



NEW ECONOMY AND THE DEVELOPMENT OF CREATIVE INDUSTRY

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Abstract

This study is dedicated to an analysis of contents of such terms as "new economy" and "creative industry", which are already well known in the scientific and vocational communication. Furthermore it defines nature of those economic phenomena, which they mirror. Moreover common characteristics and differences between new economy and creative industry are being studied in order to determine the principles of evaluation and measuring of these economic phenomena. At the same time it is stressed that the measuring of efficiency of new economy and creative industry in the structure of other branches of economic production and their role in the GDP should be based on the creation of innovations and gained added value. Keywords: nova ekonomika, ľudský kapitál, tvorba inovácií, kreatívny priemysel, ukazovateli kreativity.

KEY WORDS: new economy, human capital, creation of innovation, creative industry indicators of creativity.

Introduction

The result of scientific revolution, which took place in second half of 20th century, was accelerated course of all economic processes. This acceleration was influenced by the implementation of new knowledge into economic production. Gained and evolved knowledge begins to substitute material costs. At the end of 20th and in the beginning of 21st century we witnessed the world entering the informative revolution and the basics of the so called informative or knowledge society (economy) were created. The main indicators of knowledge production are: the transformation of knowledge and information into the key source of economic development, forming and developing of the IT goods and services market and the transformation of universities and scientific organizations into the main producing institutions of present society. Adequate technological changes contribute to this process - computer elaboration, storing and spreading of information. Computers and internet, which have made it all possible, are based on commercial networks and are run in the dialogue regime.

Above listed trends in the development of world economy and especially developed countries significantly differ from former economic processes, changed their nature, character and dynamics. These new and quite different productions, which importantly influenced and changed traditional industries, have been named as information, network, internet, knowledge or new economy.

Theoretically, the definition of the new or knowledge economy is usually connected with the process of creation and elaboration of information. That is the reason why modern and developed society is also called information society. The Characterization of human capital as a human creative ability is usually taking place within the processes of creating and analyzing new information. On the other hand, the processes of

management of human capital or human resources are not connected with the processes of creating and analyzing new information, but with the personal aspects of managing people in the organizations.

Later on, when the above mentioned terms and categories are becoming a part of scientific language and communication, the term creative industry is created and we can witness different typologies being made – not only of the producing companies, but of cities, regions, countries or particular social groups of population – according to the indicators of creativity. These criteria of creativity in the above listed typologies are being shifted to the following: indicators of internet use, books reading, and other cultural activities such as theater running, concerts, libraries, museum and so on. According to these criteria we can say that the culture, cultural education, public administration and publically financed art, informal associations like for instance amateur groups, foundations, and associations are becoming the branches of creative industry. Advertising, marketing, media, film industry, internet, mobile phone, music industry, electronic publishing houses and printed media, video- and computer games, activities connected with the running of cultural facilities, libraries, exhibitions and so on belong here as well.

The question whether the processes like new economy and creative industrial are different or interconnected remains unanswered. Is the latter the part of or only one of many branches of new economy or is it a synonym for the term new economy? What are the criteria of new economy and creative industry are they substantially the same or are they different? How can the new economy be differentiated from the traditional one, or the creative industry from the traditional, uncreative? This study tries to determine the direction and basic approaches to the definition of these new processes, which would enable us to further study and define specific criteria of their determining, defining and evaluating. Therefore the main

goal of this study is to determine the nature of such new social phenomena like new economy and creative industry, define their differences or connections with the intention to create the basis for evaluation of system of specific evaluating criteria and measuring of their economic efficiency. In order to achieve this goal following tasks have been defined:

- Specify the essence of new economy (production) and determine its differences from the traditional or "old" economy (production);
- Define the nature of creative industry and determine its differences from traditional ("uncreative") industry;
- Execute an analysis of the nature of new economy and creative industry and find out whether some common basic characteristics or qualities can be determined, which would enable us to justify and specify common criteria of defining, evaluating and measuring of economic efficiency of new economy and creative industry.

Research methods used in the study are: historical analysis of the process how the new economy and creative industry has been formed; theoretical analysis and comparison of conditions in which new and traditional economy have been created and developed; theoretical analysis and comparison of conditions in which creative industry have been created and developed.

Scientific originality of the article is:

- to determine and justify common elements of the nature of new economy and creative industry with the intention to elaborate a basis for determining the criteria of their definition and evaluation within realistic economic processes.
- Practical significance of the article is:
- elaborating and defining the criteria of defining and evaluating of new economy and creative industry in the realistic economic processes will enable us to measure their economic efficiency, their significance in the structure of economic production (for example in a region or in a country) and their influence on the total social and economic development.

Natures and significance of new economy

Significant changes within the economic production, on the labor market and within the employment, shifts in the consolidation of society, which took place in the last decades of 20th century, have been referred to as postindustrial society [Bell, 1999; Galbraith, 1967] or the third wave according to Toflers [third wave, The Economy, 2006]. Revolutionary changes in the economic processes happening during this period have been called innovation economy, electronic economy, knowledge economy, internet economy, network economy, digital economy or new economy.

Term "new economy" is often used in order to name these changes, which significantly influenced the structure of economic development factors and the rules according to which the former model of economy have been functioning [Bell, 1973; KEA, 2006]. Most authors use the term "new economy" in order to name the fact that the knowledge is becoming the decisive capital, cost

factor and the source of economic development [Drucker, 1994; Castells, 1996; Krajňáková, 2012]. New economy is an economy of knowledge and ideas, where innovative thoughts and technologies fully integrated into services and goods are the key to the creation of new jobs and higher living standard.

The main quality of new economy is its nonindustrial nature and the fact that used production factors differ from those used in the industrial or other traditional production. Already gained information in the form of knowledge are further elaborated in the new economy and based on them (just like in the industrial production) a new product is being created – new information, which offers a possibility to find out how a new perfected product or service can be made (with lower costs, more efficient, safer, with reduced amount of needed material or using more affordable substitute, being produced in a shorter time and so on). Therefore we can say that information makes the production swifter, more efficient and perfected. Furthermore this means that subsequently there exists also a traditional industrial production and other activities, which under the influence of information production also change their former qualities.

The most significant difference of new economy is its production factor or the source of production of new product. Main production factors in the industrial production are limited resources – land, labor, material and capital. Knowledge, which contains usable data, information, ideas, symbols, ideology and values, is main and also an unlimited resource, which can be used by more economic subjects at the same time. Main source of production of this factor is human ability to create, look for the new sense of ideas, reveal the unknown in the already existing processes – gain new knowledge. In order to create this knowledge, which can be used in other spheres of production and accepted by the knowledge market, one specific and irreplaceable resource is requested – human creativity. Innovations are made by human ability to accumulate knowledge and on this basis to create new knowledge, which can be used to perfect production, its management and so on. That is the reason why the importance of permanent education of employees is nowadays so stressed.

Even though it is said that information is an input factor in the new economy, this information is being used in a different way than in the industrial production. Information as a production input is not a subject to the machine execution, technologies or human labor. In the new economy it is being handled by man in the process of intellectual and creative work. Therefore man not only handles production inputs – information, but he is the input itself as well, inseparable quality of information. Without connection to the certain human being capable of handling this information it has no other significance or value.

In reality information as an input factor in new economy also have no other significance, because new information usable for innovative purposes in the other spheres of human activities are not being made by logic or mathematic combination of old knowledge or by their mechanical, physical or chemical elaboration. New knowledge can be created only by human ability and creativity. And for these purposes – for the development

of human ability to create new knowledge, for education and forming of creative abilities – old information are inevitable.

The only one factor and capital employed in the process of manufacture is human creativity. The human capital is defined by very specific qualities that are not typical for material and financial capital like machines, technologies, funds etc. In a certain way human capital is complementary to the technology and production conditions. People and organizations can utilize their human capital best when conditions and equipment enabling creative potential use are available. Computer programmers' qualifications cannot be used in a country where computers and software are not available. Physical capital thanks to the laws on decreasing yields is more profitable in a place where there is a shortage of the physical capital. Also in the past clever and creative people were born, but appropriate technology was not available, economic and social conditions did not allow to utilize people's knowledge and to establish new forms of economy where human potential, people's abilities and knowledge could be exploited as a resource for production.

We can conclude that human ability to gain knowledge and create innovations is a capital for production only under a condition if the knowledge and innovation have become the subject of buying and selling process and can be utilized in some other industries. Creativity of people as a human potential is not a sort of production capital and the base of new economy. Creativity becomes an industrial capital and lies in the core of new economy only if it is utilized in the process of innovations to be sold.

Clever and creative people found their jobs in some other industries, they manage them, coordinate, and with their abilities they cope with some difficulties, fulfil the tasks utilizing their creativity. Their creativity is utilized to manage the production smoothly so that material things and products can be manufactured. Selling the products they gain funds to cover the costs of manufacturing process, to remunerate the labour power including labour force creativity. New added value that is created in this manufacturing process is based on the product and the labour: manual, intellectual, creative, managing, etc. Similarly to product ranked into sectors also value created in a product belongs to one of the sectors – industry, agriculture or services.

Human capital and innovations are utilized in research institutions that work within the education system and research institutions funded by businesses and the national government. People employed in these institutions focus their activities on gaining knowledge and information. They aim at processing the information so that it can become utilized in industries. In this process creativity can form just a small part of innovations if we consider time, mental or intellectual consumption. Covering the costs spent on innovation creation, intellectual work remuneration is based on commercial price calculation for the innovations created. In this sort of industry "new" information as "added" value has its price because "new" equals "added".

It can be concluded that a feature of new economy is innovations creation (new knowledge, ideas, methods,

technologies, finding new solutions, etc) so that they can be sold and utilized in industries. So in this way innovations and new information have become a sort of goods subjected to the process of buying and selling. The price for a product includes also the price of the information needed in the manufacturing process.

Measuring new economy and measuring its relations towards other industries or towards creating GDP should be based upon a given principle that added value expressed in monetary units, in currency is sold at the market or it is included in the price of innovated product. The issue of the ratio for different types of labour spent on innovations creating or on added value created in the process of manufacturing and selling the product, should become irrelevant. Human creativity is the main resource for the product; it is its production capital. This fact defines other differences in new type of industry if compared it to some traditional industries, agriculture, services.

Creative industry and measuring its values

The term "creative industry" is formed and based on results of human activities analysing affiliated with expressed values – ethic, spiritual, symbolic, etc. [Cikánek, 2009; Denatale and Wassall, 2006]. Similar performances are defined with a high volume of creativity. The term creative industries encompasses a broader range of activities which include the cultural industries plus all cultural or artistic production, whether live or produced as an individual unit. In the European programme of culture in global world artistic production is considered to play the key role in cultural and creative industries. Cultural industries include underproductive assets – concerts, theatres, museums and mass reproduction of cultural products like books, films, audio records. The cultural heritage is presented in the form of running museums, libraries, archives, etc. And creative industry is meant to be a resource for innovations and includes designing, architecture, and advertisement [KEA, 2006; Kumar, 1978].

Cultural industry including art, culture and cultural heritage is a part of creative industries and is considered to be a subset of creative economy [Denatale and Wassall, 2006]. Creative economy is defined as a set of three mutually connected parts. The first part involves forming creative clusters that are presented via commercial and non-commercial companies. The second part is creative labour based on creative personalities. The third part includes creative community that is a space where conditions for creative economy are set up. Similarly creative sector is defined and is a subset within a creative economy and is divided into commercial public and informal sector [Toffler, Tofflerova, 2001].

The commercial sector base is formed by creative labour force creating values in the field of culture, media, crafts and affiliated industries. Creative industries include marketing and advertisement, media, internet, mobile, music and film industries, electronic publishing, press, computer games, crafts, fashion and design, running museums, libraries and exhibitions and activities of different cultural and amateur agencies and unions [Kelly, 1998; Král'ová, 2012].

Creative industries as a part of creative economy carrying out a transfer of creative products belong to commercial field represented by creative and cultural industries but do not offer any possibilities how to develop basic principles and criteria and indicators for measuring creative industry, economy outside these industries and how to measure the ratio between them and GDP.

Most definitions of creative economy and creative industries deal with culture and art and were designed in the period of making them intensively very commercial. Wiesand and Söndermann emphasize that during many years the sector of culture as a commerce field and its role in employment rate has been underestimated [2005]. The European Commission bases its attempt to define the relation between creative and cultural sectors on the above mentioned studies [Higgs, et al., 2008]. The affiliation between technological, scientific and arte and economic creativity are emphasized in the Report by European Commission. On the other hand the principles of evaluating, assessing and measuring the value of human creativity in different industries are not developed in the report.

Discussion and result

Referring to the above mentioned facts, definitions of culture and art as branches of creative economy are useful and needed in the process of observing and researching trends in development of commercial and public sectors. Definitions of creative economy and creative industries are not employed in the field of science, research and development as fields where human creativity is employed as well. Creativity plays a key role in technological, economic and social development. In the last century a scientific discovery represented only a piece of interesting information and brought some knowledge but with no significance for technological or economic development. At the turn of 20th and 21st centuries most discoveries bring some economic effect resulting in labour productivity growth, costs reduction.

Neither the above mentioned studies nor the European Commission categories division can be a base for developing principles and indicators for economic evaluation and measuring real output of creative industries within economy and their ratio in creating GDP [KEA, 2006]. Creative industries output cannot be measured by means of any indicators. A statistic framework for quantification of creative industries or ranking them among traditional industries would be very essential and effective. Creative industries cannot be defined at the level of organizations and they are not able to form professional associations [Janský, Havierníková, 2012; Kordoš, 2012; Woolman, 2011].

Our attention should be focused on the term "development", as in most small and medium manufacturers applied research and permanent creation of new products is hidden behind this term. Real innovations are made and are represented by new knowledge or new products that include the new information and knowledge. Production does not mean a repetitive activity with a mass product or a new unique product at its end. This can be illustrated by an example:

In the department for development in the car producer Volkswagen two thousand people might be employed, it does not matter how many people and what activities they perform, the most important is the fact that they all participate in the innovation creation. All the costs spent on innovations represent the operation costs, the costs spent on company operation. The yield, revenue and profit are the innovated product bearing a competitiveness benefit. This includes also many years of other workers' work producing cars, creating profit for the company and earning their own living. Real profit is a sum of money paid by a competitive company for the innovated product (new car model), in case it has not developed its own one.

We can conclude that a relevant feature of creative industries is creating innovations (new knowledge, idea, methods) with the purpose of their commercial utilization and using them in practice. Measuring outputs in creative industries and their effectiveness and the ratio towards creating GDP shall be based on the principle – in creative industries the added value expressed in currency is reflected in the product price that is sold. The added value forms a part of the product sold at the market or the value represents and can be reflected in an innovated model of the product.

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Summary

This study's focus is placed on the analysis of the content hidden behind the terms new economy and creative industry, which have become rather popular in the academic and expert discussions. Moreover, we look into the defining the nature of those economic phenomena that have a direct impact on the above mentioned. We study a common characteristics and differences between new economy and creative industry in order to determine the correct methods of evaluating and measuring these economic phenomena. At the same time it is emphasized that both measuring the effectiveness of new economy in the overall structure of economic production and creative industry, and the assessment of its GDP ratio should be

based on the gained added value that results from creating new innovations.

Currently existing studies and definitions concerning creative sector do not enable us to elaborate either on the principles of economic evaluation of this sector or on the specific indicators measuring its economic effectiveness, its share in the economic production and GDP ratio. Not even categorization provided by European Commission offers tools necessary to assign the individual companies or their products into creative industry.

The absence of specific and measurable definition of creative industry means that we cannot develop a system of statistic indicators on different levels, like for example in the companies themselves, on the regional level, state or international level. Several authors have already stressed that such a definition of creative industry, or rather the lack of thereof, causes myriad of relevant problems. These problems include the absence of statistical framework for the quantification of creative industry, lack of possibility to assort creative industry into the chain of traditional industrial branches, inability to identify the creative industry on the level of organizations, the fact that creative industry does not offer opportunities to unite in the procedural associations and so on.

Our attention is also placed on the term "progress", which currently in the case of middle and large companies includes not only applied research but also continuous creation of new products. It is a type of economic production that relies on the creation of new innovations or new products that would be impossible without these innovations. It is not merely a typical repetitive activity usually associated with the mass production – on the contrary, its result is quite unique, be it new knowledge, innovations or new product. Therefore we can conclude that the creation of innovations (new knowledge, ideas, methods, solutions etc.) can be identified as a relevant characteristic of creative industry; these innovations being created with the intention of their future commercial (economic) value and practical use. Consequently, the evaluation of creative industry and its effectiveness, determining its role and ratio in the GDP and its share in the overall structure of economic production should be based only on the added value of creative industry that is created in the process of direct trade on the goods market and that can be expressed in the monetary units.

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