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Nordic Innovation Centre

Mars 2006

Creativity meets Capital

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Title: Creativity meets Capital		
Nordic Innovation Centre (NICe) project number : 04258		
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<p>Abstract:</p> <p>Activities of entrepreneurs in the creative industries are undermined by investors' lack of understanding and willingness to invest in the sector. National research in Sweden, Denmark and Norway show that the growth rate is often higher in the creative industries compared to the average national economic growth rates. Despite relatively large in economic terms and regarding growth rates, the firms populating the creative industries have problems getting investments for product development.</p> <p>Underinvestment means the sector is failing to achieve its full potential. For investments to increase, investors and creative industries companies need better knowledge about each other's needs, capabilities, business models already in use in some parts of the industries and move towards a common ground.</p> <p>The long term objective of this project is to increase investments, public and private, in the creative industries. The objective for this particular project and the material produced is to increase communication and knowledge sharing between the environment of investment and the creative industries for achieving common benefits. We believe that the material will inspire investors to gain knowledge about the dynamics and possibilities offered by the activities of CIs and provide knowledge to companies in CI about how to develop their intellectual properties and how to present themselves in order to become interesting for investors</p> <p>Intellectual Property Rights (IPR) has been the area of main focus and exploration. The project members has from the very beginning of the project considered exploration of IPR to be the most important way to "bridge" the gap between investors and entrepreneurs.</p>		
Topic / NICe Focus Area: Creative Industries (CI)		
ISSN:	Language: English	Pages: 24
<p>Key Words:</p> <p>CI, Creative Industries, Entrepreneurs, Investors, Intellectual Property Rights, IPR, IP, Lazy Town, Konvekst, Magnus Scheving, SeLL, Lillehammer Kunnskapspark, Cultiva, Høgskolen i Lillehammer, SIVA, Film i Väst, CIM Funds, Copenhagen Business School, Impra, Ice Tec, CIP, Center for Intellectual Property Rights, Chalmers University, protecting your property, NIC, Nordic Innovation Centre, Hedmark Fylkeskommune, Oppland Fylkeskommune, ARENA, Innovasjon Norge, Content Industry, Educational Programmes, Role Play, Entertainment Industry, brand, trademarks, copyright, NDA , trademarks, copyright.</p>		
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Executive Summary

Nordic Innovation Centre (NICe) has identified some of the barriers investors and creative industries face when they wish to work in a goal-oriented manner to realise the potential for generating wealth in the Nordic countries. With this project, we aim at developing concrete tools that influential individuals in the Nordic creative and financial industries can use to increase their knowledge about this area.

Introduction

Activities of entrepreneurs in the creative industries are undermined by investors' lack of understanding and willingness to invest in the sector. This is the key finding of research by NESTA (1) (2004) -, the organisation in the UK that invests in creativity and innovation.

By the term "creative industries" we refer to those activities producing products and services that have their origin in individual creativity, skill and talent that focus on the experience gained by the end-user.

Several research projects in Scandinavia carried out over the last years estimate that the creative industry sector employs between 5-12% of the workforce (2). National research in Sweden, Denmark and Norway show that the growth rate is often higher in the creative industries compared to the average national economic growth rates.

Despite relatively large in economic terms and regarding growth rates, the firms populating the creative industries have problems getting investments for product development.

CIM Funds (3) states that institutional investors' interest towards creative industries is low – practically non-existing- except for the part of the industry segment involved with media and distribution. Strategic investors are also rare and venturing activity of established companies is very limited.

Underinvestment means the sector is failing to achieve its full potential. For investments to increase, investors and creative industries companies need better knowledge about each other's needs, capabilities, business models already in use in some parts of the industries, and a move towards a common ground. The question is what kind of processes and tools could be used to create such common ground between investors and creative industries?

- Footnotes:

- (1) The national Endowment for Science, technology and the Arts

- (2) Different definition are used in the countries, therefore the figures are not always comparable

- (3) CIM Venture Fund for Creative Industries is the first and only venture capital fund in Scandinavia with an investment strategy in creative industries

Objectives

The long term objective of this project is to increase investments, public and private, in the creative industries. The objective for this particular project and the material produced, is to increase communication and knowledge sharing between the environment of investment and the creative industries for achieving common benefits. We believe that the material will inspire investors to gain knowledge about the dynamics and possibilities offered by the activities of CIs and provide knowledge to companies in CI about how to develop their intellectual properties and how to present themselves in order to become interesting for investors.

Intellectual Property Rights (IPR) has been the area of main focus and exploration. The project members have, from the very beginning of the project, considered exploration of IPR to be the most important way to “bridge” the gap between investors and entrepreneurs. The objectives as stated in the application corresponds entirely with the material that has been produced regarding content and physical implementation.

Method and Implementation:

The partners involved in this project are dispersed throughout the Nordic countries. Due to the fact that resources available in large have been designated to the production of the material we have tried to keep physical meetings to a minimum. The partners as a group have possessed a large variety of skills and experiences which have enabled us to be hands on in all the processes and production leading up to the final results. We believe the project has profited from this both concerning the use resources and retaining focus and continuity throughout the project.

Since the start of the project in January 2005 there have been two joint meetings, one in Copenhagen in March and the other in Gothenburg in October. A film team also travelled to Iceland in November in order to shoot footage for the DVD production on Lazy Town.

The meeting in Copenhagen involved nearly all the participants and the two days there were spent to focus on the outcome of the project, how to materialize the project, discussing best cases, suitable educational tools, external contributors to the project, and many topics related to the projects' objectives. Several cases and tools were outlined, but the group narrowed the scope to a few: A best case study in DVD format on Lazy Town, an article addressing concerns and issues on investment and entrepreneurship within the CIs and producing interactive learning material for students, entrepreneurs and investors.

During the period running up to the Gothenburg meeting, time was spent on finding a partner for producing the educational material on IPR, and the Swedish partner very soon identified CIP as an obvious partner. A dialogue with CIP continued through the summer on how to implement the objectives of the project into a suitable learning tool based on a role play. The communication between the partners and physical meetings were mainly done by e-mail and phone, exchanging views, outlines of interview guides, analysing costs of production, making preparations for both preproduction, production and postproduction.

The meeting in Gothenburg was centred around the practical implementation of the project and producing guidelines for the content concerning both for the Role Play and the Lazy Town documentary. A whole day was spent at Chalmers University at Centre for Intellectual Property Rights addressing topics and angles for both the role play based tool and the Lazy Town Documentary.

Four of the partners visited Iceland at the beginning of November to shoot the footage for Lazy Town. The partner from Iceland had outlined a tight two day schedule that allowed us to interview financial institutions, investors, lawyers and key persons involved in the making of Lazy Town. We arrived at the start of production of a new season and found the studios thriving with activity, people and energy which hopefully were captured in the documentary.

The start of 2006 has been spent finalizing the material and writing reports and we can now state that we have enjoyed a fruitful collaboration that we wish to continue as outlined in the recommendation.

Results

The project partners have during their joint meetings had elaborate discussions on processes and tools suitable to achieve the project objective and the focus area IPR. The partners agreed on the following tools as the best starting tools in the process of creating a basis for increased investments in CI:

1 Lazy Town Goes Global

Production of learning material (DVD) on creative industries with special focus on entrepreneurship, financing, investment and intellectual property.

The DVD contains a two part best case study of **Lazy Town** in Iceland, now a children's' TV programme sold to some 80 countries, and reflects topics such as:

- **Financing the Creative Industries.**

The Iceland Bank has played a key role in the development of Lazy Town and LT is by far the largest project within the creative industries they have been involved in. For the bank and for investors in general, IPR are the cornerstone both for investment and to create a financial backbone for any project. For the Iceland Bank, Lazy Town has been a financial adventure that has involved a lot of risk taking because it all depends on one man more or less. Nevertheless, the bank put a lot of trust in this project because of it's strategies towards business development, IPR, the complexity of the project and the strong characteristics of the entrepreneur, Magnus Schieving. They have participated in the development of ideas, to make an adaptable concept towards acquiring more capital and to develop spin-offs. For any involvement in such projects there needs to be a financial reward and Lazy Town has throughout the project fulfilled its commitments.

- **The Entrepreneur**

According to Lazy Town lawyer Tomas Torvaldsson, Magnus Schieving is the ultimate entrepreneur. From day one there has been a fixed goal and a roadmap leading towards this goal. A roadmap that contains analysing your competitors, strategies on concept development, sales, distribution, other products, IPR, financing, strategies on organisation and how to build your team, picking the right people and the right timing. There is a time for everything and it is bad to be right at the wrong time. Therefore, acquire as much knowledge on all aspects of your business as possible, know and trust the people that surround you and, most of all, know where you are going.

- **Protecting your properties.**

Taking control of your intellectual properties from the first day is crucial in order to exploit your ideas commercially and to avoid complications along the way. Insight in tools and mechanisms of IPR, agreements, trademarks, design rights, protection of copyright, patents and patterns are as important as a clear vision of where you're heading. So is the knowledge you acquire during the development of your project, your "know how", procedures, structures and strategies. These are all part of the properties that have to be protected and because Lazy Town handles more than 500 agreements around the world, these need to be taken care of by professionals.

2 CMC IP-workshop / Role Play based tool.

The workshop is based on material generated in the CMC project. It contains a Lab Primer with IPR essentials for the Creative Industries which will serve as a basis for the educational material produced by the authors and representatives from Centre for Intellectual Studies. The Educational material incorporates role-play and interactivity, whereby participants will be introduced to the importance of increasing their knowledge concerning the handling of IPR. The participants, generally with no legal background, will be presented with various problems that highlight the important aspects of IPRs, improving their legal knowledge and skills. The participants should, by taking part in the workshop, get a good idea of the possibilities and limitations of IP as a tool for business creation. The pedagogy is built around a role-play in a laboratory setting where the participants will be put in challenging situations based on a case, and by handling these situations the participants should get an understanding of how different IP-constructs can be used in relation to the creative industries. Pilot workshops based on Role Play have been held in Kristiansand on the 29th of March 2006 and in Lillehammer on the 6th of April as part of the Lillehammer Conference. Both workshops were executed by Lars Andersson and Tomas Faxheden from CIP and enabled us to refine and then assess the concept. The workshop in Kristiansand was part of a larger triple helix process on integrating IPR-knowledge in the emerging local creative industries innovation system, and was also an element in

efforts to generate more collaboration between Northern Denmark, western Sweden and southern Norway. The workshop in Lillehammer was accompanied by lectures on Intellectual Property Rights from Lazy Town lawyer Thomas Thorvaldsson, The Norwegian Patent Office and Stokke. The second day of the conference had to a large degree focus on IPR.

The DVD and The Role Play / Workshop module will be available from April 1st. Due to the complexity of the topics addressed we will recommend a close collaboration with the partners or the associated partners. Please contact Lillehammer Kunnskapspark or CIP for more information.

3 Notes on the development of the creative industries in the Nordic countries: Developing the link between artists, entrepreneurs and capital investors

This note is concerned with the options of further development of the creative industries in the Nordic countries. It pivots around reflections about what ingredients might be an impediment to increase economic growth within these industrial segments. This objective is pursued by illuminating both the context for, and some of the dynamics involved, in bridging the identified gap between capital investments and entrepreneurs and artists of the creative industries. The note employs, for empirical illustration of a potential pathway around such problems, the activities of a current development project financed by the Nordic Innovation Centre aimed at supporting creativity to meet capital in a productive fashion.

Recommendations

The partners involved in the CMC project acknowledge the need to elaborate on the issues addressed in the CMC project and to bring the issues further by establishing a wide variety of practical tools and profound knowledge on structures, education and strategy.

As stated previously, one of the more promising industries in the Nordic countries are the creative industries. Together with other knowledge-based industries it is also challenged by the persistency of the industrial economy. For society to benefit and prosper from the creative industries we need to enhance the understanding of how to create business and capitalize on cultural inventions. IP, IPRs and contracts are very important tools enabling both business creation and capitalization. Through the use of different IP constructs cultural inventions can for e.g. be licensed, pledged, and even be represented in the balance sheet etc.

The creative industries are also characterized by the fact that the majority of the contributors are individuals, loose groups or rather small commercial actors which often have a short lifespan. At the same time many actors in these industries on the global arena are big – or even very big – multinational corporations. This puts an extra burden on individual actors that today are not prepared for the interaction with these actors. As a lot of the knowledge production within the industry to a large extent involves public money we put a lot of trust, but no tools in the hands of the entrepreneurs.

Another fact that quite often troubles these industries is that the creative work very seldom is the result of one individual alone, and as there is no physical object that can change hands it is often forgotten to ensure that the ownership resides where the money is put. This situation is not eased by the fact that the majority of the content providers within the creative industries do not have the commercial interest as their main objective. We therefore want to outline objectives which we believe represents a natural continuation of the CMC project and will strengthen the overall position of the creative industries.

Objectives

- Strengthen the position of the creative industries in the Nordic countries by empowering the entrepreneurs with IP tools in the dialogue with investors and other financial actors.
- Strengthen the incubators by giving them better tools to select projects with the greatest potential, and then being able to help them develop into strong actors within the creative industries.
- Enabling and strengthening the possibilities to trade with cultural products through objectifying the result of creative efforts by the strategic use of IP.
- Strengthen educational efforts to reach a broad audience with a minimum understanding of how to strategically use IP.
- Develop stand-alone education modules that can reach a broad audience to raise the level of understanding of IP in the creative industries.
- Develop evaluation tools to be used by e.g. incubators and other business promoters to ensure the vitality of creative ideas.
- Develop strategic tools that can be used to strengthen the commercial potential of ideas within the creative industries.

A project based on these objectives would have a good starting point as many of the participants have been part in the NIC-project Capital meets Creativity, and the experiences from that project will have a great impact on the design of such a project.

Furthermore, educational institutions will be brought in so that educational programmes may also be used both toward young full-time students and those involved in post-graduate studies.

The financial institutions can use the educational material in their motivational work in-house and towards private investors. The innovative environments will be brought into the project so that entrepreneurs will be able to gain access to this expertise. The project will generate flexible educational packages, including the communication of success stories using new media tools. It will be the responsibility of the educational institutions, the financial institutions and the innovative individuals that are drawn into the project to adapt the educational material to their own target groups and educational programme in the respective countries. There is a tremendous interest on the part of educational institutions in using this type of educational material as part of their all-round educational curriculum throughout the Nordic countries.

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Notes on the development of the creative industries in the Nordic countries: Developing the link between artists, entrepreneurs and capital investors

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...it is the migration from physical property to intellectual property that drives sustainable growth...

(Alan Greenspan)

...the ultimate limits to growth may lie not so much in our abilities to generate new ideas, as in our abilities to process to fruition an ever-increasing abundance of potentially fruitful ideas.

(Weitzman 1998:331)

Introduction

This note is concerned with the options of further development of the creative industries in the Nordic countries. It pivots around reflections regarding which ingredients might be impeding to increase economic growth within these industrial segments. This objective is pursued by illuminating both the context for, and some of the dynamics involved in bridging the identified gap between capital investments – that is entrepreneurs taking risks and creating the content of the creative industries. The note employs, for empirical illustration of a potential pathway around such problems, the activities of a current development project financed by the Nordic Innovation Centre aimed at supporting creativity to meet capital in a productive fashion.

An overarching theme in the note is how to secure larger and increased capital investments to boost the potential for industries based on knowledge resources - be it in the format of scientific, applied or symbolic knowledge (Lash & Urry 1994; Asheim & Coenen 2005). This intention is, thus, founded in the key insight that today the ability to compete and prosper in an increasingly global economy go beyond production and trade of goods, and services, and flows of capital but increasingly depend on attraction, retaining and developing creative ideas (Florida 2002). The continuous development of novel products and services (OECD 1996) rely both on value creation from knowledge resources as creative talent as well as how to protect the outcome of creative endeavours. Thus, this change towards a situation of firms and individuals being involved in a constant process of invention and innovation – labelled an entrepreneurial economy by Audretsch & Thurik (2000) - however, needs as mentioned to be balanced by an interest into matters of appropriation of value from activities of such assets and their outcome of creative products (Laursen & Salter 2005).

The note is motivated by the strongly maintained inference that increased capital infusion into the creative industries would be supported if: 1) creative people and artists and entrepreneurs within these industries held better knowledge of how to secure rents from their activities and 2) increased understanding from also industry external capital investors of the activities of such creative people and artists and entrepreneurs within creative industries. Jointly these two elements could provide leverage not only for the economic potential of the industry sector but also alongside give inputs to the development of new technical ideas for the format and organization of attracting seed capital and creating novel options for bank loan arrangements (NESTA 2003).

Hence, from these points, there appear two arguments. First, that the issue may not be isolated to the statement about lack of capital availability for these industries but rather that most firms populating the creative industry segment - despite excellent economic growth rates (sometimes presented as future potential economic growth rates (Pine & Gilmore 1999)) – are not ready for private investment or able to demonstrate that they may create the commercial value in order to insure return on any external investment. This implies that many creative people and artists, entrepreneurs and business developers within the creative industries do not know how to present and package their ideas for value

creation to investors and thus, cannot introduce the needed background material for investors to make a decision of investing. This regards, for instance, the creation of a concise business plan outlining the potential of value creation through several routes for both exploring and exploiting IPRs, awareness of current market situations and possibly new legal regulations, and proven track record of the management of the enterprise. These aspects are of utmost importance to understand also with regard to the production of 'intangible' but still highly visible cultural production (Hesmondhalgh 2002).

Secondly, an argument raised relating to these issues was that such stated potential of the creative industries - given time – investors will seek out and recognize their own opportunities and thus, no special initiatives towards potential under-development should be approached or implemented at the current moment of time¹.

Nevertheless, the aim of this note is precisely to discuss initiatives towards discovering productive solutions to get private capital investors enticed for developing business options within the creative industries through development of certain awareness and learning tools. In other words, for artists and entrepreneurs populating the creative industries claiming "being exceptional "was not the way to attract investments in the creative business. Demonstrating their commercial value is" (NESTA 2006: 1). Simultaneously an aim of this note is to underline the need to improve the general interaction and communication between the two industry sectors – creative industries and capital markets - in order to generate enhanced mutual understanding of the ideas of innovating products (i.e. create value), do business (i.e. gain revenues), secure and protect rents and other value and thus, for the benefit of both parties, to establish social, professional and business related networks.

Examples of some significant features and processes for creative people and artists and entrepreneurs of the creative industries to possess knowledge about are, for instance: non-disclosure agreements, contracts, protection of copyrights, registration of trademarks and design and the creation of license structures as well as how innovatively to package IPRs in new ways. These elements all help to realize the full potential of intangible artistic assets and new ideas within the creative industries since this is the 'language' dominant among capital inventors. Therefore, the note reports empirical activities from a project aiming at producing learning materials that enable to attract investments for current and future artistic projects. Hence, the note focuses on matters of supporting the commercialization of artistic inventions (i.e. content creation) through particular interest for the key subject of intellectual property rights.

By utilizing the activities of this recent development project, the note demonstrates how concrete action-based initiatives (i.e. the creation of awareness and learning tools) rather than primarily description and analyze of the current situation were approached for meeting the agenda of developing the potential of the creative industries in a Nordic context.

The note is structured as follows. First is the current context of the creative industries outlined. Hereafter are central aspects of entrepreneurship in the realm of these industries discussed. Third, the note debates briefly the key feature of intellectual property rights in relation to develop the business of the creative industries and fourthly, the empirical example is offered established on the activities and products produced in the Nordic project on developing learning materials for artistic entrepreneurs and capital investors. As a coda of the note is offered some final concluding remarks.

The creative industries

Recent years have boomed with literature of various quality praising the emergence of an experience, entertainment or creative economy (Pine & Gilmore 1999; Wolf 1999; Howkins 2001b). Such economy is supposedly populated increasingly by economic agents of the creative or cultural industries i.e. firms (Caves 2000; Adorno 2001) as well as of individuals of the creative class (Florida 2002), which create the content (OECD 1997). The baseline argument is that value creation today is gradually more being built on a flow of intangibles such as ideas and knowledge. Ideas, knowledge and artists expression, expertise and talent hold qualitative different characteristics than traditional tangible goods – like being somewhat 'non-excludable' and 'non-rivalry' as well as typically holding fixed costs of reproduction of

¹ Fundamentalists of free market force like, for example, Nobel prize winner Milton Friedman would properly argue that the creative industries as successful as at the moment should not be given any public sector investments.

the initial product (i.e. film, recording, PC games), that are very low (Quah 2002). It is the ability to generate, commercialize and protect such intangible values that will generate economic growth for firms, industries and countries (Leadbeater 2000).

Unstructured information as 'uncooked' data is abundant in the current economy. Such data is ubiquitous. What is of value in this coming economic situation, and takes great skill to create, is knowledge: that is to establish meaning, content, style, ideas, plans, stories, concepts, designs, fashions – bits of meaning and narratives that people can relate to, understand, utilize, value and love. These 'bits of meaning' are what the cultural industries produce and the elements that initially have to be managed (Björkegren 1996). At the heart of the creative industries are therefore, the creative people and artists. Yet, these – typically artists - need usually to team up with entrepreneurs or develop their own – so-called humdrum or entrepreneurial skills - in order to capitalize on their creations (Caves 2000).

The industries included as creative encompass for instance; TV, radio, music, design, publishing, film, and computer games, advertising, theaters, etc. (DCMS 1997). These industries have oftentimes been viewed by economists, policy makers and business developers as frivolous and neither useful for huge analyses, large policy schemes nor investments. Yet, these industries have turned out to become big businesses. Consider that the world's biggest companies in 1950 were all industrial manufacturers and raw materials suppliers: Ford, Standard Oil, General Electric, Philips, and General Motors. Today key companies supplying economic growth, employment and exports to nations and regions are: Time Warner, Disney, Bertelsmann, News Corporation - television broadcasters, publishers, entertainers, etc. All these industries make money from selling the rights to use their produced content sometimes repeatedly.

Intellectual property right-based industries as biotech and ICT, being founded on patents, have been hailed as the key driver of growth in the economy. Accompanying this direction of interest, many efforts have been placed on developing increased understanding of the special dynamics of these industries and yet, of the industry development contingent upon patents. Nonetheless, a third contender for the post as the industry segment exposing extraordinary high growth rates in terms of numbers of employees, turnover and exports – and thus being in the eye of the tornado of media and political attention and financial investments - are the creative industries – or rather content-based industries as they recently been labelled (OECD 1997; The European Commission 2005; Department of Culture 2005). These industries are populated by economic agents creating products and services holding substance of artistic or creative content providing purchasers some element of entertainment or expression (Holbrook & Hirschman 1982; Caves 2000). Such products may often appear as tangibles like the cloth of textile, a CD disc, or film reels etc. but the real value is clearly embedded in the intangible qualities of the design of a t-shirt, the music recorded and the manuscript, the direction and the acting in the movie and thus, so, located in owning and renting their intellectual properties (Quah 2002). These properties are not based on patents but rather on purchase, seldom by other businesses but by end-consumers, repeated use of the product. So, for rent creation, revenues and protection of economic value these industries mainly depend on copyrights. Creative products protected by copyrights demand only some accepted originality of the work - the piece of art - and what is really traded is the right to use the creation (i.e. selling a CD or play/listen to it) (Andersen, Kozul-Wright, & Kozul-Wright 2006).

Yet, these products are sometimes also linked legally to areas as trademarks, as creative people and artists are becoming selling brands (Björkegren 1996; Moran 2003). A minor illustrative anecdote comes to mind. The Robbie Williams record deal with EMI in the end of the 1990s set a new standard in the way IPRs of artists were managed and packaged as EMI negotiated not only appropriating rents from selling the CDs of Robbie but also from Robbie's performances and this merchandise sales (Gallagher 2002).

Players from both policy as well as research have escorted the increased business activities of the creative industries (See, for example, Tepper 2002). Also, in the Nordic countries have the potentials of the creative industries generated a number of initiatives not least since the economic potential of these industries are established not on productive forces as land or low labor salaries but on rather creativity and craftsmanship, which seem to be feature long-term supported in these countries (Please see: The Danish government 2003; Power 2003). And alongside this, is the clear notion that some activities within the creative industries as cartoon drawings, sewing the t-shirt or shooting of a film,

may take place in, for example, China as long as the idea, design and thus, the IP rights are located in a Nordic country².

One major problem recently identified in the creative industries is that of 'under-investment'. The argument for this under-investment situation goes as follows; despite reported positive growth rates for the products and businesses, bright future analyses of potentials of the products created (i.e. especially as the locomotive of an economy of technological convergence – that is music, films and games being distributed through integrated technological solutions as mobile phones, etc.)³ as well as an increasingly professionalization among entrepreneurs and managers of firm's in the creative industry, we detect relative small amounts from both institutional investors and of private equity are invested. Oftentimes, it has been public money invested in the endeavors of artistic entrepreneurs but the assumption is that to really spur a positive cycle of economic development of these industries they must be able to attract attention as well as investments as, for instance, seed money from 'real' venture capitalist. That is, attract investments that would 'normally' be prioritized towards ICT or biotech initiatives, for example, and as such capital investments that are seen as neither corporate sponsorships nor an expression of being a patron of the arts but rather investments made by 'cold blooded' capitalists in order to profit.

The under-investment thesis is created based on the notion that traditional investment criteria are often 'un-meetable' by creative businesses, whose products and services seem embedded in more uncertain markets (i.e. nobody knows effect) as well as these products are imbued by high degrees of uncertainty in the phases of product development than other intangible products as software and pharmaceuticals. Also, from these latter products there are often detected spin-offs from the development processes. An element not so easy and direct to identify from the processes of developing a creative product, for instance, a music album, a film or a PC game. The creative products are apart from being interpreted as very complex, based on intellectual property rights and geared typically towards creation of new markets (Lampel, Lant, & Shamsie 2000). That is, each creative product is a experience good, relative unexplored by the consumer when purchased and the consumers often invest in the product due to anticipating that a particular creator (i.e. brand/trademark) offers something that suits ones taste (Nelson 1970).

A line of arguments about the comparability of creative vs. traditional products have been issued, in conclusion I will moreover mention that the creative industries are marked by being often lifestyle businesses, not directly aimed for financial rent generation. The stereotype caricature of these businesses as being innately inaccurate and frequently run and manage according to a high degree of emotional/ideological principles of artistic vision and urge overweighing but not completely overshadowing economic motives (Stratton 1982; Negus 1995). For sure such cognitive framing in multiple medias, embedded in narratives etc. with respect to processes of management and innovation is not very unhelpful in the quest to attract capital investments. There is for real a framing problem about both how investors and others initially interpret the activities of such creative firms as well as some firms – typically the small ones - within the creative industries still try to live up to the 'myth'.

Analyses of how to get investment rates to increase in the creative industry sector stress, that investors and creative industries companies/entrepreneurs/creative people and artists all need better knowledge about each other's needs, capabilities and business models, some of which may already be in use in other industries (i.e. from where they may be adopted) as well as in some segments within the creative industries as well. Investors, creative people and artists and entrepreneurs within the creative industries must be impelled to move towards a common ground. The pragmatic question beyond further description and analyses is which processes and tools can bridge the gap between investors, enterprises, entrepreneurs and creative people and artists populating the creative industries?

² This argument can be disputed since it is recognized that for example shooting a film on a certain location generates huge opportunities of income generation, which is spatially situated, as for instance, food provision, accommodation, - a film location may even provide local options for creating tourist attraction. It is thus, not only IP's, which are of important in this sense.

³ See for example (IFPI 2006)

Entrepreneurship

The idea that a high rate of firm start-up and thus, entrepreneurship is beneficial for industry development has been strongly supported (Shane 2003). Underlying this inference is additionally the thought that increased circulations of capital, creative destruction via entrepreneurship activities (Schumpeter 1942) and thus investments in new business development offer options boosting economic growth.

The concept of entrepreneurship is an ambiguous one which has been successfully approached from disciplines like economics, economic sociology, anthropology, etc. (Swedberg 2000). This is true not least when brought into the province of the creative industries. Thus, this note will only highlight a few of interesting avenues for further investigation.

One ancestor of the entrepreneurship concept is French economist Jean Baptiste Say. For him the entrepreneur was the person that unlocked the capital fixed in land and utilized it in order to change the future through commerce. Another of the founding fathers of the entrepreneur notion was Schumpeter (1934). For him the entrepreneur was the person who launched a firm in order to commercialize an innovation. The entrepreneur was creating a temporary moment of monopoly for realizing above normal rents before others would imitate him if his endeavour on the market were successful. However, it was not the entrepreneur that *per se* would invent the product or service being innovated (i.e. brought to the market place). Oftentimes the inventor of a product or service was another person – a scientist, engineer or artist (Matthews 2002). Thus, the entrepreneurs were not the inventor and moreover, the entrepreneur was driven not by identifying a ‘whole’ in the market or thus, being alert to market trends but rather pushing the market by commercializing new products⁴. Following Richard Cantillon, the entrepreneur is someone who organizes and assumes the risk of a business – an investment in return for profits and not a person that actually creates the ‘element’ tangible or not being exploited.

Differently, Kirzner, another heavyweight within entrepreneurship literature, views the entrepreneur as the person, whom by alertness can recognize opportunities in the current or future market that others are ignorant about (Kirzner 1997).

Bringing this interpretation of entrepreneurship to the activities of the creative industries clearly complicates our use of concepts, since – here the creative person that invent songs, designs, narratives etc. functions as an inventor in the sense that the creative creates the core content of the creative product. But it is actually seldom that the creative single-handedly is deeply involved in the commercialization process - innovation. As such they take the role of a Schumpeterian entrepreneur. The record label, the film production-company or other such firms or managers usually take care of matters of organizing, investing in activities and distributing the creations. Thereby, they function as intermediates as well as gatekeepers between the creative people and artists and the audience/customer (Hirsch 1972). There exists oftentimes a rather traditional division of labour known from the works of Smith (Smith 1776). Yet, the pursue of profits in the creative industries is not as initiated by Smith and other economists achieved mainly through an organizational and personal efficiency (i.e. learning) via in a division of labour and thus of knowledge (Loasby 2001) (i.e. clearly some scale economies exist in the creative industries in terms of, for example, distribution). No, it is the entrepreneurial drive of constant novelty and recreation that creates economic benefits *per se* in the creative industries. Still, in this note the notion of creative entrepreneurs is used as a middle-ground emphasizing the persons that seek ‘economic’ benefits by means of unlocking artistic and creative resources within themselves be it as a single artist or as an entrepreneur teamed up with an artist.

In the realm of the creative industries the notion of entrepreneurship is additionally blurred by the fact that the notion applies to multiple levels of activities. And thus the concept is often misunderstood as related solely to the acts of creative or artistic endeavour. For example, de Bruin shows how persons, firms, regions even nations are attracted to the notion (2005). Further, in this note I follow Schumpeter (1934) and regard entrepreneurship as everyone that product recognizes a business opportunity (Shane & Venkataraman 2000) concerning a creative and sets up of a business and thus, the

⁴ Typically what Schumpeter had in mind when discussion the concepts of entrepreneurship and innovation was mainly technological change.

entrepreneur notion relates to aspects of commercialization and does not say anything about the value of the product in a artistic or symbolic sense.

But artists and entrepreneurs needs to have additional capital in order to either launch a business based on their idea or develop further their existing minor businesses in order to grow. However, it may sometimes also be healthy to view the situation from another perspective as if private capital investors hold profitable opportunities if they team up with artists and creative entrepreneurs. Yet, oftentimes creative entrepreneurs and artists are not coupled in networks with capital investors and beneficial opportunities for both parties are therefore not imagined and so, missed. Such problems of a somewhat cognitive quality and hence, founded in a lack of information of the actives and organizational dynamics of each others industries, appear to be in the midst of the problem of sourcing investment from venture capital business into the creative industries.

Capital and intellectual property rights

The idea of property rights is old. The rights are typically understood; first to provide the inventor a right to decide regarding the use of his/her work. This is the moral argument that persons have a natural right to own what they create. Secondly, property rights provide an inventor an economic incentive for creating more and better inventions. This latter will clearly benefit the inventor as well as the society in large as this process will support societies common journey towards generating more ideas for market selection and so, constant technological and economic development. It is thus about the balance between ownership/control and use/access that is essential (Howkins 2001a).

Intellectual property rights including patents, trademarks (designs) and copyrights – all based on various ideas of knowledge – are in this way, the institutions enabling the use of a brand or the repeated use of a process or product securing simultaneously that rent for creations is generated and distributed. And these institutions therefore, yield economic benefits to the inventor and/or the owners of the IPRs.

As mentioned the products of the creative industries are largely understood as copyrights and in some case connected to trademarks or brands. Different from patents that need to contain a particularly specified outlining - oftentimes a definite process to be reproduced as well as contain a high level of novelty as agreed by the patent office, - a copyright product need neither to contain any new insights, features of newness or aesthetic value nor to be specified about is unique qualities. The only test for a copyright is its originality and thus the result of an independent intellectual effort. In consequence the idea may be a copy but the expression must be original. Therefore the protection of copyrights is based on the work not the idea of the work.

As seen over the last decade the protection of IPRs is a hot issue. For instance, how piracy has haunted recorded music, films and computer games. This however, should perhaps be understood as an even more acute incentive to develop alternative and novel ways of packaging IPRs of creative products – that might be more difficult to undermined economically or to compete in various ways with piracy like, for example, the initiative of iTunes does.

Extended reflections

Mainly two avenues for achieving larger portions as well as a higher number of investments into these industries has been suggested: First, increased information between the two sectors about the accepted and efficient ways of organizing and managing activities of creation and commercialization of products and process. Increased information, interaction and best practice examples need to be diffused among key people of the industries and social, professional and business networks between the people populating the two sectors. Thus, one key question is how to support network formation. Secondly, better tools are necessary especially for entrepreneurs and creative people and artists in the creative industries in order to organize the process of capitalizing on their investments in creating products. Thus, increased informal and formal education for creative people and artists and others of the creative industries regarding how to economically benefit on their achievements. Also, such situation of more knowledgeable creative people and artists as well as entrepreneurs concerning how to commercialize their products and services better, it is assumed may lead to increased interest from

venture capitalist to begin to make investments in these industries. Thus, a launching point must be anchored to the agents involved within the creative industries rather than the venture capitalists, who it is assumed will be attracted when the industries are further developed regarding knowledge of, for instance, business planning, and bundling of IPRs.

As shown above, the project to be reported on below was established on the basis of a number of supported conjectures about the problems of developing the capital flow into creative industries (NESTA 2006). These include the assumption that much to little venture capital particular from institutional investors exists for developing business opportunities in these industries and that if this level could be raised and more capital could be infused in such firms more firm start-ups as well as established firms could grow bigger and hence contribute increasingly to the development of the economic situation of the Nordic countries. It is thus further implicitly assumed that the segment of the creative industries currently offer positive conditions for growth.

The product in the creative industries is like traditional industries created by a firm. Yet, an investment is often aimed at a particular product within the product portfolio of a firm. Thus, the investment is located in the single project that creates a particular product and not aimed as an investment into the particular firm. For instance, an investor believes in the record being made by a certain artist, using a particularly successful producer (i.e. proven track record), recording in a well known studio, the project is managed by a well-reputed A&R manager from a mature firm of the industry. However, an investment in such project is as such not made directly to this project but into the enterprise founding the recording project, say, the firm EMI. This firm however holds a number of other recording projects in its portfolio potentially not so successful from the view of the investor. This somewhat structural problem may additionally be part of the explanation why we discover under-investment in the creative industries. Clearly this problem is remedied, for example, in the movie industry where a trend towards setting up each film project as an individual firm eases the option of attracting capital investment as well as makes the communication about the whole project less difficult. A current example of this organizational model for investment is the Lord of the Rings trilogy but also similar examples are found in the organization of the Danish film company Zentropa.

An empirical example: a proactive road towards linking money and meaning

An empirical example of an optional road ahead for supporting the creative people and artists, entrepreneurs and investor interaction and thus, planting a seed for formation of a fruitful network between the persons and firms of the two industry segments is the cross Nordic development project: 'Creativity meets Capital', sponsored by the Nordic Innovation Centre in 2005/2006.

The project sat out in 2005 to develop increased awareness between the two groups of both industry external investors as well as between entrepreneurs and creative people and artists within the industry. The project aimed, through developing learning, communication and awareness generating tools and thus, in a proactive rather than analyzing or descriptive attempt, to boost the development of the creative industries in the Nordic countries by bridging the gap between investors thoughts and interests in infusing seed and venture capital into the activities of the creative industries.

The project participants jointly contained a number of distinct yet diverse experiences as well as approaches to the subject matter of the project and did bring both theoretical and empirical knowledge of the dynamics of the creative industries as well as concerning venture capital markets. As such, the project contained a rather large diversity in competencies and out-sets of the persons contributing. Thus, some participants were working within the actual industries of, for instance, the film industry others were involved within venture capital investments. Also, the project group included researchers holding research as well as educational expertise, experienced learning material producers as well as coordinators working with network building between the web of institutions and agents involved in developing the creative industries. This unique constellation of persons provided the project a backdrop for identifying key topics to focus efforts on – that is, to suggest and select what elements that should be central in the learning materials produced as well as how to present the material to be created to key target groups. So, after intense discussions over email as well as through two face-to-face meetings of a two-day duration between members of the development project three agendas for learning tools were developed.

Rather quickly it was agreed in the development project that one overarching topic was the IPRs of the products of the creative industries. The project thus selected this as the feature to pivot around but still opening up through a discussion of IPRs in creative products to other adjacent topics, as for example, the ability to distribute ideas and hence, products globally.

The learning tools developed by the project are:

A teaching DVD bringing to fore fresh information about the current barriers between venture capitalists and creative entrepreneurs. By focusing on the Icelandic entertainment concept LazyTown problems as well as possible solutions are highlighted. The case provides a concrete timely benchmark of how a successful creative activity (i.e. a book) was developed into a huge economic package of IPR products. This supported both economic and artistic success. By in-dept interview with key persons (i.e. creators, layers, investor bankers, co-developers, etc.) and documentary features, the case of the development of the portfolio product 'Lazytown' is explained from an angle focused primarily on how, from the perspective of an artist as well as creative entrepreneur, to handle the process of commercialization of the product by interacting with venture capital. In doing this, the DVD explains the importance for the creative industries to accept that their products are special and need to be sold mainly as IPR. Thus, the matter of being in a content-based industry, the case presented by the DVD shows how the management of venture capitalist relations as well as development of how to package and management IPR's are important for economic success in the realm of the creative industries. But also the DVD reveals the vital importance of a network between involved parties and the development of mutual knowledge and trust in each other's decisions and viewpoints. It is a study of the balancing act between business and entertainment.

Another tool for learning produced by the project is the IPR role-play and accompanying teaching manual. This tool is essentially an IPR management game for educational purposes, which enables education on different levels of entrepreneurs and artists to develop increased understanding of how to work with the matter of IPRs (i.e. mainly copyrights and trademarks) in the context of artistic or creative products and services. Hence, the role play covers at its heart basic legal matters. The game is set up based on a 'real world case' as an online role play game where the player gets an identity as for instance a consultant in a virtually created company working within the creative industries. The player gets through her email different relevant assignments to submit. These assignments are connected to real world phenomena within the process of commercialization in the creative industries. A curriculum of relevant papers and books for the dealing with the tasks specified in the assignments are connected.

The tools may be useful not only as educational tools but also as presentations or background for creation of presentation for networkers as well as artists, entrepreneurs and capital inventors striving to develop this business segment. And in this sense be support for increased communication and network formation between the two industry parts.

Concluding thoughts and ways ahead

This note has presented a discussion of three key areas of attention (i.e. what characterize the creative industries, entrepreneurship and IPRs). Some problems with respect to applying standard economic thoughts and concepts have been highlighted. But more importantly the presumed discrepancy between the economic potential of the creative industries and the level of capital investments flowing into these industries was addressed. To remedy this situation an empirical example illustrating more pragmatic action-based steps towards supporting the bridging-process between art and capital was presented. Thus, the tools were developed in order to create both 1) increased interaction between creative people and artists, entrepreneurs and investors and in that sense these agents could be made part of a network formation process as well as 2) enhance the mutual understanding of the knowledge, motivations and practices of the two segments. That is to some extent educate agents about the somewhat perceived - hard to kill – myths and rumours and thus, cognitive barriers, which clearly still exist.

In conclusion, it is worth remembering that the key problem addressed here - of not having a fluent capital market - and the general problem of sourcing in investments as, for instance, seed money into new ventures - are not an isolated problem facing the creative industries in the Nordic countries. In general, the Nordic - yes even the European - market for venture capital for most industries - even other booming ones based also on creative and intellectual resources and thus IPRs - is considered weak then contrasted to the dynamics of the US capital market. This tendency seems also to apply to the investments within firms and products of the creative industries (NESTA 2006).

Secondly, after surveying the field of entrepreneurship and investments within the creative industries particularly with appliance to the Nordic context a number of ways ahead for research and improvement are visible.

First, increased information to the investor side external to the creative industries seems needed. This could be achieved by imitating a survey of the interpretations of the investment opportunities in the creative industries similar to the one put out by NESTA in the UK. For instance, increased information of this segment could be generated - informing both policy makers and business strategies by, for example, designing a questionnaire survey of 300 investor companies (VCs, banks, etc.) in the Nordic countries.

Secondly, the field of developing the role-play initiative of the development project already mentioned is also a bright opportunity. Increased efforts must be put into particular its design and increased functioning ability.

Finally, more work would be beneficial within the interpretation of the products and service of the creative industries on the continuum between IPRs and aesthetic visions and statements. Especially, comparing the Nordic countries and the UK/US in these matters would be useful in order to adopt and adapt certain models for investments in IPRs.

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The Nordic Innovation Centre initiates and finances activities that enhance innovation collaboration and develop and maintain a smoothly functioning market in the Nordic region.

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