduced in 2005 by the Centre of Excellence for Creative Industries and Innovation (CCI). This model aims to include all CCIs and individuals who are associated indirectly to the industry by working in creative positions at different organisations. This facilitates an evaluation of the creative economy's true value, as it amplifies all creative output with the exception of any interconnected activities in the value chains that are not directly related to the creative process. These processes can include the distribution and retailing of the goods and services, as they do not add any significant value to the creative economy. Having a highly specified model makes it possible to conclude the total average income and thus indicate the economic value of an activity (Cunningham and Higgs 2008: 3).

Although some may argue that certain occupants may not be classified as creative and thus cannot be included in the data, this model differs from traditional methodologies by using overall population data to make conservative and accurate figures of workers employed in each occupation across the industries (Higgs and Cunningham 2008: 15-23). Although there is no consistency with the classifications of the different industries we can still distinguish interdependency between cultural and knowledge-based sectors (UNCTAD 2008a: 4). This results in the subjective valuation of the main industries, often including or excluding particular industries depending on the interpretation of creative activity. There is a clear lack of compatibility between the different methodologies, given the different definitions and boundaries by which certain activities might be considered as cultural. For example, activities such as museums, library activities and sports would be considered creative in the DCMS approach, but not in others (Cruz and Teixeira 2012: 8).

A model suggested by the European Commission to measure the economy of culture is the value added approach. In this methodology, emphasis is given to the economic value of the creative and cultural sectors in the economy.

“The point of departure is the Gross Domestic Product (GDP). This measures the total annual output of goods and services produced by residents of a particular country. It includes exports but excludes income from abroad. When this income is added to GDP, the result is Gross National Product (GNP). GNP and GDP measure the economy’s output. The gross output of an industry measures the industry’s value of sales in a particular year. However, gross output of an industry overestimates an industry’s contribution to national income because it also includes the value of inputs produced by other industries. Gross Value Added is therefore usually taken to represent the true contribution that an industry makes to the national economy. This is the value of gross outputs minus the value of inputs from other industries. This added value of a particular industry is equivalent to the total staff costs plus profits before tax.” (European Commission 2006: 63)

Although all of the above approaches can reach different conclusions, it is important to understand that creative and cultural industries should not be seen as unified categories, as this can distort the substance of the data. The recommended approach for measurable comparative analysis is one that can sophisticatedly aggregate the different industries of different categories. This will significantly highlight the similarities and interdependencies, and ultimately clarify the needs and challenges of each sector.

3.2.1 Significance

The creative economy is considered as an important share of the entire global economy with linkages in macro and micro levels. It is regarded as the most vibrant in terms of international trade and job creation, and has a positive effect while enhancing social and cultural inclusion and human development. There are indications of predictable changes in cultural consumption; this is closely related to demographic changes and their influence in the creative economy. Increased life expectancy has implications for the rising demand for certain goods and services sold in industries such as tourism, cultural activities and creative products (UNCTAD 2010b: 10-51). CCIs can influence in enabling and promoting entrepreneurship and business activities. According to the different literature it has a positive impact on spillover effects across industries. Ideally these effects result in improving processes, products and services.

In order to maintain sustainable growth, these industries must constantly develop as the sector mostly consists of small and medium sized enterprises that are subject to the threat of market failure. Other issues that affect these industries' development is their heterogeneity which has an immediate negative influence on networking between the creative individuals, producers and suppliers (Taalas 2009).

Recent studies indicate that in 2006, CCIs accounted for 3.3% of European Union GDP and employed 6.7 million personnel, constituting 3 % of the total employment within Europe. More specific studies showed that the European luxury goods industry, which collectively holds the global market leader position with 70% market share, accounts altogether for 6% of the entire European economy (European Commission 2012b: 2). Significantly the luxury industry output accounted in 2010 was over 440 billion Euros, which was 3 % of Europe's GDP. Future forecasts suggest that by 2020 this will contribute around 930 billion Euros annually. Medium term predictions suggest that the sector will grow 7% to 9% annually. It has seen overwhelming growth even during economic recession, with double-digit growth between 2009 and 2011. This growth, which has trumped that of the European economy, reflects the industry's high level of performance. Currently the sector employs a million workers directly and indirectly a further 500,000 (ECCIA 2012: 3). The labour force employed in the luxury industry is, according to conservative predictions, expected to reach 2 million by 2020 (European Commission 2012b: 2). The sector is also one of the significant drivers of tourism in Europe, given that half of all sales are generated from tourists. A positive influence of the sector is its substantial spillover effect to the wider economy (ECCIA 2012: 3).

The creative economy is crucial when it comes to addressing some of the major issues facing Europe in the future. It relies on the well-established policies and actions of the Commission and results in a positive and sustainable growth across the sector. Furthermore in terms of competitiveness and economic growth, non-technological innovations, innovation in services, culture-based activities and design together form one of the major sources of sustainable growth and nurturing innovative SMEs in Europe. The creative economy's cross-cutting characteristics between different industries directly and indirectly results in job creation and thus has a significant influence on the wider economy.

3.3 The concept of Creative and Cultural Industries

The concept of CCI has been debated largely throughout its history. This is partly due to the difficulty of drawing an exact economic determination of the factors which comprise it. In the beginning of the 1980s various researchers started to conceptualise the creative economy from different scientific perspectives. In academic, industry and policy points of view, the CCI are the focus of a new debate. Economist Richard Caves describes CCI as those that supply goods and services that incorporate intrinsic value by creating novel cultural, artistic or entertainment value in the economy (Caves 2008: 79-81).

What makes Caves' analysis significant is the ability to systematically describe the attributes and contractual dynamics between creative and ordinary industries and associated products and services. It provided a systematic analysis of the vertical contracts of different combined industries. A vertical contract in this term intends to describe the integration of certain types of CCI and non-CCI that support each other's activities, such as the cooperation between a painter and the art dealer (Caves 2008: 75-79). However, critics argued against this, saying that his approach lacked analysis beyond commonalities and was somehow narrow in the existing theoretical debate surrounding CCI (Cunningham 2002: 2-3).

According to Howkins, there is a clear relationship between creativity and economics and it manifests in creating extraordinary value and wealth within the economy. He extended this in defining in broad-bases 15 different industries from diverse areas of science and technology. This approach also noted that creativity was an essential input of the production process and that the output can be defined as the intellectual property of the product or service. Howkins stated that all of the different sectors were together a sum of four major sectors: copyright, patent, trademark and design industries (Howkins 2001b: 13). This approach is extensive, taking many industries into consideration and thus giving a more realistic and broad-based description of all technology, science, engineering-based and other sectors. However, due to its breadth, it is difficult to conclude comparative results when using this approach, and so it might not be applicable when comparing data sourced in different countries.

Innovation can be manifested in CCIs through new businesses, business models, products and services. This creates innovative inputs between creative companies or may even have a spillover effect across other organisations and industries, thus improving operations, products and services. It is apparent that a well-functioning creative industry will contribute to the technological environment, as CCIs are intensive users of technology and thus create more demand for new technologies (Muller, et al. 2008: 3-4).

After assessing the variety of definitions, we can attempt to conceptualize the CCIs while respecting countries structural differences. This allows us to identify CCIs from the traditional subdivisions of economic commons. CCIs differ by the degree of integration, as they have mostly a high degree of integration. Different actors are associated, as most creative products and services are created from a small sum of creative individuals. Primary markets are also different and can result in an oligopolistic market structure, or in some cases, in a better vertical integration of different industries. The characteristics of different business models can be described with three different generic models: the project approach, the service approach and the asset accumulation approach, which is the exploitation of intangible assets. Labour market dynamics differ on the employment types of creative individuals. CCIs invest on intangible assets and thus getting investment and financing can be difficult (Dieter, et al. 2010: 34-39).

Traditional oligopolistic market structures in creative and cultural industries have been subject to change in the past decade. Today, markets are highly competitive and knowledge-exchange in both intra- and inter-industries is common. Knowledge-exchange can increase competitiveness by creating valuable business relationships, enabling specialisation, increasing cost efficiency, ameliorating the activities of suppliers and other industries, and accelerating knowledge spillover throughout industries (Howlett, et al. 2013: 236). Seaman (2004) and Cunningham (2008) argue that there are some significant considerations when it comes to applying the competitive market theory, due to its threat of "market failure". This threat of violating the ideal "perfect competition" occurs when the existence of externalities are not apprehended in property rights. A possible solution for market failure is regulation or alternatively deregulating policies (Hartley, et al. 2012: 25-27).

There are two different methods of competition in these industries, the first of which is "price competition," when suppliers of creative output compete with each other in terms of price. The second method is "evolutionary competition," when the producers ultimately compete to expand or introduce something new via product and service development (Hartley, et al. 2012: 25). Creative products have higher uncertainty as the value of the product and the demand is difficult to evaluate. Due to the many different definitions of creative and cultural industries, in this particular research we will examine three major complimentary approaches which, in respect of different economic and social structures, will illustrate how creative and cultural industries are interpreted across Europe.

A French approach to CCIs was developed in the late 1990s and explored in contemporary terms by the French ministry of culture and education. In this approach economic and statistical considerations play a key role while evaluating the activities. In this approach the creative sectors are defined broadly and cultural industries implies only to audiovisual, publishing and multimedia sectors (Hölzl 2006: 4).

A Nordic approach, commonly described as the "experienced economy approach" realisation, states that in CCIs the value of the experience is the most important factor. In order to clarify economic function of an experience, we can describe its market value being generated either by pure experience products and services or mixed products (Bille 2010: 6). This approach relies heavily on economic drivers and tries to estimate the true value of activity, according to its contribution to the whole economy. It can also include many other forms of experience which are not considered in the other approaches, such as toys, amusements, tourism, sports and "edutainment" - incorporating an area that is currently booming, especially in Nordic countries: the gaming industry (Pine II and Gilmore 1999: 1).

Lastly, the common European definition the "LEG-Culture approach" gives a more general view for comprehensive comparison. This statistics-led approach strives to establish a core set of activities without excluding national classifications. This sophisticated method aims to classify and separate operational functions in each category. The eight different groups identified in this approach are: heritage, archives, libraries, publishing, visual and performing arts, architecture and audiovisual and

multimedia and excluding advertising, sports and games. In addition it incorporates six other domains which are intended to drive economic activities, namely education, preservation, creation, production, dissemination and trade or sales of creative and cultural assets (European Commission 2006: 50).

A more recent approach in the debate surrounding creative and cultural industries is the market-based social network definition. It describes individuals as a connected group of agents in which consumption decisions are based on others' actions in the social network. In this approach, communication actions are more valuable than connectivity alone (Potts, et al. 2008: 6). Decisions are shaped by relationships and decisions are an outcome of collective involvement. Individuals have alternative options for expressing themselves and these result in making decisions based on relations than wants (Montgomery 2010: 510).

It is important to realise that different sectors, firms and labour types are unequally distributed and thus are affected by the regional industrial conditions and other critical clusters of the concerned industry. CCIs are not directly related to the market size and population and thus these factors do not necessarily support job creation nor do they increase competitiveness in the industry. However these industries are highly knowledge driven, attracting specialised labour and generating clusters (Power and Nielsén 2011: 11).

3.4 Historical evolution of Creative and Cultural Industries in Europe

After the United Kingdom's report on CCIs at the end of the 1990s, several European countries followed in an attempt to draft action plans for both national and regional levels. This was considered as a crucial turning point in the political debate on supporting CCIs. In Europe it was until recently considered as socio-political debate and the economic exploitation of art and culture was considered to be handled solely by commercial cultural industries (MKW 2011: 18). The industrialisation of Europe led to new economic actions that promoted the commercialisation of culture in terms of factors of production.

Max Horkheimer and T.W. Adorno (1972) extended this concept by analysing the social and ideological effects in the political economy. In the 1930s the Frankfurt school introduced its methodology of the critical transdisciplinary approach in an attempt to analyse the growing industrialisation of mass-production culture in more depth. They outlined the context of industrial production as one of commodification, standardisation and massification. After establishing this state of mind, Europe's creative and cultural sector started to be understood in political considerations and was influenced as a public service to enhance aesthetic and socio-cultural values in the society (MKW 2011: 17). In the late 1970s and 1980s there was a growing reconceptualisation of established commercial industries as more cultural, facilitating urban generation through strategically applying and clustering art practices. This political state of mind can be recognised in many parts of the world and its roots are from Europe, particularly from United Kingdom (Cunningham 2002: 5).

In many continental European countries such as Spain and France, the importance of culture and CCIs was recognised in the late 1990s. The Spanish government started to define the cultural sector in 1975 as one of the generators of wealth. In contrast, Eastern Europe has only recently experienced and recognised the importance of the CCIs. Reasons for this can be found in its political history, when they moved towards market economy. At that time in particular the demand for cultural goods was not high. The adaptation and valuation of CCIs was not considered in the political debate as having an economic importance (Hölzl 2006: 4).

Currently the CCIs have been growing at a faster rate than the overall economy (see appendix 1). In many European countries when there has been a clear increase in overall employment rates, the CCIs enjoyed an equal or even better growth rate. Furthermore, in many comparative analyses it can be seen that there is no significant correlation between the industries and domestic economic growth or decline, and thus CCIs are less affected by the overall economic cycle. Instead, these industries seem to be affected by industrial restructuring policies, the growth rate of new business establishments and the increase in numbers of microenterprises and freelancing (Power and Nielsén 2011: 17). Enhancements in these industries have created more vibrant new industries and cultural industries have slowly shifted towards mass market global industries. In 2009, Europe's CCIs employed over 6.4 million persons in the

selected 30 European countries. Today, Europe has the highest exports in the world in a wide range of industries (Power and Nielsen 2011: 7).

This shows that the creative and cultural industries have the potential to significantly contribute to economic prosperity and have strong long-term growth prospects all over Europe.

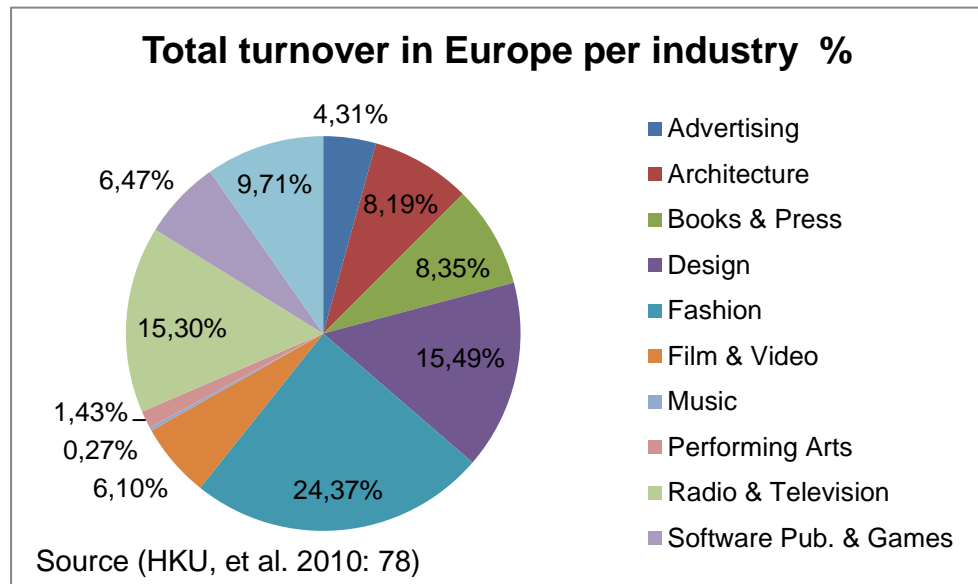


Figure 1. Total turnover of selected industries in Europe 2009.

Some structural characteristics of creative and cultural industries in Europe can be recognised by the small number of large corporations in their respective markets. Especially microenterprises in Europe operate in a highly demanding environment as they need the ability to finance, develop and obtain a high level of dynamic entrepreneurial skills and maintain their position against a constant threat of new entrants. However, the need for support functions for all SMEs has been recognised at the European Union level as well as nationally, and some improvements and developments have taken place over the past years (HKU, et al. 2010: 7-8).

According to estimates, in 2012 collectively all SMEs, including non-creative SMEs, contributed 67% of the total employment (over 87 million persons) in Europe. SMEs represent the majority of all the businesses operating within the European economy and this needs to be prioritised when making important policy actions across Europe. Emphasis should be placed on actions that might significantly affect employment growth, aggregate demand and the growth of productivity within the overall economy.

A significant share of all 20.7 million companies is SMEs, which accounts for 98% of the overall European economy, of which 92.2% comes from microenterprises that employ less than ten persons (Ecorys Macro and Sector Policies 2012: 9). This demonstrates that SMEs and especially microenterprises contribute significantly to economic growth and job creation, and therefore should be nurtured with appropriate incentives to promote growth, new establishments and the maintenance of existing enterprises that will eventually compete in the global market.

After the economic crises the economic environment has been fragile and growth was significantly fragmented across Europe. Large economic, financial and fiscal imbalances have resulted in difficult deficits in many vulnerable economies. Especially in Eurozone countries the focus has been towards budget consolidation actions to cut government spending and less emphasis has been placed on the negative implications of certain political actions, such as credit standards, which determine the extent of a loan or the line of credit given to businesses. This has negatively influenced lending to SMEs and thus has negatively impacted on the creation of new enterprises (OECD 2010: 47-52). Although some could argue that in economic uncertainty the risk that the financial institutions intend to take does not always correspond to the necessary actions that should be ideally taken, but reflects negatively to the economic environment, and thus not only fails to contribute to growth, but slows the recovery process. Europe has a variety of countries with different macroeconomic, structural and innovation capacities. Therefore, it is important to take the historical, industrial and economic development patterns into consideration when making vital decisions now and in the future.

The development of cultural policies has advanced from the late 1970s with modernisation of the definition and setting a framework for the policy debate in regulation and subventions in developing these industries. O'Regan's (2001) findings show how traditionally CCIs were commonly subsidised sectors of activity. However there are clear signs that the funding of contemporary arts has increased attendance rates, community involvement and professionalism. This has also increased the competition in some industries, which has a direct influence in the development of creativity. In the new economy, innovation creates new relationships and enables networks to interact and collaborate across the industries, with customisation of existing products and services (Cunningham 2002: 6).

4 Discussion and Analysis

4.1 European Union policies and initiatives

In the early 2000s the first strategy was implemented at the European Union level by the European Council in an attempt to improve the business environment. Lisbon strategy aimed to facilitate innovative entrepreneurship through enhancing the competitiveness of the dynamic knowledge-based economy, which also strived for growth, job creation and the improvement of jobs through greater social cohesion. Findings clearly show that these targets were not reached as expected. However, some improvements were achieved in entrepreneurship, the internal market and the information society (Greta and Lewandowski 2010: 17-18). Critics have argued that it was an inefficient initiative in terms of reconstructing education systems, innovation, employment and social policies and thus did not bring any significant change. Nevertheless, the aims of the previous strategy influenced the development of the current "Europe 2020" strategy, launched in 2010. Additionally, a year later, the European agenda for culture was also implemented.

In the "Europe 2020 strategy" for smart, sustainable and inclusive growth, the main targets are increasing employment, productivity and social cohesion and for the EU to ultimately become a leading economy worldwide. (See appendix 3) In this plan there were five different targets for action. Specific targets were to increase employment up to 75% between age groups of 20-64 years-olds, while research and development investments were to reach 3% of the European Union's annual gross domestic product (GDP). The improvement of environmental sustainability was to involve decreasing greenhouse gas emissions by 20% from the levels in 1990. Renewable energy sources were to be increased by 20% and energy efficiency by 20%. Critics contravened this, stating that before making any collective commitments there should be a fair distribution of international effort. Countries such as Italy gave a statement that as far as there is no international agreement the European Union should not by any means take action that might degrade industries competitiveness (European Commission 2010: 14).

In terms of educational objectives, the aim is to reduce early school dropout rates by 10% and increase tertiary level education by at least 40% in the 30-34 year-old age bracket. In order to achieve these rather ambitious targets, member states have mentioned that concrete actions are needed, such as increased quality of primary education, which would have a positive impact in achieving the goals, as well as a need for more innovative, creative and entrepreneurial education systems. This would result in a positive impact on increasing the innovative capacity among younger generations (European Commission 2010: 6-7).

As regards poverty and social exclusion, the target was a decrease of at least 20 million among the risk group (European Commission 2010a: 5). This would be tackled by creating more and better quality jobs. However, it is important to notice that this would not decrease poverty on its own. Critics have underlined that more effort should be made to achieve preferable employment and to invest in social securities for those who need it (European Commission 2010: 8). Contrary to the earlier initiatives, this strategy aims to provide concrete action, both by European Union and at the national level. In order to clarify the objectives and specific actions taken in the current strategy, we can analyse each part separately.

Smart growth refers to development efforts to cultivate knowledge, innovation, education and the digital society. Knowledge and innovation should be the main drivers for future growth. Educational reforms include improvements in the quality and reinforcing performance in research and endorsing innovation and knowledge transfer across Europe. Critics argued that more action should be taken to improve the knowledge triangle (Innovation, education and research) to support competition within European universities (European Commission 2010: 6). This implies that more efforts should be made to exploit ICT technologies and to enhance innovative product development, resulting in growth and an increase in the quality of occupations. This also helps tackle future societal and global challenges. A concrete action for this is to enable a more vibrant entrepreneurial environment, increase financial support, and align the supply to match consumers' needs and improve by policy reforms to improve market opportunities of different industries.

Sustainable growth includes stimulating production to be more resource efficient. Environmental goals should be exploited fully by developing new processes and technologies that improve the overall competitiveness of Europe. Emphasis should be given to fostering the competitiveness of particularly the SME and manufacturing sectors. The definitive goal is to authenticate economic, social and territorial cohesion, by preventing environmental degradation, loss of biodiversity and the unsustainable use of resources across Europe. One suggested approach to tackle future challenges is to implant "green" thinking into education and thus increase skills, especially in climate change. This will result in having a greater labour force, which has the necessary skills for greener industries (European Commission 2010: 16).

Progress for "inclusive growth" will result in higher participation in the labour market, improved skills within industries and decreased poverty through empowerment. Modernising the labour markets, training and social protection systems increases people's anticipations and fosters their abilities. Managing the demographic change currently challenging Europe will manifest in more people moving out of the labour market, as well as changes in the market structures, together with the possible long-term implications of the current recession. Ultimately this will result in a more cohesive society. This will practically be done by providing more access to opportunities, regardless of gender, age or territorial factors across Europe. However, targets would not be met if there are not multi-level actions implemented to achieve these targets across member states.

Upon these principles the European Union has launched a seven step flagship initiative which contributes to the progress of each priority section. This framework includes milestones which need to be done in order to achieve the goals by 2020. Firstly there should be supported improvements through "Innovation Union". Innovation policy at the European Union level is comprised of three important components: education, research and innovation. Current innovation policy also corresponds to the "Innovation Union" flagship objectives which contain key instruments of policy reforms and targets. The main purpose of this is to ensure support and finance for any enhancements that enable innovation across member states. Results will simultaneously accelerate product and service development, create growth and improve job creation.

It is clear that Europe needs a more integrated innovation policy in order for research, innovation and support of governance to reflect common objectives. Finland, among other member states, criticised the current strategy as it only partly covers R&D activities. Moreover, it should include technological research and highlight the importance of demand side approach to achieve the targets. The problem of the proposed strategy is that it does not consider the important aspects of policies that give significant consideration to IPR and commercialisation (European Commission 2010: 17).

European Union funded and national research projects both should reflect the common goals whilst simultaneously strengthening the respected states' internal and external competitiveness. Compatibility between states is required in order to ensure that all the stakeholders are considered while making policy modifications. Innovations make a great contribution in meeting major global challenges and allow knowledge base competitiveness for European enterprises and assure advantage on a global scale (MEE 2011: 7-18). A strong domestic demand and cross border-trade, particularly in Europe, is one of the crucial areas that should be developed in order to have sustainable economic growth across regions. It should be a priority for different policy makers as in the best scenario current account deficits could decrease if appropriate measures are taken. Actions that support higher internal consumptions will consolidate internal driven growth and expand the middle classes across the regions. Open and encouraging cross-border incentives and actions are vital for achieving vibrant regions (The World Bank 2011: 14-33).

Innovations which are by their nature user-driven or market-driven need to be strengthened in order for them to produce more advanced innovation outputs. A suggestion to address this issue would be the pervasive use of the Design-thinking methodology, which describes the ability of a creative individual to use methods to implant user-orientated innovations, through observation and aiming to improve or create new products and services (Brown 2008: 1-3). There is a need for a wider range of innovations both in the public and private sectors, without excluding non-technological developments such as business models, design and business solutions. Policies should promote strategic partnerships across the clusters, strengthening internal markets. Special consideration is given towards supporting the Baltic States as

they have recovered from the crises and are considered as among the future drivers of the European Union. Today, the Baltic States have had fairly good annual growth rates with Estonia reaching 7.6%, Latvia 5.5% and Lithuania 5.9%, showing a fast recovery while the rest of Europe is in recession (Forbes 2013).

The targets of "Industrial policy for the global era" focus upon improving the business environment, particularly in the SME sector. Many European countries collectively addressed that concrete actions for the future should be interlinked with the environmental targets. Danish authorities have suggested that Europe should aim to "green" its industries in the production and trade of green goods, services and technologies, which would increase its competitiveness in the global market (European Commission 2010: 8). This will be done with concrete actions to evaluate the impact of current policies and proposals in existing and future industries' competitiveness. This will also enable the industries to get better access to finance and to strengthen European standardisation.

Specific attention is also paid for fostering innovative entrepreneurship in areas such as key enabling technologies (KETs). This reflects the demographic changes which will result in a higher demand for these technologies. Europe is predicted to face an aging population; by 2050 the number of people reaching the age of 60 each year will have grown by 70% (European Commission 2011: 13). This will result in higher demand for healthcare and welfare systems and technologies associated to this sector. These KETs play a key role in the knowledge-based economy as they enable better utilisation of energy resources, as well as better innovation creation through the combination with R&D to create vital technologies in modern society, which would influence the competitiveness of associated industries using them. This is one of Europe's competitive assets in the global market as it will be one of the areas in which Europe wants to gain a global leadership position in future years (European Commission 2011: 12-15).

Investing in education corresponds to improving skills which will allow knowledge-creation and eventually enhance innovation. This will also promote labour mobility across states and improve the supply and demand of labour throughout Europe. Europe is also taking serious action to reduce poverty and to ensure social and

territorial cohesion, which were one of the major setbacks in the previous Lisbon strategy. Key initiatives include access to work, to social security and to other essential services (European Commission 2010a: 19).

A fundamental initiative in terms of this research is the published "Entrepreneurship 2020 – EU action plan" which aims to implement entrepreneurship education into every level of the educational system throughout school curricula. Specific action will be taken in the form of financial schemes to mentor, advise and support special interest groups to ensure inclusive cohesion among the elderly, women, migrants, the unemployed and particularly established entrepreneurs, the latter responding to the immediate need to address small business needs in terms of deregulation and easing the burden of honest bankruptcy. Support functions to enhance entrepreneurial activities, financial support and modernisation as well as simplification of existing legislations should be evaluated both in short-term and medium-term bases to ensure any weaknesses and adjust actions accordingly (European Commission 2008: 2-4).

Recent events however clearly show that, particularly in the countries that the European crisis has affected, the proposed austerity measures have hardly improved economic and social factors in the respected economies. In fact most of the Eurozone bailout recipients are behind with their initial targets set by the European Commission. Criteria for bailout funds were that the recipient country should aim for an annual budget deficit less than 3% of GDP, yet only Italy has partly achieved this (2.9%) within the given timeframe. In the initial agreement, a country which cannot achieve this by the given time will face fines. The European Commission has recognised the ineffectiveness of the overly optimistic timeframe and the unexpected results of the austerity measures. This resulted in additional time of 1-2 years to achieve the targets (Financial Times 2013). (See appendix 6)

According to statistics other critical factors, such as fear of market failure, are very much a problem among SMEs as 21% of all SMEs regard access to finance and particularly venture capital as being one of their major difficulties (European Commission 2008: 3). The public sector should improve its response by allowing the better use of state aid for SMEs which will also create a better operational environment for microenterprises in Europe and promote their growth and eventually improve job

creation. Promoting market exploitation of SMEs across Europe will increase labour mobility and increase productivity and innovation across the regions.

In order to make the above initiatives effective, it is important to evaluate and to take appropriate measures to move into pre-crisis stage, as the growth rate has been decreasing frighteningly in comparison with other major economies. According to past findings, Europe's growth rate has been structurally lower than the major economies (EEN 2010). This is alarming when combining the current economic climate, Eurozone crises and political uncertainty which affect the level of investments in the core areas that should be acted on. Inefficient use of resources has been one area of challenge across Europe, varying according to member states. In order to achieve sustainable growth in the current economic climate the focus should be to advocate more structural reforms and critically target European Union subsidies to match the need in specific sectors that are in severe situation (SOI 2013).

With respect to the current political debate, Reinhart and Rogoff (2013) found out that the primary research made to support the austerity measures was in fact flawed due to data errors and unsupportable statistical techniques. Their findings showed that there is no clear relationship between growth and public debt as it varies over time and between countries. It was underlined in the research that debt in this particular recession was not the cause of the decrease in growth (Financial Times 2013).

Many organisations, especially the trade unions, opposed by stating that the previous Lisbon strategy simply failed and even resulted in increased social exclusion and weakening social cohesion in many countries. Major factors for this were that the previous strategy did not include policy reforms to tackle issues such as "flexicurity" measures, which aimed to conciliate flexibility and security in the labour market. Other issues, such as future change in demographics were not taken into serious consideration and thus actions in the political level were absent. Crucial issues resulting in the failure of so many targets was the absence of political will to take concrete action. Furthermore, the political ownership and the coordination of the strategy in national levels were weak (European Commission 2010: 17).

4.2 Creative and Cultural industries in Finland

Historically Finland has supported its cultural industries in forms of financial support for arts, artists, artistic creativity and their extensive art education and training in various educational institutions. Currently there are many forms of art and cultural enterprises which are either funded by the public sector or are a form of non-profit enterprise which is also subsidised by public and private funding sources. One example could be the state-owned broadcasting company YLE, which has been partly subsidised until 2012 by the government and distributed by licence-based terms and which, from 2013, funded entirely by taxation, making it entirely supported by public funding. It is noticeable that private financing is almost non-existent in many sectors of activity and this has been one of the challenges for CCIS in Finland. However, some culture industries, such as the press and the cinema, receive comparatively higher levels of subsidies each year (The Council of Europe 2013). The economic changes and transformation from resource-based economy towards knowledge-based has induced pressure for more collaborative ways for public funding and historically Finland has achieved this significantly well (Lemola 2001: 1485).

In fact, as this literature review outlines, the creative economy is revitalising many industries, and has contributed to the way people work, what people do and want to do as well as where they want to live (RICF 2010: 6). Academic research shows that there is a clear sign which shows that enterprises that do not receive public subsidies tend not to invest in R&D and patenting activities, compared to those that receive subsidies, which are more likely to perform well (Albors-Garrigos and Rodriguez Barrera 2011: 1299-1301). It is inevitable that the future of funding start-ups cannot be entirely reliant on public funding and therefore it is important to attract private sector financiers to fund and give sponsorships and hence improve R&D activities in these enterprises. Nevertheless it is important to note that those characteristics, including willingness to strive, that support innovative R&D activities by the companies are important indicators for the likelihood of any subsidy to have the wished effect (Albors-Garrigos and Rodriguez Barrera 2011: 1299-1301).

The concept of CCIs was recognised in the late 1990s in political discussion. It was debated across government ministries with serious consideration and appropriate measures were taken into place. In 2004 the government outlined the definition of the creative economy in the Finnish context, which was described as a free creative expression that has highly valued. This translated to individuals being empowered to exceed potentiality in creative productivity and so aspiration should be supported. Measurement of the value added in this sector is creative individuals and industries combined. According to the Finnish government there are 14 different sub-categories of industries (MEE 2007: 20).

Industries which are included in the Finnish definition of creative and cultural industries:

- Animation
- Architecture
- Film and Television
- Visual Arts and Art galleries
- Handicrafts
- Sport and Leisure
- Advertising and Marketing
- Design
- Music and Programme Services
- Gaming industry
- Radio and Audio production
- Art and Antique dealers
- Dance and Theatre
- Communications

Source: (MEE 2007: 20)

Statistical findings show that CCI occupations and industries are outgrowing the rest of employment in Finland. While employment has decreased during 2004 – 2010, employment has increased by over 22%. To highlight some occupations, findings show that employment, especially in the graphic, art, craft design and related arts increased over this period of time over 60%. Comparatively from the industrial point-of-view the advertising industry grew in the same period of time nearly 60% (Statistics Finland 2012).



Source: (Statistics Finland 2012)

Figure 2. The development of employment in cultural occupations compared to all employed persons over 2004-2011, 2004=100.

The creative economy is a combination of cross-cutting industries and there are different enterprises contributing to the production of creative products or services. With the Finnish approach there is a clear separation between creative and cultural industries as it reflects to the area of the administration (MEE 2007: 21). The political environment currently in Finland has been changing and this has resulted in debates over how should the CCIs be supported, financed and managed. Political factors have influenced the administrative management of different regions and thus given a more effective approach to improve regional competitiveness and accentuate their unique assets in the national economy. It is increasingly important to state that the current government should aim to exploit CCI's, particularly in regional context in a more efficient way, especially with the trend of urbanisation resulting in tax revenue decreases in rural regions. CCIs and especially strategies that enhance comparative advantage will foster regional growth, attractiveness and employment.

In Finland the central government allocates monetary support to enhance the cultural creative sectors, which is divided among different ministries that govern solely or in conjunction with other ministries' certain industries. Currently, the Ministry of Education and Culture governs the cultural sector's activities in terms of financial support and administration. According to recent reports in 2011, the cultural sector received financial support of 426 million Euros, representing 0.8% of the government's spending (Statistics Finland 2012: 13). Funding is distributed among different national arts, cultural institutions and municipalities with a form of statutory and discretionary government subsidies in Finland. On top of this there are different cultural funding schemes and programmes provided by the European Union and by Nordic institutions. Subsidies are issued to support the cultural prosperity of Finland and there is a variety of support programmes in place (Statistics Finland 2012: 13). In 2009 there were around 17,000 registered companies classified as belonging to the cultural and CCIS, or at that time "mass media industries". A significant number of these companies operated in advertising, industrial design and architecture. The most recent statistics show that CCIs employ approximately 4% of the overall labour force (Statistics Finland 2012: 13).

A fundamental strategy taken into action for creative SMEs is the "Strategy for Entrepreneurship in the Creative Industries for 2015" which prioritises four main areas of action. Development of operational environment indicates the necessary legislation and policies which should be in place to support entrepreneurial activities from the early stage to the development stage. Larger consideration is given to the SMEs, business networks and private and public business sectors as needs differ. Additionally there are supportive networks of expertise and transferral of knowledge in the form of business incubators who support businesses both in the domestic market and in their efforts to internationalise (MEE 2007: 29-30).

Management skills, leadership ability and the ability to network within and outside a particular sector are also supported, both nationally and by using creative foresight space (CFS). This approach is aimed to foster creative thinking and future thinking within the organisation. The core concept of this approach is to stimulate creative thinking and future orientation throughout combining physical and virtual milieus and practises. It corresponds to the Finnish Innovation Strategy values that highlight that

creativity, innovation and foresight processes should be interlinked in all organisation levels. The theoretical framework in this model includes a flexible proactive working mode, knowledge society and experience society. The open innovation model is also used in this approach to foster knowledge transfer via open source and sharing collective content (Malaska and Holstius 1999: 354-356).

The reinforcement of the expertise will be implemented throughout extensive knowledge exchange in the form of management training which includes technology management, improving business thinking in a particular sector, and content development. It is important to notice that this form of training should be implemented throughout higher education institutions for creative individuals. It includes a multi-professional and international prospecting approach while it will also support increased knowledge of the internal market. Initiatives at the national level will be implemented by transforming the current polytechnic and university education to match the need of current working life and to create different sorts of degree programs that aim to attract creative people in gaining practical and theoretical knowledge on entrepreneurship (MEE 2007: 23).

Today's operational business environment is inefficient in terms of policy and national strategy implementation for entrepreneurship and CCIs. Much research shows that Finland is falling behind in creating a suitable common strategic intent for entrepreneurs and fast-growth enterprises. A critical issue for succeeding in the future is to improve the business environment for SMEs through good policy implementation and through a common foundation at the national, regional and local levels (MEE 2007: 25). This will also ensure a fair distribution of funding by monitoring and implementing integrated policies while paying attention to the changing conditions of the future. Challenges especially in the service sector correspond to the inability to respond quickly to emerging CCIs. Challenges reflect the fragmented and ineffective way of identifying the characteristics of immaterial value, focusing more on pre-production and business development, and paying little attention to the post-production such as product development, distribution and marketing of the product and service (MEE 2007: 29-34).

Companies are often small by nature and lack know-how, resulting in inappropriate response to market needs. This causes companies to fail in the growth and development of their operations. While having world-class technological capabilities, enterprises have shown a low level of exploiting commercialisation of their activities both at the national and international levels (MEE 2007: 22-24). This can also be explained by the fact that many small entrepreneurs who lack understanding of their industry will also lack the ability to create new valuable networks, markets, growth and competitiveness. CCIs in Finland have hardly any presence in the international value chains and the alignment of funding has its own challenges as the financial system does not react to economic changes accordingly (MEE 2007: 23). It is apparent that there should be major reforms made in the creative economy of Finland both at the business level and in reforming the education system accordingly if the goals are to be met.

There are signs of change both in the labour market and in terms of entrepreneurship of CCIs. As demographic changes are occurring increasingly, this will result in an aging population and increasing retirement. However, several predictions estimate that the younger generation entering into the labour market will not act fast enough to balance the sufficiency in the coming years. Therefore, one of the critical factors in the coming years is to take preventative policy actions in to support faster, entry into the labour market as it especially in Finland is extremely high, resulting a gap between the number of people retiring and people getting into the labour market. In the political debate, shortened study times refer to actions for students to enter into the labour market faster and developing curricula so that they match the labour market demand. A negative effect of this trend is that in the long-run it will result to a decrease of economic growth and decrease in productivity (Luoma, et al. 2003: 12-14). In order to ease the possible challenges in the future both the pension and education policies must be re-evaluated and assessed according to the demographic changes.

In the view of CCIs, this presents more opportunities in areas for which demographic change brings more demand, for example in the leisure and healthcare industries, as the amount of potential consumers are retiring, they will have more time and thus creates new form of demand. Product and service demand in the future are not necessarily based entirely upon the functionality of the product but more upon

individual and collective endeavours, therefore additional marketing and services efforts are essential to attract new consumers in these sectors. In the new era where social networks and individual experiences are important buying decision factors, political and industrial decisions should aim to have user-orientated perspectives also included.

4.2.1 Vision and policy towards stimulating innovation

The current Prime Minister Jyrki Katainen and his government have outlined three key visions in terms of stimulating innovation and meeting the future economic and societal challenges. Firstly, the government and local municipalities should take definite action towards reducing structural disparities across regions, including a reform of the municipality structure. This should eventually subtract inequality and exclusion of societal groups and increase the competitiveness of particular municipalities. Secondly, the government should consolidate public-sector finance by making appropriate fiscal policies which reduce public spending and cut down government debt which has had a negative trend over the course of a decade. (See Appendix 4)

The current government platform is somehow as compatible as the previous, but when considering the current economic downturn it is rather modest. However, issues such as municipality and region restructuration are one of the issues that were highly discussed. In terms of CCIs, the current government aims to improve the operational environment by establishing a private equity fund, together with the Ministry of Employment and Economy and the Ministry of Education and Culture, as part of the government platform. (See appendix 2) The implementation of these different actions will be achieved through different initiatives, development financing and establishing an organisation body which will concentrate on coordinating between different government bodies, private and public organisation. In the current government platform CCIs are at the core of the entrepreneurship strategies (Finnish Government 2011: 36-65).

The abundance of initiatives appears to be a significant weakness of the current policies (Leitãao and Baptista 2009: 202-204). Issues such as sustainable economic growth, employment and competitiveness should be reinforced by different actions in

order to recover the effects of the economic recession during recent years. Broad-based innovation policy implementation has a key role in all these areas. R&D, innovation and especially productivity growth rely on understanding the needs of SMEs in the future.

The current government's published innovation goals include four major targets which will enrich and substantiate the already distinctive knowledge base. The focus for the future is to position Finland globally to achieve innovation attractiveness in terms of acquiring knowledge, networks, induce investment and companies as well as develop international mobility of Finnish companies worldwide. Major actions also include exploiting the good practices determinedly across sectors. This will also stimulate restructuring of current development and coordination both at regional and national levels. Innovation should aim to foster innovative outputs, which are user-orientated both in the private and public sectors. It is extremely important to realise the needs of the target users as they will contribute to the development of innovation systems of markets, users and developers. This will shape a more prosperous future in terms of societal development resulting in increased capabilities of individuals and communities in Finland (MEE 2011: 3).

Internationalisation, specifically creating cooperation networks, is one of the critical matters of the future which will be developed with leading innovation clusters. Innovation includes functional cooperation, capability to combine multidimensional sets of skills, activities, influencing skills, and management skills in a variety of business operations. International cooperation, attracting global knowledge and successful utilisation of resources will determine Finland's success both in Europe and global markets in the future. With support provided via different incentives and incubators, Finnish enterprises will gain international knowledge for export activities, building up new networks and integrating into global clusters, which is clearly one of their current weaknesses.

It has become increasingly apparent that success in achieving the current goals calls for structural and societal change in terms of restructuring sentiments for a more positive attitude towards risk-taking in many sectors. Legislation is developed in Finland to the extent that it encourages innovation, creativity and knowledge and

increases exploitation of different businesses. According to research the internal climate, innovation, size, capability of R&D cooperation, and immersion of competences are among others important matters when making attempts for enhance innovativeness (Albors-Garrigos and Rodriguez Barrera 2011: 1306).

4.2.2 Labour Market and Higher education

Standard labour economic theory is not applicable to when it comes to CCI's. Employees in the CCI's fulfil themselves by the quality, attributes, originality and improvement of technical skills. Expression of the created good or service is the main motivator (HKU, et al. 2010: 60-62). Entrepreneurs have different orientations depending on their personality. They can be driven by intrinsic motivators, such as the artistic and cultural contribution of their activity i.e. more creation orientated. Others express value through exploring new and better opportunities to expand their operations and thus are more growth orientated.

Economists have also distinguished the difference between these industries from traditional production function. Traditional industrial production can be most often categorised by the production function with substitutable and separable inputs. CCI's value multiplicative production functions, which aim to establish processes and production structures that are not substitutable (HKU, et al. 2010: 60-62). Creative workers are mostly manual labour-intensive, meaning that the labour force combines workers who have a large variety of skills across different sectors. These workers can be working in different parts of the value chain, contributing largely to the creative output of the product or services.

Employment patterns differ largely from that of the traditional labour force. This results in creative workers having an increased amount of temporary jobs which are usually linked to having a freelance contract, seasonal or even working part-time terms in CCI's. The critical challenge of employment in this sector is the diminishing recognition of intangible creativity, which thus subjects creative workers to have multiple job-holdings. Creative workers often combine creative economic activities with a conventional job position, which again strengthens their financial capacity to support

living and creative activities and open a possibility for positive spillovers across non-CCIs (European Commission 2005: 8).

Particularly Finland has good results in primary and higher education over the past decade. This has contributed in having a strong base of skilled labour force which is adaptable to high levels of technology and innovation changes. In statistics from 2012 Finland was considered to be the second most innovative country in Europe and this also reflects the excellent labour structure, skills and knowledge base within the country (World Economic Forum 2012: 167).

Creativity in terms of value creation within the economy inherits from competencies of the culture. Finland is, according to studies, lacking certain levels of motivation to enhance its competencies both in the public and the private sector. From the early 1990s Finland aimed to enforce different policies to achieve a high level of technological competency, resulting in having a large base of highly skilled and specialised workers. However, having a strong ICT cluster is not by its own a sustainable long-term strategy, as these skills are transferable. This means that, even though Finland possesses these competencies, economic changes are shifting many of the high-skilled jobs to countries which have lower labour costs, resulting in a decrease in employment. Moving the traditional industrial structure of the Finnish economy towards the new economy era, these competencies can be seen in technology, design, tourism and theoretical production (Wilenius 2006: 47).

According to national studies, in order to increase competencies in the creative economy it is imperative to invest in higher education to promote creativity, innovation and entrepreneurship. Investing includes improving the quality of education and allowing a better creative learning environment at all levels of the education system. Strengthening entrepreneurship education and developing teacher training will increase the visibility of current entrepreneurial policies in education (EIM 2011: 12). One of the strategic decisions was to place emphasis on strengthening the support for improving higher education which will result in a better environment to promote entrepreneurial skills among graduates. However, this has not relatively tackled the issue of utilising the full potential of CCIs and individuals for value and wealth creation in Finland (MEE 2012: 45-48).

Currently entrepreneurship is presented in all the different university institutions as part of their strategic goals. The divergent interpretation of different universities regarding entrepreneurial education is due to the fact that the dependence of universities on these faculties differs. In universities entrepreneurship study is in critical analytic and theoretic understanding rather than developing practical entrepreneurial skills (Paasio, et al. 2005: 10). In the arts sciences it is assumed that graduates naturally tend to continue as entrepreneurs, however statistics show that hardly any of these graduates will engage in entrepreneurial activity. According to the Finnish government, the strategic focus points for polytechnics is approached in training skills and developing new business models that are linked closely to market needs. Alternatively universities are more focused on developing academic entrepreneurship, exploiting scientific research, and are mostly linked to technological corporations (Ministry of Education and Culture 2013).

Entrepreneurship has traditionally been an absent subject in many higher education institutions and particularly in universities. It has been seen as a forbidden area across sciences. This stems from the ubiquitous view that graduates from universities would pursue their carrier in government or in the private sector as specialised officers in a certain area. Entrepreneurship is hardly seen as an option, which reflects mostly on individual attitudes rather than on employment legislatives or opportunities to do so. According to the global entrepreneurship monitor, research showed that there are serious issues in Finland particularly in entrepreneurship culture (Pukkinen, et al. 2006: 40-41). An academic Allan Gibb (1993) has tried to explore entrepreneurial education and particularly its learning philosophy. He clearly states that entrepreneurship differs highly from other subjects and increasing entrepreneurial education does not automatically increase entrepreneurial activity in the society. Nevertheless, in entrepreneurship education it is more essential to consider how it is implemented and whether or not it will reach the fundamental goals and discuss over the content of teaching and the methods (Gibb 1993: 1-24).

Although general attitudes towards entrepreneurship in higher education have been subject to change in recent years and particularly in universities, it is apparent that changes in attitudes take more time. However, more highly-educated individuals tend

to have a higher level of negative attitude towards entrepreneurship in Finland (Kinnunen 2013: 7). Attitudes towards entrepreneurship are highly culture specific; some cultures are by their nature more entrepreneurial minded. Although generalisations do not describe the truth, critics argue that even with a well-functioning infrastructure, the main problem of Finland is the lack of motivation especially among highly educated group in establishing new companies. In terms of higher educational systems, it isn't currently focused on innovation creation but moreover in academic achievements and towards conventional employment (Heinonen and Hytti 2008: 92).

In order for the wider community to develop in more entrepreneurial society, it is vital that the collective attitude must be reformed. Although the general attitudes are changing it is still apparent that, particularly in the academic context, entrepreneurship is not perceived as a valuable intellectual activity. This ultimately indicates that highly educated individuals seem to prefer to seek conventional employment (Kinnunen 2013: 7-10).

In Finland, entrepreneurship education is to a large extent based on developing a more positive entrepreneurial attitude, increasing initiative and risk taking and developing managerial and cooperative skills (Heinonen and Hytti 2008: 333). According to research conducted in Finland, university graduates rarely pursue entrepreneurship after graduation. The trend in Helsinki University clearly shows that only 3% of newly graduates will be entrepreneurs after 5 years of graduation, and comparatively only 5% of graduates from Aalto University Business School will pursue as entrepreneurs. (See appendix 5) This reflects on the education approach of each science, which does not generate entrepreneurial skills. It seems that many graduates are lacking the abilities to recognise their own specific knowledge in their fields and this decreases the ability to commercialise or utilize on a particular set of skills and competencies. The current government has also shown critical concern for the future outlook of employment among fresh graduates as this group has increased by 36% from previous year (AKAVA 2013). In today's changing world it is important that higher education reflects the development of the labour markets and the demand. This will only be achieved if the current programmes are critically evaluated and modified to achieve the fundamental targets.

5 Conclusion

It is apparent that CCI are becoming increasingly an important sector for many European member states. There are clear indications that these industries are the fortitude of future competitive Europe. Different definition across Europe results to an incongruousness and thus causing a disadvantaged opportunity for certain industries. However, after reviewing the literature it can be noticed that the nature of these industries is hard to underline in unified term. The current literature often presents wide-range of industries without specifying certain groups or sectors which would classify better the different industries. In order affiliate, there is a strong call for a more comprehensible characterization of these industries. This will also assist to draw more direct policy reforms and initiatives in the future adequately without excluding certain sectors.

After analysing the European dimension of CCI, it is self-explanatory that the on-going initiatives and programmes for support and nurturing methods were not coherent and did not include exact actions but moreover highlighted possible targets. This research study suggests that there is a divergence between implementation of policies and achieving the desired targets. It is important that the current policies should be coherent with the objectives and that they should be readjusted and evaluated in constant intervals before the end of the programmes. Currently Finnish economy is dealing with the consequences of current recession and it has its impact particularly in increasing unemployment and economic uncertainty. This has even decreased the inducement for entrepreneurial activities. One of the futures critical challenges is to demolish the negative attitude of entrepreneurship in societal level. Having collectively a positive attitude towards entrepreneurship, assures that right strategies are used in particularly in higher education to achieve the desired outcomes.

In recent years a wide variety of initiatives and programs are made to allow a platform for entrepreneurial mentoring in general, while others focus on certain groups. In terms of entrepreneurial education, it should not be implemented in a form of separate courses alongside the curricular of a particular degree programme. It will result more likely to result to a failure, if the understating possible challenges are not analysed. One critical challenge is to ensure that the teachers of different sciences have

appropriate pedagogic training to embed entrepreneurial thinking into their courses. Reasons for this are the lacking adequate skills, education and knowledge on entrepreneurial thinking. Particularly in research and education it is vital to understand the relationships in innovative entrepreneurship in terms of educational policies, to enhance entrepreneurship skills development in higher education.

Some indications show that there is a gap between educational system and the implementation of the national entrepreneurial education strategy. It could be outlined that statistics of low level entrepreneurship activities and unemployment rates of early graduates shows unsatisfactory results in terms of policy implementing. Therefore, it seems that proper education reforms would be appropriate at this point, before reaching end of the programs. Although in comparison to the rest of Europe, Finland has good structural policies supporting entrepreneurship. However, the educational policy is not effective enough to contribute in fostering innovative and creative entrepreneurship in CCI of Finland, specifically in the higher education and particularly in universities.

In order to clearly understand the entrepreneurial culture and particularly in higher education it is important to empirically define the skills and abilities needed for more vibrant entrepreneurial environment. In terms of this research exhortation for future research would be to conduct a qualitative research to understand the critical skills and abilities which are needed in CCI currently and analyse whereas the current state of education system in these sciences is accurate. It is apparent that there is a need to further evaluate of the real impact of entrepreneurship in educational system, as many research shows that there is little prove that any of the current entrepreneurial approaches in higher education can significantly contribute in creating more vibrant entrepreneurial societies. However, no strategy is viable without quantifiable results and in this cases some suggestions for future research is to analyse large-scale and representative sets of data while measuring possible relationships between entrepreneurial education and its impact to the economy.

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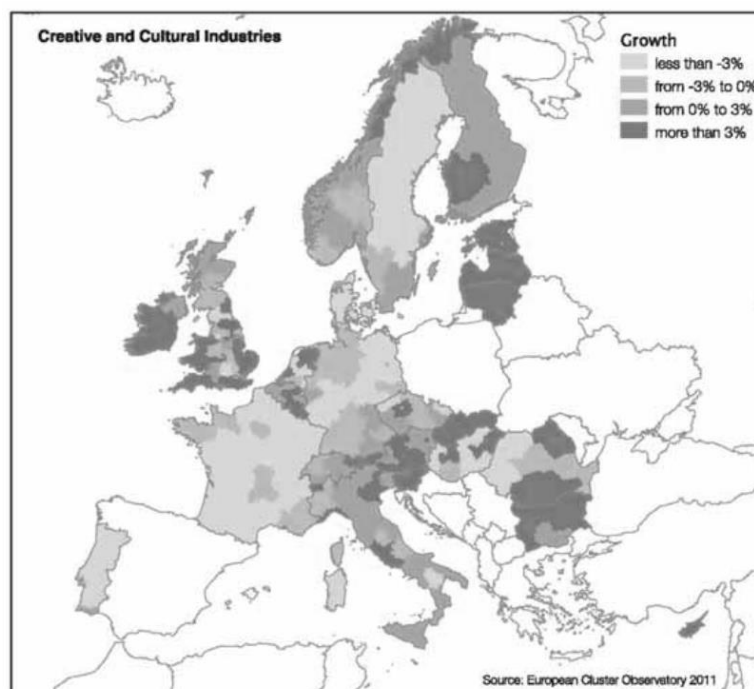
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Appendix: 1 Creative and Cultural industries annual growth in Europe 2003-2008



Source: (The European Cluster Observatory 2011: 14)

Appendix: 2 Entrepreneurship Policy evolutions in Finland 2003-2007

11 Entrepreneurship Policy in Finland

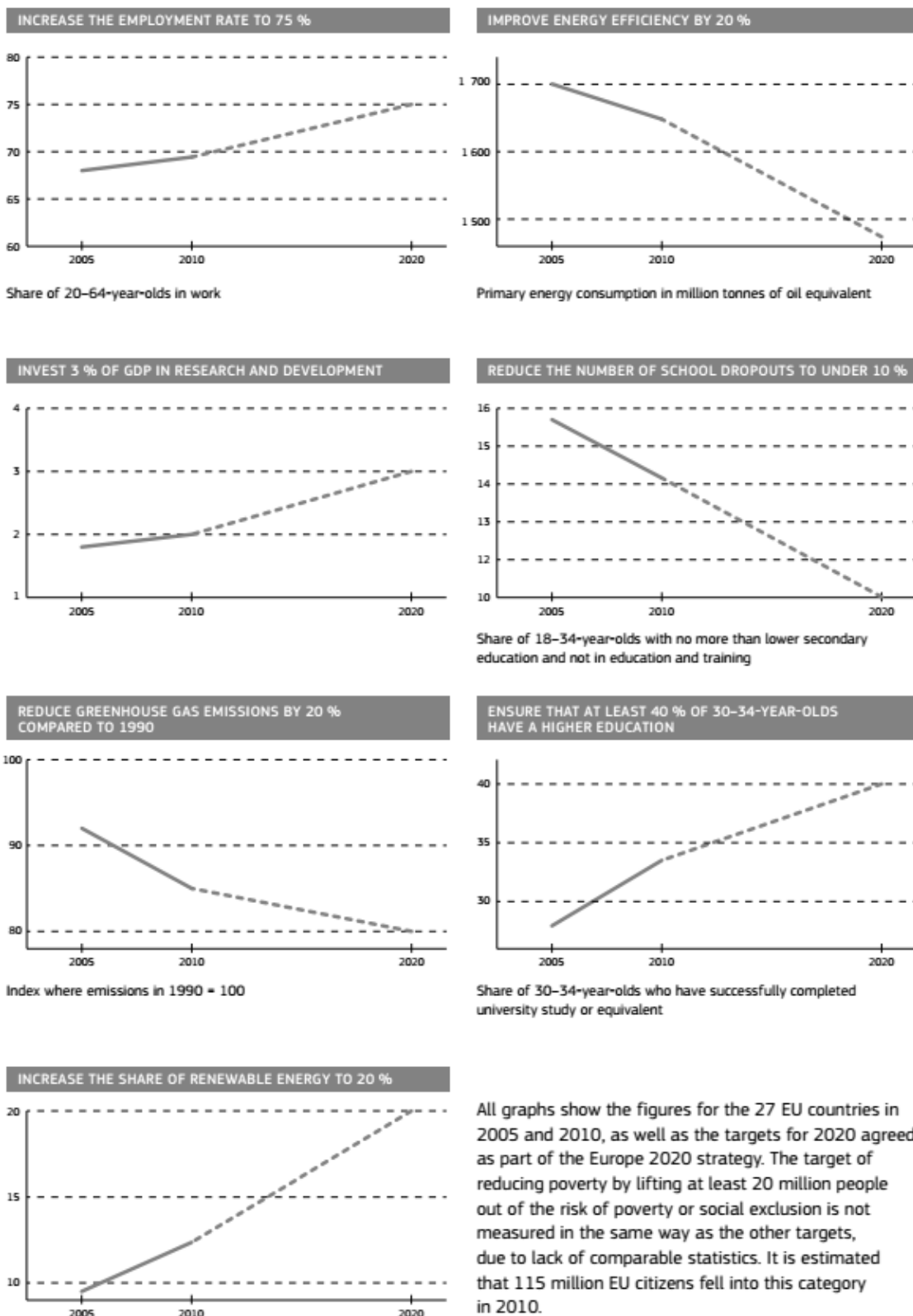
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Table 11.2 The entrepreneurship policy program focus areas and examples of interventions
(Source: MTI Publications 11/2007)

Focus areas in 2003–2005	Example of intervention	Focus areas in 2005–2007	Example of intervention
Entrepreneurship education and information	2004: Policy line for entrepreneurship education covering the whole educational system in Finland	Measures promoting the start-up enterprises	2005: Start-up capital available also to those leaving paid employment, domestic work, ending studies as well as unemployed job seekers
Establishment, growth and internationalization of businesses	2004: Program for financing new technology-based companies (Finnish Funding Agency for Technology and Innovation)	The improvement of business conditions for growth entrepreneurship	2005: Growth company service
Taxes, duties, and fees affecting entrepreneurship	2005: Reduction in company and capital tax rates	The promotion of generational transfer and change of ownership in companies	2008: Proposal to lower the taxation in the case of generational transfer
Regional entrepreneurship		The development of business services in a way that advances competencies and innovation	2006: Agreement about the development of the Enterprise Finland support service 2008: http://www.enterprisefinland.fi
Regulations concerning companies and the operations of markets	2006: Mandatory minimum share capital of a private limited company set to 2,500 euros	The predictability of regulatory environment, the operation of markets, and the reform of public service production	

Source: (MTI 2003: 47-52)

Appendix: 3 Europe - 2020 Strategic targets



Source: (European Commission 2012: 5)

Appendix: 4 Finland governments debt evolution 1990-2012

Debt

	Central government debt		General government debt (EDP)		GDP (ESA95)
	€ billion	as % of GDP	€ billion	as % of GDP	€ billion
1990	9,1	10,2	12,5	14,1	89,3
1991	14,2	16,7	19,0	22,3	85,2
1992	27,8	33,6	33,3	41,0	83,0
1993	43,0	51,3	46,4	55,3	83,9
1994	51,7	58,5	51,0	57,7	88,4
1995	60,1	62,6	54,4	56,6	96,1
1996	66,1	66,7	56,5	57,0	99,1
1997	69,8	65,0	57,9	53,9	107,4
1998	69,8	59,8	56,4	48,4	116,6
1999	68,1	55,6	55,9	45,7	122,3
2000	63,4	48,0	57,9	43,8	132,2
2001	61,8	44,3	59,1	42,5	139,3
2002	59,3	41,2	59,6	41,5	143,6
2003	63,3	43,5	64,8	44,5	145,5
2004	63,8	41,9	67,6	44,4	152,3
2005	60,0	38,1	65,7	41,7	157,4
2006	58,9	35,5	65,7	39,6	165,8
2007	56,1	31,2	63,2	35,2	179,8
2008	54,4	29,3	63,0	33,9	185,7
2009	64,3	37,3	75,0	43,5	172,3
2010*	75,2	42,0	87,0	48,6	178,8
2011*	79,7	42,0	92,8	49,0	189,5
2012*	83,9	43,1	103,1	53,0	194,5
* preliminary data					

Source: (Statistics Finland 2012)

Appendix: 5 Entrepreneur engagements in Finland after 5 years after graduation from higher education



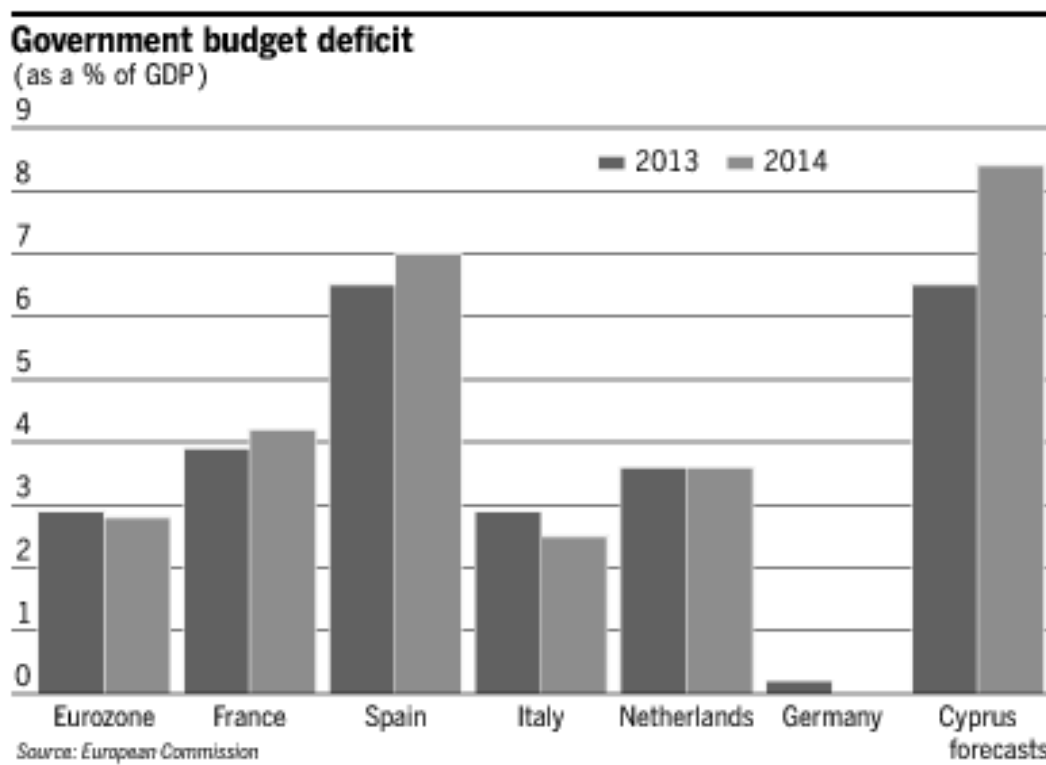
Viisi vuotta valmistumisesta vuonna 2010 Itsensä työllistäminen

Koulutusala	Yrittäjänä toimineitten osuus, %	Yrittäjänä toimimisaika (ne, jotka olleet yrittäjinä), vuotta
Ylempi korkeakouluaste	11	2,5
Eläinlääketieteellinen	69	3,1
Hammaslääketieteellinen	38	2,9
Lääketieteellinen	21	1,5
Humanistinen	19	2,5
Psykologian	16	2,4
Maatalous-metsätieteellinen	14	3,0
Liikuntatieteellinen	13	2,4
Teologian	11	2,5
Teknillistieteellinen	10	2,8
Yhteiskuntatieteellinen	9	2,0
Luonnontieteellinen	7	2,7
Kauppatieteellinen	7	2,9
Kasvatustieteellinen	7	2,4
Terveystieteiden	6	2,7
Oikeustieteellinen	6	3,0
Farmasian	6	2,1
Alempi korkeakouluaste		
Kasvatustieteellinen	7	2,7
Farmasian	6	3,5

Aarresaariverkoston viisivuotisseuranta 2010 - kysely vuonna 2005 valmistuneille; 13 yliopistoa

Source: (AKAVA 2011)

Appendix: 6 Government budget deficits forecasts for 2013-2014 among selected countries receiving bailout fund from the European Union.



Source: (Financial Times 2013)