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**LONDON COLLEGE OF COMMUNICATION
28TH MAY 2008**

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THE LONDON CREATIVE INDUSTRIES

Professorial Platform lecture, University of the Arts London
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ABSTRACT

The lecture is drawn from this paper, which sets out to introduce the creative industries – an increasingly recognised global phenomenon – by explaining the origins of the concept in the United Kingdom. This contorted definitional history is not particularly unusual as successive governments redraw the policy boundaries and align resources. What does become important in this process is the increasing reliance on evidence to support and evaluate the creative industries policy. So where does this evidence come from, how is it collected, and perhaps more importantly, how reliable is it?

To collect data, a definitional framework or classificatory system is required, which is normally the Standard Industrial Classification (SIC) or Standard Occupational Classification (SOC) and international variations of these. This paper investigates the history and rationale for the definition and exposes weaknesses, such as a lack of consistency, the regional and local interests or a detailed explanation of what each sub-sector comprises. It is noted that the practitioners are rarely consulted about their practice and how they would define it.

Consequently it is suggested that the evidential base derived from the definitional framework established by the Department of Culture Media and Sport (DCMS) for the British Government under

Blair and New Labour needs an overhaul and goes on to provide a revised framework. By applying the revised framework it is possible to collect and analyse core and related activities in the defined sub-sectors, in this case for cities. London has been chosen because it is generally recognized and promoted as being one of the biggest creative clusters in the United Kingdom. Consequently the paper provides insights into the larger creative industries companies, location, and networks. The argument here is that unless we have a reliable, empirical and detailed understanding of the industry in London, public policy interventions intended to support and develop these businesses is at best uninformed.

Keywords

Creative industries, definitions, data, cultural management.

INTRODUCTION

The focus of this paper and lecture is the creative industries in London derived from the work of the Creative Industries Observatory, located in the School of Creative Enterprise, London College of Communication, and does not attempt to engage in the wider and more extensive analysis of other constructs such as copyright industries, content industries or the creative economy.

The creative industries development is derived from a longer history associated with defining and redefining the arts as an industry sector (The Arts Council of Great Britain 1985, 1988; Roodhouse and Roodhouse 1997; Calhoun, Lupuma, and Postone 1993) and the relationship of the arts and media as cultural industries, which others have addressed (O'Connor 1999; Throsby 2001; Pratt 1997; Garnham 1987). This has not just been the territory of the UK. Other countries have engaged in similar activities including Canada, Australia and New Zealand. The latest in these policy twists and turns, which has caught the imagination of policy makers across the world, is the introduction of the creative industries concept in 1998 by the UK New Labour Government. Combining economics with the arts, creativity and business as part of the knowledge economy has rapidly spread from the UK across the world to include countries such as China, Taiwan, South Korea, Austria, Bulgaria, Denmark, Brazil

and Bolivia. Given this level of interest there are some lessons to be derived from the British experience that may be of value, particularly to scholars and practitioners.

Definitional and Quantificational Issues Arising from the Introduction of a Creative Industries Policy

Since the early 1980s, cultural economists, statisticians, and cultural geographers have attempted to find suitable categorizations for the sector (Myerscough 1988; O'Brien and Feist 1995; Pratt 1997, 2004; and Jeffcut 2004). Pratt, for example, argues that 'value chain' and 'domain categorization' are useful mechanisms, whereas Jeffcut, from a knowledge-management perspective, suggests that the only way to understand the industry is as a 'cultural ecology'. Hearn (Hearn, Pace, and Roodhouse 2005) **takes this further by engaging with a value-chain ecology, which relies on a thorough understanding of networks.** What seems to have emerged from this work is the recognition that Standard Occupational Classification (SOC) and the Standard Industrial Classification (SIC) – both from the Office for National Statistics (a UK government agency) – provide a common but imperfect mechanism. Roodhouse has contributed to this discourse by designing definitional frameworks based on a synthesis of existing statements and discussions with practitioners that have been tested in designer fashion and graphic design (Roodhouse 2003a, 2003b).

The data and quantification issues present acute problems for economists and statisticians (Barrière and Santagata 1997; Evans 1997; Green, Wilding, and Hoggart 1970). The weakness and inconsistencies of definitional frameworks become more apparent when they are used to quantify and determine the value of artistic and/or aesthetic activity. Authors such as Baumol (Baumol and Baumol 1994) have attempted to clarify this by asserting that aesthetic pleasure has at least as much value as the difference in returns between works of art and financial assets. This argument leads to the question of how to define a work of art. The differentiation between artistic and industrial goods presents another issue for economists studying the creative industries. Part of the difficulty of making this distinction is that the total assimilation of art to commodities means that art goods escape the standard rules of utilitarian market exchange (Barrière and Santagata 1997). Here, the weakness for cultural economists is the lack of clarity and consistency in defining cultural practice. For Davies and Lindley (2003), who have attempted to quantify artists, the definitions employed are conditioned with little attempt to establish a shared definitional framework that is transferable. Any number of cultural economic impact studies—such as one that evaluates the economic importance of the creative industries in Plymouth (Plymouth City Council 2002); one that assesses the impact and value of the arts and creative industries in the South West (Kelly and Kelly 2000); and one

that looks at the economic impact of the arts and cultural industries in Wales (WERU and DCA 1998) – utilize different classifications and typologies. Not only does this demonstrate the confusing conceptual landscape, but it also highlights the unreliability of collected and analyzed data.

The DCMS has attempted to rectify the situation by developing a regional data framework (Wood 2004), but this has not yet been accepted because it does not universally conform to the national data collection classifications and relies on generalized notions of domains and a limited interpretation of value chains. In an era when increasing emphasis is placed on evidence-based cultural policy and comparative international benchmarking, this shortcoming can only be perceived as a fundamental structural weakness. Despite spasmodic attempts to correct these inadequacies (O'Brien and Feist 1995; Davies and Lindley 2003), only a paucity of empirical evidence available on the visual arts remains. The consistent definitional frameworks needed to collect reliable data over time to inform cultural policy, management, or practice, particularly in the fields of museums, galleries, and the creative industries have yet to be put in place (Roodhouse 2003a). The need for consistency of frameworks and data collection is increasing with the establishment in the U.K. of home countries and regions, and the increased emphasis on locality (Roodhouse and Taylor 2000). Similar problems are emerging

in Australia when consideration is given to data collection of sub-sectors such as music (Cunningham, Hearn, Cox, Ninan, and Keane 2000; Cox, Ninan, Hearn, Roodhouse, and Cunningham 2004). These problems can be traced back to the 1970s and earlier with the establishment of the Arts Council of Great Britain.

Creative Industries Contorted and Torturous Definitional Beginnings – The British Experience

Successive United Kingdom national governments and their agencies have defined and redrawn their boundaries, resulting in continuous turbulence in public cultural policy and practice since 1945, commencing with the establishment of the Arts Council of Great Britain (Pick and Anderton 1999). The determination of these boundaries – which are definitions – with no obvious rationale, except pragmatism, explains where and why the lines are drawn. Instead, these definitions appear to be the result of the public sector domain engaged in restrictive practice; that is, boundaries are constrained enough to match the level of available resources at any given time. An example of this is the unwillingness of the Arts Council of Great Britain to recognize photography as a discipline worthy of support until the 1970s and architecture even later.

The reticence to establish definable boundaries based on a coherent rationale is perhaps the result of the government administrative machinery responding to national policy by providing a manageable and controllable framework for the allocation of public funds rather than the outcome of a rational, empirically informed, inclusive system that is measurable and that conforms to the requirements of evidence-based policy (Solesbury 2001). Urban regeneration (Roodhouse and Roodhouse 1997) and the introduction of creative industries (Roodhouse 1999) by the New Labour administration are examples of irrational boundary-making practice.

This intrinsic public structural framework works against interaction and connectivity and encourages isolationism between national, regional, and local government and agencies because it relies on departmentalization and compartmentalization as the organizational means of delivery of public services.

As an illustration, primary government responsibility for culture resides within the DCMS. However, the Foreign and Commonwealth Office funds the British Council (British Council 1998, 2004), which is the U.K.'s international cultural agency; the Ministry of Defence, resources a substantial number of museums, galleries, and musical bands; the Department of Trade and Industry, supports creative industries through the Small Business Service, including the export

effort of these businesses; and the Department for Education and Skills (Allen and Shaw 2001) and the Higher Education Funding Council for England, provide entry to work and workforce development in the cultural field. These examples exclude the devolved arrangements for Scotland, Northern Ireland, and Wales.

The complex and fractured nature of cultural provision and practice, combined with the definitional fluidity found at national level, contributes to the lack of policy cohesion in the field. The situation is equally confusing at the regional level, with DCMS sponsored Cultural Consortia, the Arts Council, the Museum Libraries and Archives Council (MLA), the Sports Council, the Tourist Boards, Sector Skills Councils (SSCs), and local authorities along with the Regional Development Agencies (RDAs), Small Business Service, including Business Link and the plethora of sub regional intermediaries funded from the public purse, all pursuing differing cultural agendas.

In practice, little cohesion exists among these organizations. This sometimes results in duplicated effort, for example, in collecting data, which in turn leads to the allocation of additional public resources for greater coordination and increased bureaucracy. As a result, fewer resources are available to be effectively utilized in direct intervention to assist the growth of cultural businesses (Roodhouse 2004b).

Although some public cultural agencies have attempted to form overarching regional strategies – no sharing understanding of and agreement to –, a definitional framework to operate and evaluate the effectiveness of these strategies has been reached.

Reflective learning based on evidence has yet to establish itself as an effective mechanism for reviewing policy and management, and for intelligently informing future actions. There is a continual desire to invent new models and schemes without understanding and learning from past practices (Roodhouse 2004a).

A relatively recent example of this desire for new models is the 1997 'New Labour' government's engagement in the creative industries concept, a significant contributor to the UK knowledge economy, as a contemporary reinvention of the Greater London Council-oriented cultural model of 'Old Labour'. The Labour controlled Greater London Council (GLC) instigated a significant challenge to the definitional status quo in the early 1980s during a period of high unemployment, significant industrial decline, and diminishing public funds for the arts. These circumstances gave rise to a reappraisal of the role and function of the 'traditional' arts, in economic terms and in relation to the introduction of new technologies, such as instant printing, cassette recording, and video making (O'Connor 1999).

For the first time, the concept of culture as an industry in a public policy context was informed by Bourdieu's thinking (Calhoun, Lupuma, and Postone 1993). The arts, described by the GLC as the 'traditional arts', were subsumed into a broader definitional framework, which included 'the electronic forms of cultural production and distribution – radio, television, records and video – and the diverse range of popular cultures which exist in London' (Greater London Council 1985). The successor body, the London Assembly, and the executive Mayor of London have picked up the theme again, with a focus on intervention in the creative industries networks and linkages (London Development Agency 2003).

Chris Smith, Britain's first 'New Labour' Secretary of State for Culture, Media and Sport, confirmed early in his ministry that the creative industries were a growth sector of the UK economy: "It is incumbent on the government, in partnership with industry, to take active steps to promote economic growth in the creative and cultural sector. If we don't, then others will reap the economic reward", (DCMS 1998).

The creative industry concept generated by DEMOS (Leadbetter and Oakley 1999) and constructed as a component of the knowledge economy model (Cunningham, S. 2002) has been enshrined in one of four key policy themes for the DCMS: economic value. The other three themes – access, excellence, and education – are the

predictable interests of any Labour government. It does seem, however, that the theme of economic value is a maturing of the Thatcherite ethos – that is, efficiency, effectiveness, value for money, and market forces. Smith reinforces this interpretation "as ensuring that the full economic and employment impact of the whole range of creative industries is acknowledged and assisted by government", (Smith 1998).

The department's interest and engagement with the creative industries through the establishment of the Creative Industries Task Force – chaired by the Secretary of State for Culture, Media and Sport, with ministers and officials from the Department of Environment, Transport and Regions; the Foreign and Commonwealth Office; the Department of Trade and Industry; HM Treasury; and the Department for Education and Skills – cannot be seen as other than a direct engagement by government in creative activity for economic gain.

The government, through the DCMS-led Creative Industries Taskforce, set about defining the boundaries of what it understood as the creative industries. The concept was derived from an interest in the knowledge economy, and the definition employed was largely pragmatic. The taskforce defined creative industries as 'those activities which have their origin in individual creativity,

skill and talent, and which have a potential for wealth and job creation through the generation and exploitation of intellectual property', (DCMS 1998). It also identified the following sub-sectors in this definitional framework: 'advertising, architecture, the art and antiques market, crafts, design, designer fashion, film, interactive leisure software, music, the performing arts, publishing, software, television and radio', (DCMS 1998).

Of particular note in the creative industries proposition is a mechanism for engaging both public and private sectors on a more equitable basis, establishing cultural activity as new industries, and engaging with convergence arguments generated through advances in technology (Flew 2002; Cunningham et al. 2000). Fundamentally, this evolving conceptualization facilitates a reassessment of the traditional forms of policy intervention in support of the arts and culture (Roodhouse 2002).

The consequences of this failure to engage in establishing common workable definitions are summed up by Towse: 'The main point is that whichever definition is used, it is bound to produce different research findings', (Arts Council England, 2003). Over time, this has led to 'the paucity of alternative data sets with which to test the assertion(s) in practice', (Arts Council England, 2003). In other words, not only do we have definitional confusion and inconsistencies at

every level, but we also have confusion as a result of inconsistent, unreliable data and little comparative research. Other industrial sectors would not tolerate such a position, nor would managers, who rely on high quality management information to aid operational and strategic decisions.

An Evolutionary CIO Model

The first phase of developing the evolutionary Creative Industries Observatory (CIO) model consisted of identifying the core and related activities found in the DCMS Mapping documents and matching these activities with the appropriate SIC codes. This was then related to NACE and ISIC classifications to provide a family tree of interrelated classificatory systems, which operate nationally and internationally.

In addition the DCMS Evidence Toolkit (DET)¹ published in 2004, was evaluated because it included a wider definition of cultural domains and functions incorporating the creative and cultural industries. These categories were mapped against available UK SIC (2003) codes. However, the DET domains and functions have been

1 http://www.culture.gov.uk/Reference_library/Research/det/7_full_Technical_Report.htm

reorganised based on institutional organisational theory to establish a closer 'fit' to the DCMS creative subsectoral industry definition.

Consequently, if functionality is required, the CIO definitional framework incorporates:

- **Origination** (incorporates the DET creating and making functions);
- **Translation** (incorporates the DET education, dissemination and exhibition functions);
- **Delivery** (handing over the goods and services to the customer).

This approach is based on Scott's Institutional theory presented at the EGOS 23rd Colloquium, Vienna, 2007, based on an analysis of the professions so that origination is a means of augmenting creativity and knowledge; translation concerns itself with transporting and carrying the results of origination to the point of delivery, and delivery focuses on the application of that knowledge and creativity to individuals.

A comparison of the definitional framework employed in data collection for the latest policy development, Creative Economy Programme² (CEP), launched by DCMS in November 2005, was undertaken with the CIO approach. There were differences but

² <http://www.cep.culture.gov.uk/index.cfm?fuseaction=main.viewBlogEntry&intMTEEntryID=3104>

these can be explained. The CIO definitional framework has been constructed using the UK SIC 2007, so the comparative anomalies are largely the result of differences between the old and revised SIC codes. As a result of this analysis, explanatory tables were created to explain how core and related activities match with the relevant SIC codes and functions.

The application of the DCMS definition to Chinese and Indian SIC codes was also undertaken in order to compare the differences of the creative industries' frameworks of six cities such as London, Beijing, Shanghai, Hong Kong, New Delhi and Mumbai.

The approach adopted in the final definitional framework is informed by the Office for National Statistics, where an **activity** is said to take place when resources such as equipment, labour, manufacturing techniques, information networks or products are combined, leading to the creation of specific goods or services. As a result an activity is characterized by an input of products (goods or services), a production process and an output of products.

The DCMS and others have attempted to disaggregate the creative industries activities into core and related. The DCMS Mapping Documents (1998; 2001) demonstrate this and a sub-sector such as performing arts is broken down as follows:

Core Activities:

- Consumer research and insight.
- Management of client marketing activity.
- Identifying consumer tastes and responses.
- Creation of advertising, promotions.
- PR Campaigns.
- Media planning, buying and evaluation.
- Production of advertising materials.

Related Activities:

- Creative studios and freelancers.
- Editing facilities.
- Brochure / Publications.
- Photography, filming and digital recording.
- Multimedia and Internet production.
- Digital content generation.
- Marketing consultancy.
- Exhibitions.

However, the Mapping Documents did not provide an adequate explanation of core or related activity. Therefore, these have been revised as:

- Core activities represent the most important creative assets of the sub-sector that are a close match to the DCMS definition, 'those activities which have their origin in individual creativity, skill and talent, and which have a potential for wealth and job creation through the generation and exploitation of intellectual property';
- Related activities constitute secondary sources of revenue, derived from the core activities.

Each of the revised subsectoral core and related activities were matched with a specific SIC code where possible. This has shown that there are no relevant codes in several cases.

The revised subsectoral core and related frameworks and the SIC correlation were verified with the appropriate commercial associations, in order to establish a practitioner perspective. This resulted in further changes which have been incorporated in the final CIO evolutionary model. The evolutionary framework examples can be found in Appendix1.

Some Structural Insights

A common creative industries assumption is that small and micro businesses are the critical component of the industry and where much of public policy intervention is focussed. The two DCMS

Mapping Documents (1998; 2001) emphasise individual creativity, skills and talent as the definitional touchstone for the creative industries. However, when the industry is considered as a whole, the knowledge base of large businesses is weak. This is surprising when they are major employers, buyers and sellers of creative products and services, as a result influencing the shape of markets. Their organisational structures often serve as the building blocks for entire industrial networks, by connecting the various components of the supply or value chain ranging from originator, manufacturer to user. Thus, a better understanding of large businesses can assist in demystifying the creative industries organisation and structure including subsectoral crossover. Consequently the CIO³ has generated an initial analysis based on newly available London creative industries large businesses data. The focus on London is simply because it is the major urban centre of creative business activity in the UK.⁴

3 The Dataset contains top 20 companies ranked by the annual turnover (2006) from the 13 sub sectors defined by the DCMS Mapping Documents (N=260).

Understanding their geographical distribution, organisational characteristics and financial performance deserve scrutiny when attempting to understand London's creative industries. Below are some preliminary findings from the exploration of the dataset.

The geographical concentrations (clustering) of industries are well documented in the literature (Porter, 1994; Krugman, 1995). But, do creative industries show the same tendency? How do creative industries structure spatially in London? The figure below shows the number of large business (N=260) against the London postcodes.

4 London has a reputation as a leading international centre of creativity, accounting for £21 billion or 16% of London Gross Value Added (GVA) annually. It is the second largest industry after the business services sector and ranges from music and video games to design and fashion. This sector also offers London's second biggest source of job growth, contributing roughly one in every five new jobs. London Development Agency, <http://www.lda.gov.uk/server/show/nav.00100j004>

Figure 1:

The Distribution of Top Business against London's Postcodes

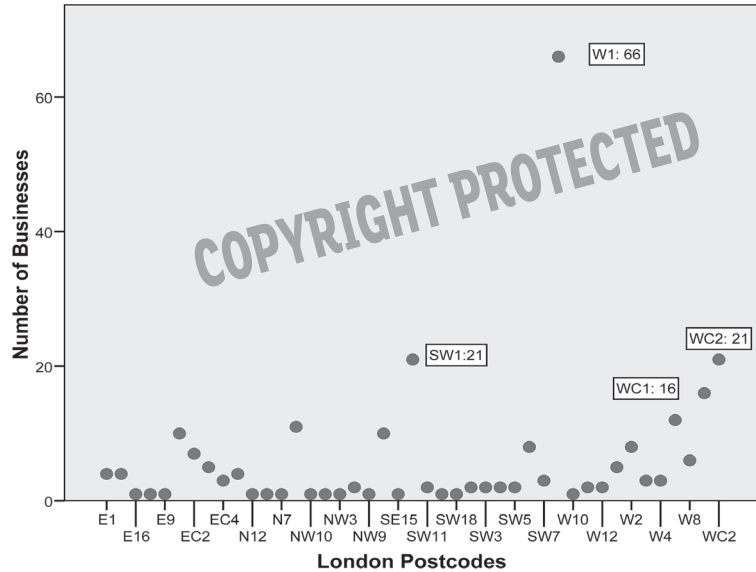


Figure 1 illustrates that London's top creative businesses are highly concentrated in a few postcode areas. The leading postcode W1 has over the 66 businesses out of 260, with only 2.5 miles by 2.6 miles in length at its widest point. The other three leading postcodes WC2, SW1, WC1 have 21, 21 and 16 large businesses respectively. Interestingly, these areas are adjacent to W1, and all together they accommodate almost 50% (124) of top creative business, forming the most productive creative industrial base (cluster) in London and the UK.

Figure 2:

The Distribution of Large Businesses' Immediate Parent Countries

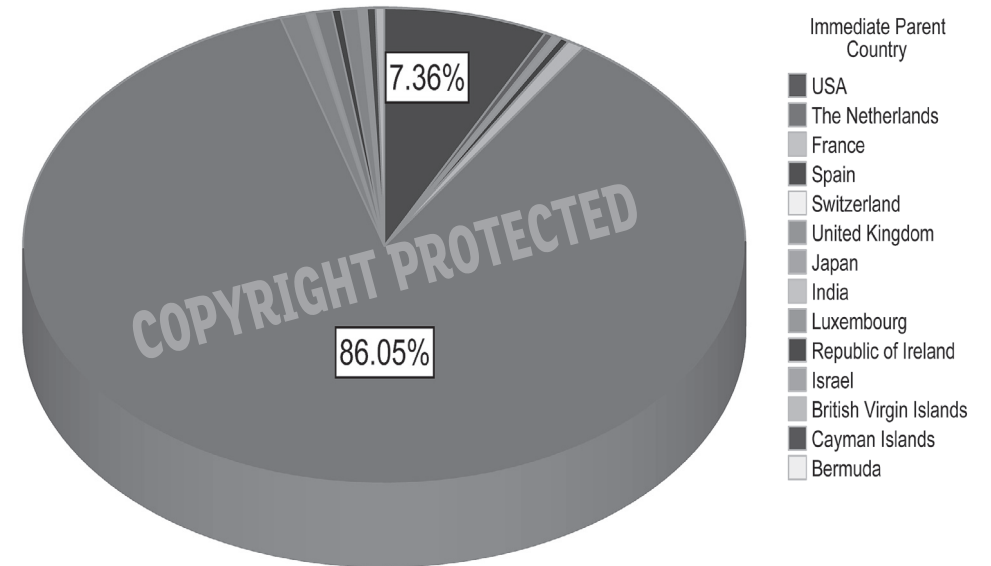
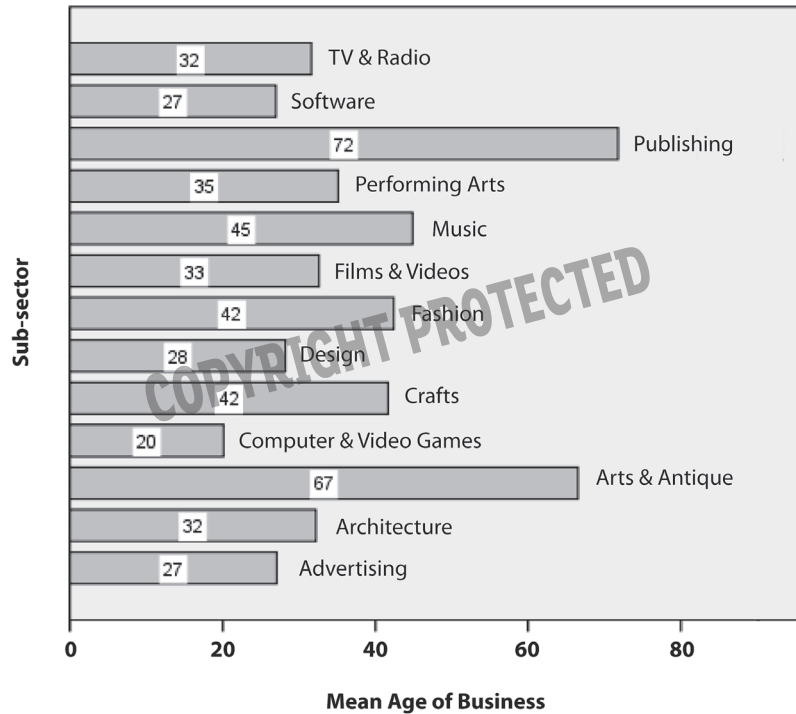


Figure 2 illustrates the level of internationalisation of the largest London based creative companies. Most of the holding companies are UK-based (86.05%). Other important players are American (7.36%) and Japanese (1.2%) companies. We can reasonably assume that the indigenous businesses remain the leading contributor to London's creative economy. This has implications for the London public sector economic development policies, in particular the balance between home company exporting and inward investment of non-UK companies.

Figure 3:
Average Year of Establishment of top twenty companies
in the thirteen Sub-sectors



This figure presents the average age of the top businesses per sub-sector. Not surprisingly, the Publishing and Arts & Antique sub-sectors top the table, with 72 and 67 average years of establishment respectively. The youngest sub-sector is Computer & Video Games, which has been established for 20 years. It appears that all sub-sectors are well established with long standing large businesses, which provide stability and can be seen as the ‘establishment’. Given the general fluidity found with micro and small businesses, the longevity of these top companies is particularly important for the sub-sector. Potentially there is less risk for the public sector in investing in these companies than the small to medium creative businesses.

Figure 4A:

Total Turnover of Top 20 Companies in thirteen Sub-sectors



Figure 4A and Figure 4B indicate the total and average turnover of the top 20 London based companies in the thirteen sub-sectors. A significant finding is that both figures share the same distributive pattern, with Publishing topping both charts followed by Software and Advertising. From this we can draw the conclusions that when considering the large companies the Publishing, Software and Advertising sub-sectors are the primary contributors to the London creative economy.

Figure 4B:

Average Turnover of Top 20 Companies in thirteen Sub-sectors

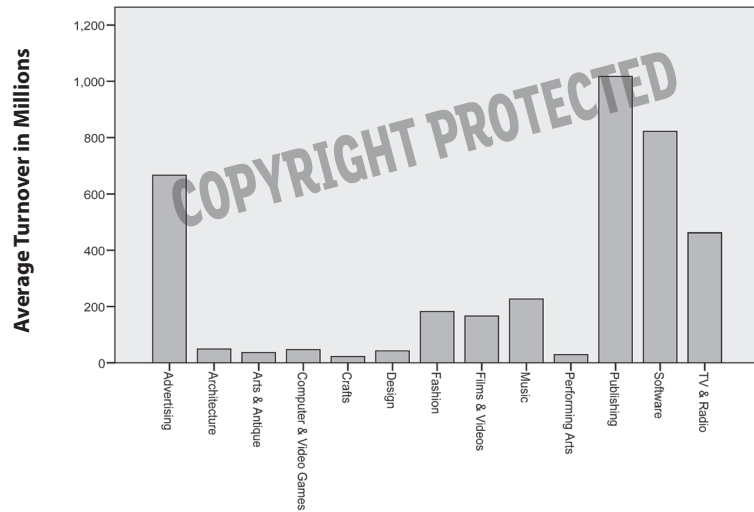
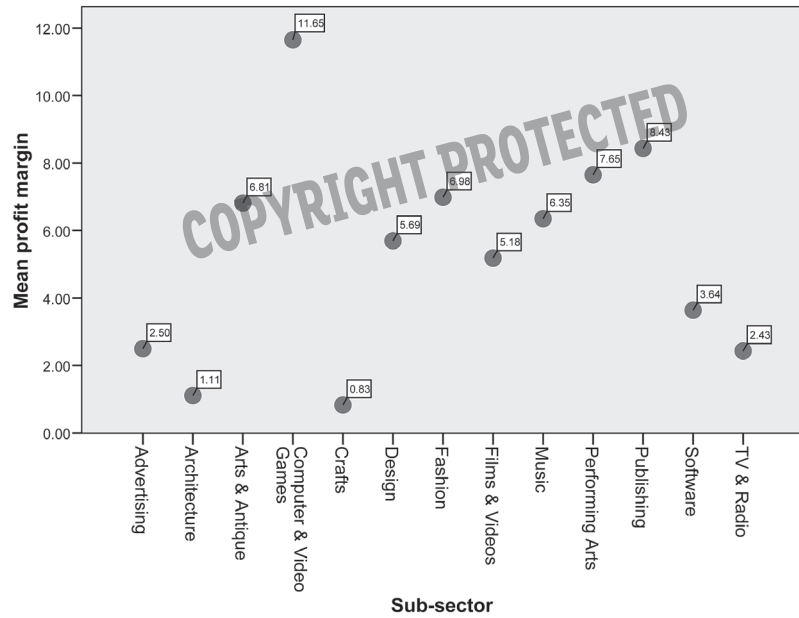


Figure 5:
Average Profit Margin of Top 20 Companies in thirteen
Sub-sectors



The average profit margin of the thirteen sub-sectors has been calculated based on **Profit Margin = Pre-tax profit/Turnover**

Amongst all the sub-sectors, Computer and Video Games top the table with an impressive margin of 11.56%. Publishing and Performing Arts are also the front-runners with 8.43% and 7.65% respectively. However, it seems that Crafts and Architecture do not

perform well. When compared with longevity (figure 3), Computer and Video Games is the youngest sub-sector together with Publishing, which also performs well in terms of profitably being one of the oldest sub-sectors. A comparison with the total and average turnover (figure 4a and 4b) provides interesting reading. Publishing outperforms all other sectors on total and average turnover, and Computer and Video Games has a relatively small total and average turnover, although it outperforms all other sectors when it comes to profitability.

What is also interesting in this analysis is the relative under-performance of the fashion – which includes retail –, the music – which also includes retail –, and the design sub-sectors. This may raise an important question with regard to the structural composition of each sub-sector, and in particular the relative size of the top 20 largest companies by turnover.

Another issue that is common to the debate around the structure and nature of the creative industries is the extent of crossover of companies between sub-sectors. Although the creative industries have been defined subsectorally, it is evident that large companies operate in more than one sub-sector in many cases. Table 1 provides a breakdown of the presence of top companies across sub-sectors, indicating the three most related sub-sectors in each case.

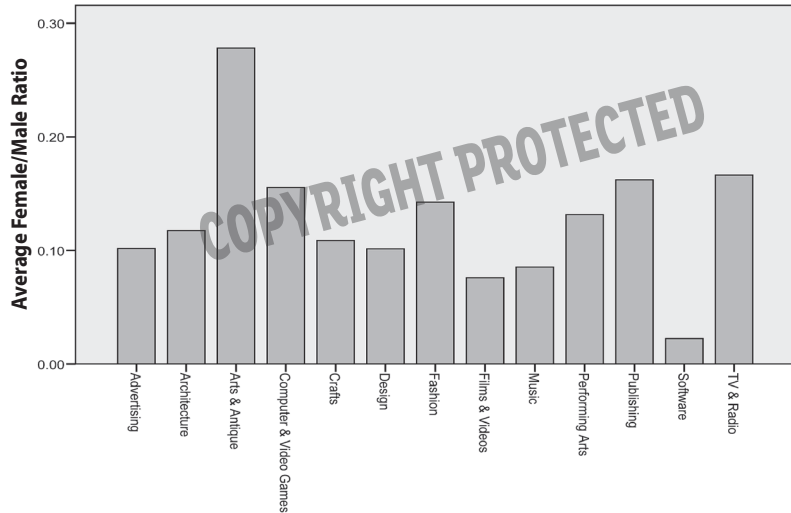
Table 1:**The Scale of Sectoral Crossover in the thirteen Sub-sectors**

Sub-sectors	Average Crossover Scale (1-13)			
Advertising	1	N/A	N/A	N/A
Arts & Antiques	1.05	Craft	N/A	N/A
Music	1.2	TV & Radio	Publishing	N/A
Software	1.2	Computer & Video Games	Design	N/A
Performing Arts	1.35	Music	Film & Video	TV & Radio
Publishing	1.4	Design	Advertising	Software
TV & Video	1.55	Film & Video	Music	N/A
Crafts	1.8	Fashion	Arts & Antiques	N/A
Design	1.9	Fashion	Architecture	Publishing
Architecture	2	Design	N/A	N/A
Computer & Video Games	2.05	Software	Design	Music
Films & Videos	2.05	TV & Radio	Music	Performing Arts
Fashion	2.35	Design	Crafts	Arts & Antiques

Notes: The crossover scale ranges from 1 to 13. If all the twenty companies operate only in one sub-sector, the average score would be 1. If all twenty companies operate in all the thirteen sub-sectors, the average would be 13. This scale basically gives a simple indicator of the extent of sectoral crossover in each sub-sector.

Some sub-sectors have a very low crossover level. For example, all the top advertising companies reported their main line of business to be just advertising. However, advertising companies do produce videos, design, publishing, and music, as well as engage on a whole range of creative activities primarily through contracting. However, in comparison with other sectors, Advertising has a focused business model – advertisements for clients –, which might be the reason why the sector is a stand-alone sector. In addition, Software is closely related to Computer & Video Games, whilst Film & Video is to the TV & Radio sub-sector. Finally, the Fashion sub-sector has the highest crossover scale of all the sub-sectors, as many of the large fashion companies are dominant players in the entire value chain. It is unsurprising that large fashion retailers are included; activities are stretched into many different sub-sectors. Overall there is a noticeable interaction of large companies across sub-sectors, which suggests that there are individual companies with considerable ‘influence’ in the creative industries field.

Figure 6:
Female/Male Ratio of Top 20 Companies' Directors in
thirteen Sub-sectors



Gender equality is a much-talked issue around the workplace. The low female representation in top jobs is widely reported by many industrial sectors. In the case of the creative industries, the evidence presented in the above figure, confirms the national observations of female directors only accounting for around 20% of the total number of directors. The sub-sector with the highest representation of women is the Arts & Antiques (28%), while the lowest is Software (only 2%). This has clear implications for the top company talent development policies and suggests that recruitment retention and CPD practices may need to be reconsidered.

Figure 7:
The Total Number of Employees of Top 20 Companies in the
thirteen Sub-sectors

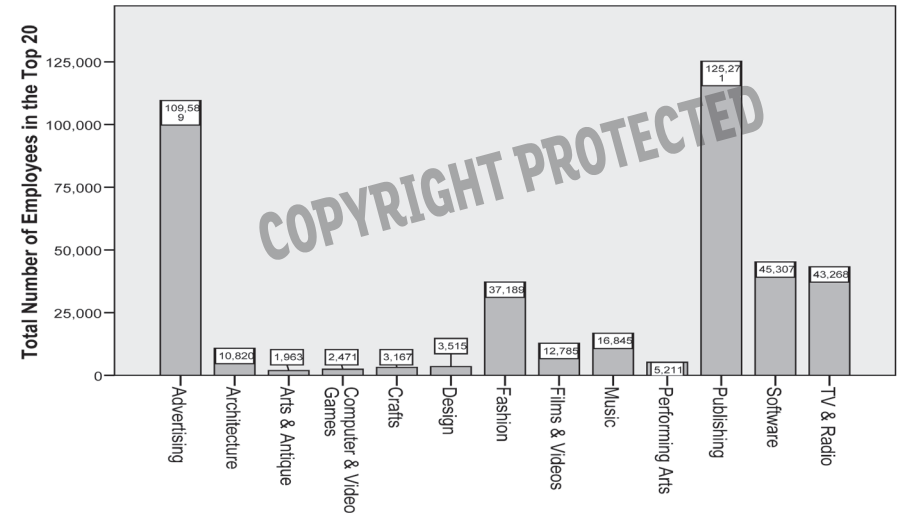


Figure 7 summarises the total number of employees in the top 20 companies per sub-sector. The Publishing sub-sector again tops the table with 125,271 employees in total; the sector with the least number of employees is the Arts & Antiques Market (1,963), followed by Computer & Video Games (2,471), Crafts (3,167), and Design (3,515). An interesting phenomenon is the Advertising sector, which is second to Publishing in terms of number of employees (125,271). However, when analysing the details of each company, a single large company – WPP – alone employs around 79,352 people. Although a more detailed analysis needs to be performed in each sub-sector,

it seems that just a small number of large companies are major employers in each sub-sector.

Relationships

In the paper so far we have discussed the Creative Industries thirteen sub-sectors on a holistic level, such as the total turnover and profitability of the sub-sectors. However understanding the organisational structure of a sub-sector should consider other factors such as company and people relationships in a spatial context to generate a deeper knowledge of how businesses operate and interact in a particular sub sector including their levels of dependency. This becomes more important where there is a history of concentration (clustering) in one physical location or an association with one city such as advertising in London.

London and the Soho district in particular, have seen an increasing concentration of advertising agencies over the last 30 years. It has ceased to be a UK outpost for Madison Avenue in New York and has built up a creative reputation that has made British advertising companies (primarily based in London) globally successful (Graber 2001).

Advertising is defined by the Institute of Practitioners in Advertising as 'presenting the most persuasive possible selling message to the right prospects for the product or service at the lowest possible cost'. Advertising provides 'consumer research and insights including identifying consumer tastes and responses' as well as the 'creation of advertisements, promotions, PR campaigns and production of advertising materials' (DCMS 2007). A large proportion of the advertising sector (around 9000 companies) in the UK is concentrated within the London region. London is considered one of the three main centres for the global advertising industry, and is used increasingly as a base for targeting pan-European and global markets (DCMS 2001). In order to gain deeper insights into this important London industry, and in particular who the key individuals (actors) are, consideration has been given to the inner and outer London region network of people who sit on the board of directors of advertising companies. To understand the sui generis of the London based inter-locking directorates in the advertising sector, a Social Network Analysis (SNA) methodological approach has been adopted. This is an examination of 'the contacts, ties and connections between people in groups' in order to uncover 'the patterning of people's interaction'.⁵

⁵ (http://www.insna.org/INSNA/na_inf.html)

In the case of advertising, interlocking directorates 'arise when two companies share one or more director' (Kono 1998). This model of interlocking directorates exists across many other disciplines and fields; and that an identifiable group of individuals often sit on many of the same major company boards of directors Kono (1998). They provide a day-to-day mechanism by which a sector can be run at the most senior level, whilst also facilitating the flow and acceptance of ideas in a high-level creative milieu.

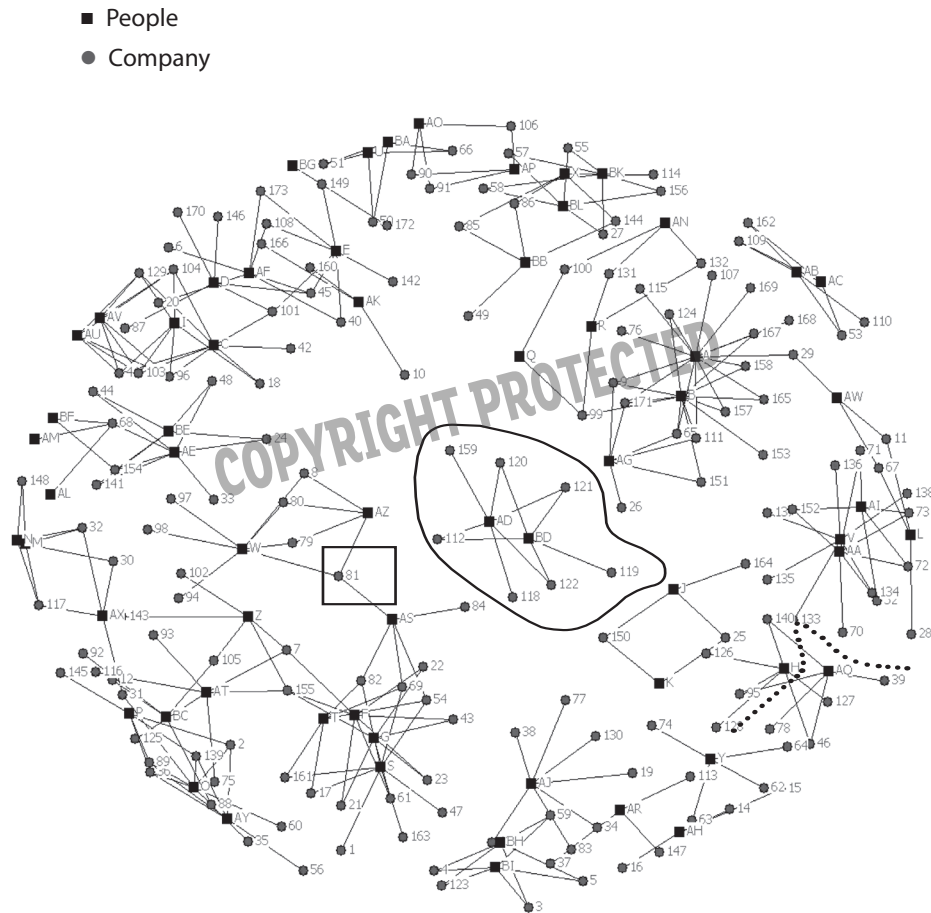
It is suggested that in the creative industries this interlocking is important because a creative idea by its very nature needs testing with people who can provide alternative perspectives. A person or company who has access to a wide range of social contacts from differing backgrounds is more likely to be able to deliver this. Furthermore in a commercial setting the acceptance of an idea is all the more easily 'sold' outside the discipline of origination, if the generator (be it company or person) has access to a broad field of people to influence. This requires differing network configurations. The following analysis focuses on the general connectivity of the network, the centrality of key players (both companies and people) and the groups and clusters that exist.

Analysis of the people-to-company network

The network diagrams (figures 8 and 9) illustrate the relationship between companies (circles) and the directors of the company boards of directors (squares). This includes the identification of pivotal companies or people for example the square outlined area in figure 8.

Companies are grouped together if they are similar or if they have a similar board membership. This highlights clusters and cliques (the outlined area in figure 8 is one such cluster). Paths between companies and people are illustrated including how chains can span a network. The dotted path in figure 8 demonstrates how potential knowledge can be passed from one company to another.

Figure 8:
People and companies network diagram



The people-to-company network

The advertising sector at first glance seems relatively well connected. There is, for example, at least one way of reaching company 103 to company 153, even though they are quite far apart. However there are 64 people who sit on 173 company boards of directors, which generate a density figure of 2.7%. In other words from all the possible company connections there could be, there only exists 2.7% of interlocking directorate connections (ties between companies). A denser network has the benefit of allowing for many avenues of interlocking groups of companies to exchange business and creative ideas. An industry, particularly a creative industry which relies on creative people and other people's networks should have enough connections to spread any business and creative ideas if need be, but not too many that everyone knows what everyone else is doing. It is this kind of network that is revealed in figures 8 and 9.

Clusters in the people-to-company network

Clusters can be thought of as dense local neighbourhoods and are formed when the same individuals sit on the same boards, as is the case of person AD and BD who sit on the same 7 company boards of directors (outlined in figure 8). Strategic connections provide specific links between one cluster and another, but not too many that the

exchange cannot be controlled. Clusters can be self-contained as in the example in figure 8 but they can also loosely connect to another cluster. When groups are self-contained (either with one self-contained cluster or many loosely connected clusters), they form into components. Within each component, actors are connected in one way or another. For London, these larger advertising companies form 13 components in total. There are two larger components (one of which is outlined in figure 9) and a number of smaller components. These components do not necessarily consist of companies of a similar size (as shown by the mixture of company size in the highlighted area in figure 9).

Turning to the two large mass groupings, there are few connections that inter-join dense sub-groups. These larger groupings are reliant on a few companies and people who join the sub-groups together. If one or two of these strategic people did not exist in the larger network grouping, they would become fractured. Parts of its structure may then become isolated with the potential danger of disintegration.

Bridges in the people-to-company network

People-to-company connectivity is based on key individuals or companies bridging between one cluster and another (e.g. square

outlined actor in figure 8). This for example, allows the advertising companies discussed here, to form into larger cohesive component groups. These key individuals or companies can be called 'cut-points' in the network. Cut-points are nodes, (actors that can be people or companies) that if they were removed would separate a group of nodes into two unconnected parts. Company 155 is such a cut-point in the network. If this cut-point was removed, a small break away grouping of companies and people would form, establishing two groups. The splinter group will become disconnected from the rest of the sector and possibly become creatively detached and isolated. There are also certain individuals who also have this role. Cut-points are therefore highly significant in providing cohesion to the advertising sector as a whole. Cohesion allows information to pass through the network both freely and quickly. It also facilitates a general understanding within the network by spreading cultural trends and encouraging the acceptance of ideas. That cohesion is strengthened if there is more than one avenue in which one group can communicate with another.

In addition to cut-point people and companies, there are also a few chains of nodes or bridges that join one network group to another. If a link from that chain were removed (a company did not have one of the key networked Directors on its board), the chain would be broken.

Figure 9:
People and companies network diagram with node size
representative of company size



The London based advertising sector discussed here, is only as strong as the weakest person or company within it. If, for example, a company goes bankrupt and it is also a weak link in the chain, the knock on effects of that bankruptcy can break the network and its cohesion with all the consequences for creative interchange.

What does this mean for the Creative Industries and the Cultural Manager?

Consequently, if research into the creative industries nationally and internationally is to be taken seriously we need to be precise over the use of classicality systems and move towards a common international standard. This requires the sector and those involved in it to cooperate in arriving at shared definitional frameworks. For example, care needs to be taken, over the extensive application of value chains and theoretical ecology frameworks as a means of understanding the creative industries generally. Especially when we cannot yet quantify sculpture, for example, or sculpting or share a common understanding of what graphic design represents.

The implications then for the creative management practice are:

- **Unreliable data for management decision making**

If a Visual Arts Officer in a Regional Arts Council has no reliable definition of visual arts, how can they rely on data (that is based on that unreliable classification) to support their policy development. As a result it is very unlikely that the Officer will know how many 'artists' exist in their region or be able to compare their data with other regions and nations.

- **Unreliable comparative data for measuring performance**

Assuming that there is no common graphic design definition at national level, comparison between regional public policy for the creative industries becomes, at best, generalised. This does not allow interregional or for that matter international objective comparison of performance. For national government this is an unsatisfactory position to be in. No serious comparative research or evaluation can then take place across regions or again internationally. If the policy cannot be empirically evaluated and compared when it is common practice in the health or construction sectors, creative industries and or cultural policy is very unlikely to be taken seriously. This is not a comfortable

environment for managers responsible for the allocation and accountability of public economic development and cultural funds.

- **Weak, unconvincing and unreliable advocacy**

Advocacy forms a significant component of most managerial roles in the sector and there is a constant cry for reliable data to construct the case, often manifested as economic impact studies. An example of this can be found in the establishment of regional cultural consortia that includes the majority of the DCMS cultural agencies working at regional level. The primary purpose of a cultural consortium is to produce, at least, a shared regional strategy and act as an advocate. Reliable data on employment, income, and participation, to name a few, is essential for this. However there is little agreement over shared interregional regional definitional frameworks and subsequently a paucity of reliable and verifiable data. Consequently what is produced is ad hoc, unrelated and difficult, if not impossible to compare. This is dangerous territory for the advocate as more of the data becomes discredited.

APPENDIX 1

CIO DEFINITIONAL FRAMEWORK FOR ADVERTISING

		Core and Related Activities DCMS Mapping Document 1998; 2001 approved by the Advertising Association.	Corresponding UK SIC 2007 codes UK SIC 2007 codes chosen by CIO & approved by the Advertising Association.
CORE ACTIVITIES	Consumer research and insight. Management of client marketing activity. Identifying consumer taste and responses. Creation of advertisement, promotions and PR campaigns. Media planning, buying and evaluation. Production of advertising materials.		73.11 Advertising agencies.
	Creative studios and freelancers.	<i>No clear SIC code correspondence.</i>	
RELATED ACTIVITIES	Editing facilities. Brochure / Publications.	58.11 Book publishing. 58.19 Other publishing activities.	
	Photographic, filming and digital recording. Multimedia and Internet production.	18.20/1 Reproduction of sound recording. 18.20/2 Reproduction of video recording. 18.20/3 Reproduction of computer media. 59.11/1 Motion picture production activities. 59.11/2 Video production activities. 74.20/1 Portrait photographic activities. 74.20/2 Other specialist photography.	
	Digital content generation.	<i>No clear SIC code correspondence.</i>	
	Marketing consultancy.	70.22/9 Management consultancy activities.	
	Exhibitions.	82.30/1 Activities of exhibition and fair organisers.	

Bold – Additions by the Advertising Association

CIO DEFINITIONAL FRAMEWORK FOR ARCHITECTURE

		Core and Related Activities DCMS Mapping Document 1998; 2001 approved by RIBA.	Corresponding UK SIC 2007 codes UK SIC 2007 codes chosen by CIO and approved by RIBA.
CORE ACTIVITIES	Building design. Planning approval. Production information.		71.11/1 Architectural activities.
	Built Environment Area.		
RELATED ACTIVITIES	Structural environmental, landscape and other specialist design. Urban Planning.		71.11/2 Urban planning and landscape architectural activities.
	Construction cost planning and control. Feasibility studies. Appraisal of tender documentation. Construction monitoring.		71.11/1 Architectural activities.
	Heritage building conservation.		91.03 Operation of historical sites and buildings and similar visitor attractions.
	Brief writing.		71.11/1 Architectural activities.
	Project management.		70.22/9 Management consultancy activities, (other than financial management).
	Internet / e-commerce.		47.91 Retail sale via mail order houses or via Internet.
	Sustainability.		74.90/1 Environmental consulting activities.
	History of Architecture. Architectural Design (Spatial Design). Interior Design. Management Systems. CAD. Building Project Management.		71.11/1 Architectural activities.

Bold – Additions by RIBA

CIO DEFINITIONAL FRAMEWORK FOR MUSIC

Core and Related Activities

DCMS Mapping Document 1998;
2001 approved by the
British Phonographic Industry.

SIC codes Identified by the CIO

UK SIC 2007 codes chosen by CIO
and approved by the
British Phonographic Industry.

CORE ACTIVITIES	Production, distribution and retailing of sound recordings.	18.20/1 Reproduction of sound recording. 47.63 Retail sale of music and video recordings in specialised stores. 59.20 Sound recording and music publishing activities.
	Retailing and distribution of digital music via Internet.	47.91 Retail sale via mail order houses or via Internet.
RELATED ACTIVITIES	Administration of copyright in composition and recordings.	59.20 Sound recording and music publishing activities.
	Live performance.	90.01 Performing arts. 90.02 Support activities to performing arts.
	Management, representation & promotion.	59.20 Sound recording and music publishing activities. 94.12 Activities of professional membership organisations
	Song-writing and composition.	90.93 Artistic creation.
	Music press.	58.14 Publishing of journals and periodicals.
	Digital media.	18.20 Reproduction of recorded media.
	Music for computer games.	18.20/1 Reproduction of sound recording.
	Production, distribution and retailing of printed music.	18.20/1 Reproduction of sound recording.
	Jingle production.	18.20/1 Reproduction of sound recording. 59.20 Sound recording and music publishing activities.
	Production, retailing and distribution of musical instruments.	32.20 Manufacture of musical instruments. 47.59/1 Retail sale of musical instruments and scores in specialised stores.
Photography	74.20 Photographic activities.	
Education and training.	85.52 Cultural education.	

Bold – Additions by the British Phonographic Industry

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