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# Synoptic overview of the landscape of governance challenges in the cultural and creative sector

*Authors*

Andy C. Pratt

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The CICERONE project is coordinated by the Amsterdam Institute for Social Science Research (AISSR) at the University of Amsterdam, which is located at

Nieuwe Achtergracht 166  
1018 WV Amsterdam  
The Netherlands

[info@cicerone-project.eu](mailto:info@cicerone-project.eu)  
[www.cicerone-project.eu](http://www.cicerone-project.eu)

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### **Author**

Andy Pratt is Professor of Cultural Economy at City University London, UK, and director of City's Department of Media, Culture and Creative Industries. Pratt is also UNESCO Chair in Global Creative Economy.

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# 1. Introduction

This paper is the final component of this package (WP3), which aims to provide a backdrop and a wider context for the local level analysis of individual creative industry production chains. The CICERONE project seeks to examine the complex picture of trans-local creative and cultural sector (CCS) co-production and understand the sites (institutional and spatial) where value is added. It is a working hypothesis that this activity escapes the scope of existing policy frameworks and exceeds the (local) conception of many policy makers and politicians. CCS production chains have the potential to operate across national borders. Hence, a review of the barriers and incentives, as well as the organisational means that are adopted to navigate them by firms, networks, and organisations. These insights will complement and inform the discussion of the actual and potential policy responses to the emergent creative economy in Europe dealt with in WP6 of the CICERONE project.

The specific aim of this paper is to provide a synopsis and critical reflection on the current ‘governance’ of the CCS in Europe. We use the word governance purposefully to integrate the various forms of power and control mechanisms that shape the environment of social, economic, cultural and political action; this includes policy, regulation and trade agreements enacted by governments at various scales (local to global), but also the organisation and governance of those industries that comprise the CCS, as well as their extended production systems; finally, it includes the social and spatial embedding in wider patterns of activities. This is clearly a wide canvas, but this is a significant point, that operating in the CCS requires skill and strategy; above and beyond that within the CCS and cultural production but engaging with the various forms of governance that are ‘external’ to the CCS.

One of the key points that we have established in this review, above and beyond the complexity and context of governance arrangements, is the ‘non-normative’ nature of CCS activity. Simply, that the CCS both attracts, and needs, a nuanced governance response that is neither satisfactorily captured by the traditional and normative foundations and assumptions of re-distributive traditional cultural policies, nor the strategic economic policy (or simply market modification policy). In short, CCS policy caught in the tension between the changing nature of the CCS, and the evolving response of governance.

Accordingly, we argue in this paper, a reversion to a clear re-conceptualisation of the CCS – this time from a (global) production network (GPN) perspective – will provide us with the conceptual lens with which to appreciate the nature of CCS production networks that have been otherwise obscured by

both inherited ‘cultural’ perspectives or imported ‘economic’ viewpoints. This is a point that also has been made in WP4 in relation to traditional statistical data sources (see D4.2 and D4.3). They too suffer a similar challenge and as a result have rendered many activities that constitute the CCS ‘invisible’ to the statistical record, moreover, the deficiencies and significance of the gaps in the statistical record are conceptually under appreciated.

Our main point is that a GPN perspective on the CCS can highlight and focus out concerns with the underpinning challenges to policy and regulation, in that they do not always address the right ‘objects’ of the actually existing<sup>1</sup> CCS primarily activities in the production cycle beyond ‘creation’. In so doing we argue the need for a conceptual and in principle shift of policy focus on ‘other objects’ (the previous under described parts of the production system). However, as is also clear from our paper, such a reconfiguration of policy and regulation is not likely to be a simple task in part due to the particular challenges of subsidiary and the cultural exception, compounded with the scale at which such administrative activities take place. Potential changes would impact on the structure of government and responsibilities in the hierarchy, as well as the (more conventional) challenge of the need for more transversal working across policy and governmental ‘silos’.

As noted above, the objective of the paper is to perform a synoptic and integrative review of the detailed governance landscape laid out in D3.1, D3.2, and D3.3; in addition, we seek to articulate this with the insight provided in D3.4 into the organisational forms of the CCS. Our simple point is that policy assumes a simpler or normative organisational form that is challenged by our review of the rapid reconfiguration of the CCS in the last 25 years. Finally, we bring into focus our empirical analyses of CCS production systems which was covered in the numerous case studies of WP2, which we summarised and provided a synopsis of in D3.5. This final confrontation with actual CCS production systems provides a foundation from which WP6 progresses to discuss actual policy developments that emerge from the CICERONE project.

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<sup>1</sup> We use the term ‘actually existing’ to stress the gap between dominant conceptual and practical understandings and generalities about a dualistic cultural and creative economy and focus on the ‘in-formation’ process of the CCS.



## 2. The organisational field of the cultural and creative sector

We presented an overview of the sectoral organisation of the creative economy in Europe in D3.4. It illustrated the distribution of firm size within industries, interactions between firms within the CCS, and the trends and market dynamics impacting these interactions. When considering these issues, it applies the Global Production Network (GPN) perspective, thereby trying to explore why production network typologies are changing form and how power structures within these networks shift.

We noted that the CCS has a 'bifurcated' organisational structure: with a few larger mainly multinational operators, and many micro- and own account operators. The first point is that this is unusual when compared to the wider economy where there is a more complete 'pyramid' organisational structure. Second, the extremes of the CCS are more produced than other sectors; and third, that this presents a great challenge of how to 'bridge the organisational gap' between large and small.

We also learned that a number of organisational innovations are particular to, and emergent, in the CCS to practically deal with this problem of the intermediation of production chains, compounded with the temporally short nature of project-life firms within the CCS. A notable organisational 'fix' is provided by clustering and grouping of CCS activities. There is a debate about whether this is 'natural' or 'planned'; in fact, it is both. Firms and projects strategically co-locate, and strategic governance by the state, or commercial organisations, can achieve a similar end. The key point is often misinterpreted, it is not co-location but knowledge exchange that is often facilitated by co-location. Location can be seen as often necessary but not sufficient condition for exchange; and indeed, sometimes it is not necessary. What is important is a creation of means to encourage, support, and sustain intermediation and networking. The examples of policy response to such challenges are mixed, but clustering is on the industrial policy agenda and the urban regeneration policy agenda, with some attention being paid to the particularity of CCS clustering. However, often there is a conflicting objective between the two goals.

As elaborated in the Annex to this paper, our investigation of the organisation of the CCS reveals that in some respects it is better understood as an 'inside out' firm organisation. The interactions that we normally expect to be operating and coordinated within a single organisation takes place fully outside and beyond it; the governance of the intermediation is often reliant solely on market, social, cultural or political links; this is what we highlight at the 'embeddedness' of CCS ecosystems that facilitate the

crucial knowledge transfer and complex contracting relations, but also secure the local communities or practice and trust that enable what is referred to elsewhere as ‘soft institutions and policy’ around issues such as contract.

Another dimension of the organisation of the CCS is the particular character of the freelance and own-account entities that make up a large proportion of the sector. This has been a huge growth area in the last 25 years, and one that has begun to be seen across other sectors as well. The precarious nature of working on short term contracts is obvious, and the sustainability of the sector only is maintained when people can easily move from contract to contract. Accordingly, in periods of austerity, or of the pandemic, we can see that self-employment is a major risk.

The reason that organisationally out-sourcing of activities happens is to minimise the risk and maintain flexibility of suppliers, but that risk is shouldered by the freelancers. However, this state of organisation is a bit like the children’s game ‘musical chairs’: when the music stops there are insufficient chairs. The Covid crisis highlighted this problem (of course echoed and amplified by the lack of live performance). We saw huge problems faced by cultural workers and the development of furlough schemes – the kind of which had been pioneered for example in France for ‘intermittent’ cultural workers, was in temporarily extended to other countries; as well as provoking parallel debates about the idea of a Universal Basic Income (for all, or just for artists). The point here is that the particular organisational forms of the CCS create special labour conditions which need unusual solutions: in this case a ‘sustainability bridge’ between temporary contracts to avoid workers ‘dropping out’ of the labour market in the gaps between contracts. This links to another organisation challenge with CCS labour markets the relative lack of training and skill development. CCS workers are generally more highly qualified than average, but employers invest less in (re-)training; this is also sustainability threat to the CCS.

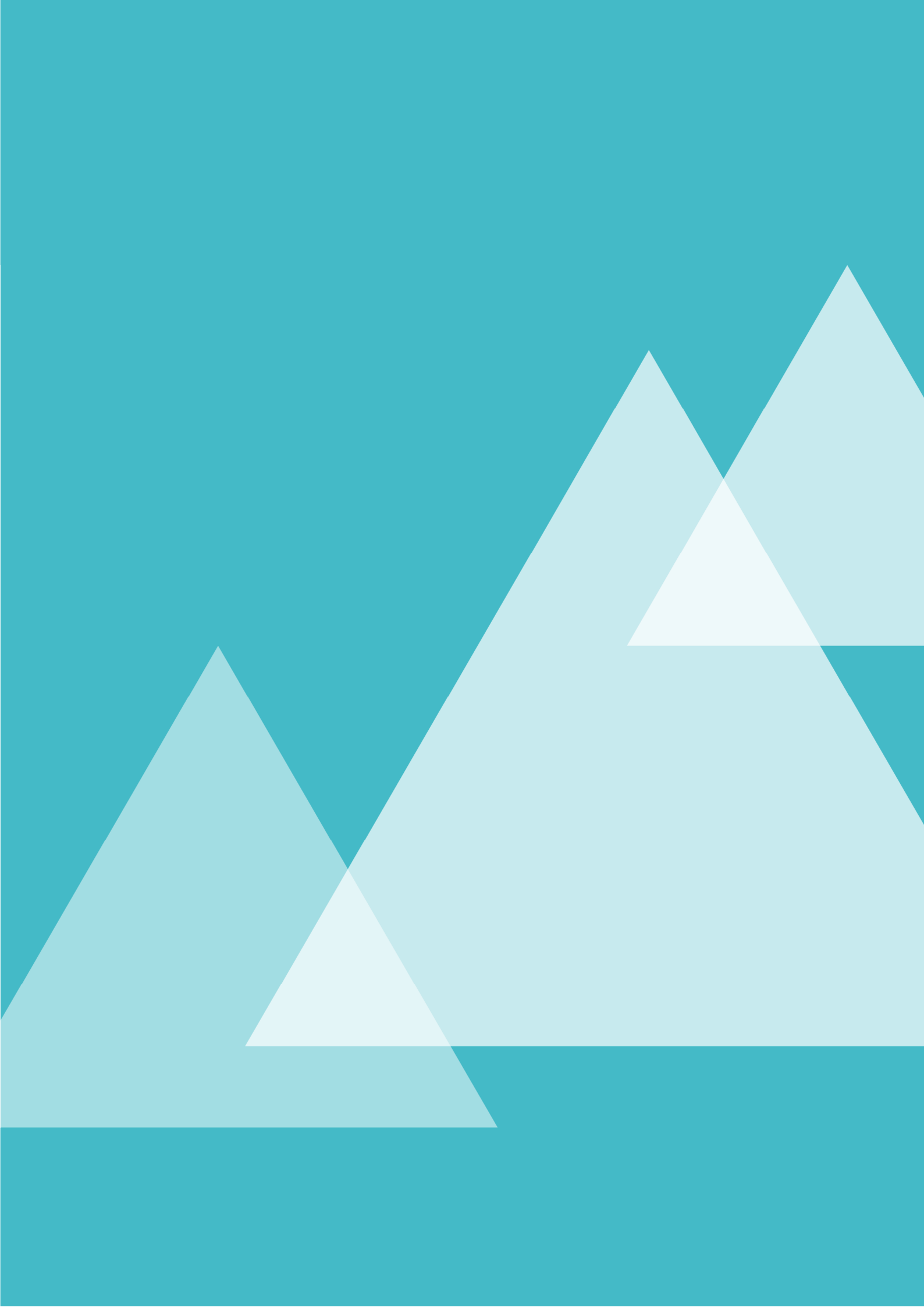
A final point we can observe in relation to the organisation of the CCS is how poorly it is documented in the statistical record, in part due to the very small size of business that are not sampled in census surveys, and the short life of businesses, as well as the complexity of multiple or sequential job holding. Larger companies who have a more traditional and stable economic structure have been so slimmed down and disintermediated that they now fail to represent the CCS at all.

As an overriding concern that we can note is that there are a variety of organisation structures of CCS industries that are spread differently across the production system; in particular, this is where we are alerted to the control/power and gatekeeping role that can be played. We see many examples in the dissemination phase on the audio-visual industries.

The CCS in Europe are constrained by their fragmentation (both on the demand and supply sides) to engage in forms of collective action. Constituting a myriad of small and medium-sized players, largely characterised by precarious, short-term, part time working conditions, it is hard for the CCS as a whole to speak with one voice. Next to that, collaborations in the CCS seem increasingly shaped by place-

based cluster dynamics, but also sector-based (cross-border) platformisation. While place-based clusters speak to local and national policymaking, making culture and creative sectors an argument for territorial attractiveness, platformisation links much more to a European policy agenda, with digital, copyright and competition policies being particularly instrumental in setting market field for CCS.

The following three sections review the more commonly regarded aspects of governance (although not cultural governance which does not normally extend to trade and regulation). Our key point is that these discussions should be 'woven through' the above discussion of the CCS. Namely, to bear in mind that much governance assumes a normative economic object, or exceptional cultural object; neither easily confirm to the actually existing hybrid structures that we both identify in the above section, and which we cover in D3.5 in relation to CCS production networks.



### 3. The governance of trade and tariff barriers

Deliverable D3.1 outlined an evolving institutional structure of trade rules and regulations, with a final desired end point of no tariff barriers, and reciprocal (preferably no) incentives. The system is still evolving, especially in the field of services. As much of European trade is in services, and a substantial of the creative sector can be classified as services this is an issue. The cultural sector sits uncomfortably in the existing trade regulations; much of it being argued to fall under Article XX regarding 'national treasures and identities'. A general point is that tariffs and trade are discussed and decided at a multilateral forum, at national state, and EU, level and above. There is a general assumption against special cases, but clearly culture is a massive exception. This opens up the logical conflict of interests between the overall and specific objectives, which is played out at national and sub-national level (as we will see, below, with respect to incentives)

There are in fact few trade barriers to the creative sector outside the EU, and inside the EU. Two initiatives, AVMS and the changes in VAT, especially on e-books have advanced the 'harmonization' within the EU; however, these initiatives are governed by a quota system. Digitization and the transformation of the means of distribution and exchange remain challenges and the issue are one of scale and organisation. On one hand, the means of distribution are challenged by neo-oligopolies platforms of Amazon, Google, Facebook, Apple and Spotify. Added to this is the fact that all but one of these platforms is US dominated. On the other hand, the earnings from sales can be potentially redirected out of the EU. A further dimension of the latter point concerns intellectual property rights: especially copyright, and geographical indicators. These IP rights are covered in the TRIPS agreement, but the ongoing debates at system level has the potential of unexpected impacts at both the network and individual level.

A related issue concerning definitions revealed that there was a grey area with many cultural goods as to what constituted 'similarity'. In effect various forms of aid and subsidy (see below) which are allowed under the various trade agreements are used to offset (mainly) US domination in the audio-visual field. Clearly, tariffs and subsidies are two sides of the same coin. To stretch an analogy actually it's a 3-sided coin with organisation being the final dimension. The US has used first-mover advantage to attain oligopolistic control of some markets thereby countering potential effects of trade rules (this is akin to imposing a level playing field solution on an already unequal pattern of trade). Again, this highlights the strength of our approach seeking to look at the total institutional environment.

The range of stakeholders potentially involved in such trade agreements is large, but not exhausted by the formal trade negotiations. Furthermore, culture's 'weak' institutional position in policy making, and its more distant relation to trade and industrial policy in particular, makes it vulnerable to the law of unintended consequences. Hence, in its small way, the contribution of this work package, and the



CICERONE project as a whole. Moreover, we have also highlighted that the ways in which many of the extant legislation and agreements 'play out' in a complex landscape of cultural co-production that maybe located in several regions or nations is not one that can be simple evaluated at an institutional level, nor (as has previously been the focus) at the level of a particular spatial unit. Trans-local networks of cultural producers challenge these previous logics of impact evaluation. As such, CICERONE seeks to explore them in from such a perspective.

Again, we highlight that a significant barrier to research and understanding the operation and impact of trade institutions is the lack of information. Historically data has been captured on weight or value of goods at the port of entry to a country. Little systematic information is publicly collected on the flow of services (goods, or services), and even less on the cultural sector. That data which is collected is by commercial operations, and is either behind a paywall, or confidential. However, this question is not simply one of data, but of concepts. As we have noted the AV industries are bettered served by reporting and accordingly better understood, the growing and large CCS out with the AV sector is underserved in both respects and hence makes (non-) AV policy making difficult.

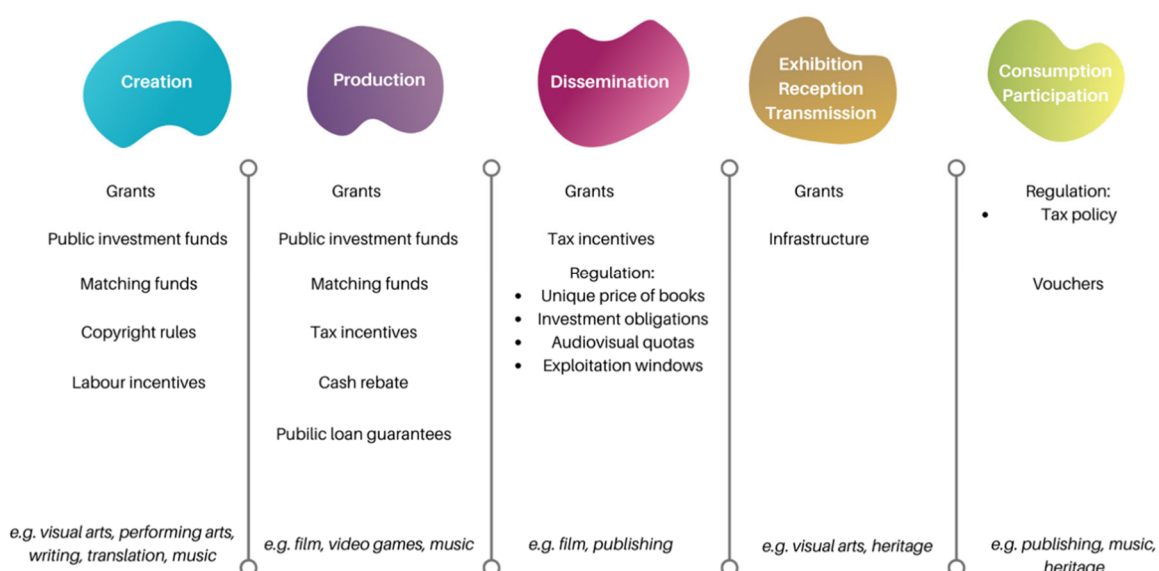
The cultural sector 'falls between' the cracks of trade policy. Inventive and negotiated legal positions have been evolved under Article XX, but these are developed on the basis of case law, not a universal definition or agreement. This leaves the cultural sector potentially vulnerable to comprehensive agreements, that may adversely affect cultural diversity, or local identities.



## 4. Incentives and subsidies

As noted above, there is a complex relationship between trade and tariff barriers, and incentives and subsidies. In principle the latter should not exist if the former was followed according to the strong primary principle. However, as has been noted, international trade negotiations are ‘a process’ and have not achieved an end point. The special case that is accepted for culture in the free trade agreement opens a difference of approach at national, regional, and local levels (as illustrated by film) that is not integrated into a strategic approach. Regulatory and tax incentives are traditionally operated at the national level while others can be managed at regional or local level. The European Union plays an important role in setting the regulatory framework for CCSs and in intervening in favour of the circulation of European works across the continent to promote its cultural diversity in the backdrop of the hegemony of US content.

**Figure 1. An illustration of the incentives and subsidy pattern across the production chain in the CCS**



As we have shown (see D3.2), the presence of incentives at certain stages of the GPN shows where the emphasis is put in terms of investment (see Figure 1). Incentives focus quite generously on the production stage for instance in film, because of the positive externalities and spill-overs onto other sectors of the economy. There is evidence of a relative lack of understanding of cultural value chains

by policy-makers. This is clearly underscored by the example of film where many countries have (for cultural exceptionalism arguments) favoured incentives to film and TV makers. However, many films were made, but never distributed and displayed. Only recently has policy adapted to link making and distribution, and the economies of scale of making multiple films. This indicates a slow movement to understanding film, television, and computer games as industries. There is more consensus on incentives that promote 'places' as part of tourism or visitor attractions. However, the evidence is unclear as to which have the more significant economic return on investment. Moreover, all of these incentives have the capacity to be a 'zero-sum game' as they do not necessarily increase overall investment in film across the EU.

The lack of a strategic view has, arguably, led to considerable damage to the computer games industry in Europe, where production capacity was lost to Canada. However, this is but one example of the global race to attract external cultural investment where cities, regions and nations are often pitted against one another. From the film and tv production side the industry has adapted to what is in effect a huge transaction cost structure on making European film via complex co-production arrangement where production is spread across 6 or 7 locations in order to qualify for subsidies.

GPN approach emphasises the interdependence between stages and therefore the need to better understand and develop policy actions that bridge production with distribution to maximise effects. The digital shift is pushing for renewed approaches to distribution especially online, which are challenged by the increasing share of large US-based technology players in the European market. As the instruments of culturally diverse products, incentives remain important mechanisms in the European CCS economy in the face of new challenges.



## 5. Regulation

Describing the regulatory frameworks that can facilitate, promote, and impact European cultural and creative industries is a difficult task in four main respects. First, though some the CCSs are well established industries (such as book publishing) many of them are quite new industries (such as computer gaming) which means policy often lacks awareness, measures, and tools to match their legal needs or to evaluate the regulatory challenges they may pose. Secondly, the CCSs often cross policy and regulatory fields/silos making it difficult to have coherent policy support regimes: for example, they combine high levels of state subsidy with intense market driven competition; the value they create is cultural as well as it is industrial and financial. Thirdly, the outputs of the CCSs range widely from easily transferable intellectual property to material products to crowd-based situated experiences meaning that they span a wide range of regulatory areas from copyright law to health and safety restrictions. Fourthly, the CCS has an extremely high proportion of freelancers, sole traders, micro and small businesses meaning that many actors in the sector lack the capacity and resources to deal with or lobby for regulatory change. These elements have traditionally been dealt with by different policy agencies and regulators, and at various scales: most obviously, the division of commercial cultural activities (often referred to as creative industries) and state supported activities (traditionally referred to as cultural policy).

**Figure 2. The range of regulatory policies across the CCS production system**

Creation	Production	Dissemination	Exchange	Consumption
Grants/subsidy	Grants/subsidy	Grants/subsidy	Grants/subsidy	Tax policy
Contract and labour	Contract and labour	Investment obligation	Health and safety	Health and safety Consumer protection
Intellectual property	Production quotas Investment obligation	Pricing quotas Investment obligation	Quotas	Education policy
IP copyright Droit de suite	Competition Copyright	Competition Copyright Trade law	Audio-visual quotas	Copyrights vs. free
Protected designations		Audio-visual quotas		
		Release/exploitation windows	Release windows	

If CCS policies in general are subject to fragmentation, contradiction, and lack of coordination, the same can be said of the regulatory environment. It is impossible to create a single 'map' of the current regulatory environment that relates to Europe's CCS and equally difficult to suggest one able to engage with the future (see Figure 2). Regulation is ultimately reliant on policy and CCS policy has tended to straddle two main policy pillars: industrial policy at the national/supra national level (including trade and competition policy); cultural policy mainly enacted at the national and regional/local level. The coalescence of industrial and cultural policies reflects the two sides of the same coin. CCSs are Janus faced: they provide jobs and growth and values and social inclusion. Regulation becomes tricky since it is not always clear what 'face' the regulation is affecting or, worse, if regulating one side negatively affects the other. This means that we are met here by conflicting, fragmented, and disparate policy environments and regulation frameworks that can be argued to have lacked coordination and coherence.

Whilst progress has been made, especially in relation to regulations of intellectual property, trade, and the inner market (including the single digital market), but that the regulatory framework is complex and the challenges that exist need to be approached in a manner that understands the diversity of CCSs and the various stages and scales they operate through. In the present report we aim to deepen the analyses of selected key regulations, where policy and regulation is still an ill-fit for the CCSs and the cultural sector.

We can reflect on the aims of the wider Cicerone project which uses a multi-pronged strategy to render a picture of the coverage, and gaps, of the policy and regulatory environment appropriate to the CCSs. The aspects of the European CCS's regulatory environment outlined in here regarding regulation must be understood in a broader context that also includes findings and reports on industrial, cultural, and trade policies (see D3.1 and D3.2) as well as the organisational and market specificities of each sector within the CCSs (WP2). The overarching aim of the Cicerone project strives to create a comprehensible framework within which to illustrate where policy and regulation can better serve CCS.





## 6. The governance challenge of cultural and creative production networks

The initial premise that the sector has laboured under is that there is one business model or production system in the CCS has been challenged. The CIRCLEONE hypothesis has argued in favour of the presence of a variety of production systems: similar, but not the same as, generic GPN models. Our expectation being that from such a perspective we can learn about the articulation of power and control, and where it is located, and the mechanisms that control it. As we have argued, much CCS policy making is founded on a (possibly) inaccurate causal model of organisation and action; a refined model would logically lead to more effective and efficient policy making. It is for this reason that in D3.4 we extended our analysis of CCS production networks, looking across all the case studies, and not reduced to industries or firms, to see if patterns emerge.

CCS production occurs in ecosystems, divided by functional relations, and spread across spaces. The concentration of elements of this production system can be of particular import to a locality; but that significance depends not so much on scale but power and control of the added value of the product or service. Moreover, that functions and domains maybe embedded in their own ecosystems of co-dependence (which may or may not be co-locational). Simply, it is the nature and quality of production relations that is important. We noted previously that this configuration and value maximisation accounts for the different business models found embedded in CCS production systems.

Critically, our unit of analysis was not the individual firm, as in normative approaches, rather it was the production network surrounding or enabling the movement of a product or service from creation through production, dissemination, exchange, and archiving, and back to creating the conditions for further production. As is seen in the WP2 methodology, we 'followed the networks' and mapped as full production systems as we could for a selection of industries. It is important that we were looking for diversity, so we aimed at looking a more extreme cases for variety where they reflected an important aspect of the CCS. Size and age are a case in point, we were interested in the lifecycle and ecosystem of production from birth to maturity so saw value in exploring these different elements to see if it generated different process and organisations. We were also interested in the variety of business models, or simply which focus of maximisation or value were selected by creatives and enterprises (economic, social and culture).

The first point is that it confirmed our hypothesis that there is more than one organisational form of the CCS. In fact, we identified a number of different types of networks based on scale and the functions of the production network. In this second iteration of this exercise, we have sought to simplify the

process. Namely, to compress the production cycle and to highlight where power is articulated from. In this sense we are seeking a determination overall for a vertical organised network, or one that is horizontally organised. This is clearly an oversimplification; however, we can have reference to the classifications above to identify which functions are more in the vertical or horizontal vector of power.

A common pattern is that horizontal linkages in the network occur in the creation, production, and archiving functions, but distribution and exchange are vertically controlled. We can see a common pattern where these later functions are non-local. The other dimension that we have simplified on is scale, our reference is the local (and we extend this to a region of city region), and the trans-local by which we mean the national and beyond. Again, as to which functions are carried out at the local or trans local scale are critical in terms of control and power.

We noted that in contrast to normative assumptions of policy making across the CCS had more than one organisational type, and these types illustrate various forms of complexity that had particular 'power geometries'. We hope that these models help both on one hand, in speaking back to general arguments about GPN which have not generally examined the CCS and their particular formations; and on the other hand, to inform policy makers of the particular varieties of CCS production network models. Intervention to challenge the existing power and distributional outcomes will clearly be more effective based upon a revised concept and understanding of the operation of CCS production networks.



## 7. Conclusions

This paper had the expansive aim of providing a synoptic perspective on, and reflection on, the organisation of the CCS and their relationship with governance arrangements. A central question that we have posed concerns the adequacy of the policy and governance. Systems to address CCS sector challenges both in general, and specifically. Our conclusion is that at present the answer is only partially positive. Moreover, we argue that the response needed is not ‘more of the same’, but instead a comprehensive and transversal reconfiguration of our thinking. This would embrace the rapid transformation of the CCS and its parallel co-evolution with policy and governance concerns. A central point is that of the conceptualisation of the CCS, CCS production networks, and ecosystems as foundation and critical building blocks for an adequate data collection, understanding and evaluation of the CCS. Related to this, transversal policy making (across domain, function, and scale) that is rooted in an understanding of whole production networks is likely to yield more effective, and efficient CCS policy outcomes.

Specifically, we can point to a number of transversal challenges that the CCS face in relation to the existing governance environment, and how that governance environment relates to the CCS. Clearly, these types of issue present difficulties for the existing policy framework and institutions that have inherited- as all institutions do- a ‘siloes’ form. This is somewhat more intensely felt in the CCS given that it is built on a transformation in recent years from a dualistic structure of public and private funding and governance into a complex duality or hybrid. A consequence is that there are policy challenges both at an ‘local’ objective and goal setting scale, as well as at a level of institutional governance and action responsibility. The implication is that solutions will need to engage in both dimensions.

Furthermore, crosscutting these issues is a more fundamental set of challenges. On one hand, we can note mismatches between practice and the policy ‘imagination’; simply, a misalignment between conceptual foundations upon which the logic of interventions is made. On the other hand, it is possible to discern a process of co-evolution of both realms; an issue that is magnified by the fast-changing nature of the CCS, not simply growth but convergence, and innovation and change.

Both above points are challenges to which the CICERONE project, and particular the CCS interpretation of the GPN has answers. Specifically, to re-calibrate the conceptual foundations and understanding of the actually existing CCS, and for policy and wider governance response to align more closely with them. The insights that the field work has brought to light provide an initial evidence base for this

action, and WP6 on possible future policy directions develops from both the understanding derived from WP2, and the framing in this WP3.

Scale is an issue that is highlighted in our synoptic review, both between international level agreements (seen most clearly in the discussion of trade and tariffs), and that between the national and the EU scale in relation to regulation, and a further tension even between the local/urban and the national (and the EU) in relation to incentives. There is the question of subsidiarity and in parallel the issue of the cultural exception, these legal frameworks exist in tension with the general aspiration of 'free trade' and the CCS is due to its hybrid formation caught in a complex web of governance objectives which seek to separate out, or at least balance, cultural identity issues from economic ones. A core problem here is that in the cultural field it is commonly a cultural distinctiveness that provides the added value of competition.

The tensions between governance at a strategic and a distributive or allocative mode represent another category of problems that run to the heart of the CCS 'dualism/duality'. Traditionally, the cultural sector has been considered an object of market failure and hence better managed via a redistributive and allocative model derived from expert judgement (based on a national or local support for particular cultural forms, or as we refer to it: 'domains' or industries). The commercial aspects of the CCS, notably parts of the AV industries, can be considered as potentially governed by a more economic and strategic logic which we can see in relation to debates about monopolies, attempts to regulate platforms and technological networks. The learning point is that the separation is not a dualistic one, moreover, that the policy agencies commonly are working at and across different scales which are often disconnected (e.g., global agreements, and EU, and local agreements). As we have noted, there are not only conceptual, scale, and institutional tensions but the existence of perverse local competition for subsidy<sup>2</sup>.

A particular locus of these tensions can be found in the formation of creative clusters and hubs. In a sense we can characterise the CCS formations as an innovative and evolutionary response to the numerous 'fixes' needed to resolve labour market issues (in a flexible and mobile, but precarious form), supply chain (of good and products), and knowledge exchange issues (notably with the wider CCS regarding innovation and new ideas, and locally (and globally) with the curation and development of markets/audiences). The GPN approach helps us to understand why such clusters as both particular to the CCS (that is similar but different to 'generic' industrial clusters), and not solely localised. Accordingly, policy responses should be configured likewise.

Our findings further highlight that, both conceptually and empirically, production systems are normally embedded in the local environment, as well as in international production systems. The policy challenge generated is to recognise the differences between these individual (industry and

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<sup>2</sup> This is in good faith, but the perversity derives from the relative autonomy of different levels and objectives of policy institutions.

business model) balances. As we have illustrated in D3.5 the exercise of power and control over both decision making in the allocation of 'production system level' resources and where added economic value is distributed, as well as what control exists over the added cultural value as well.

As is discussed in the organisational paper (D3.4) a relative lack of attention to networks and flows of goods, services and knowledge represents a gap in our understanding of the CCS, and the effective translation of this understanding into effective and efficient policy actions. We have noted economic and cultural issues, but another theme comes out in our field work regarding (environmental) sustainability issues. These concern the relationship between local actions and wider system management, these were illustrated in the cases of architecture, festivals and fashion (D3.5). More generally, we can note that our insight into the functions of the production cycle also highlighted the value added and power tensions in control of production systems.

As already hinted at the question of transversal governance is a challenge as both the CCS is experiencing convergence for domains/industries, and in a separate way, of production functions. This is not a call for either a return to separate domains, or a 'one size fits all' approach, but the need for sensitivity to the production networks that weave the domains and functions together, and are distributed (unevenly, and with different power and control) across space. However, we must extend our realm of analysis further and understand the processes of dis-/embedding, that is the processes and actions that 'hold down' GPNs in the CCS. Our findings point to plenty of examples of how local culture, skills, practices, and traditions are critical, but also the close relationship to civil society and the informal economy of cultural production and consumption. How to mobilise, protect and sustain such local cultural ecosystems is an issue that is problematic as it often falls outside of the normal purview of governance and planning, or is peripheral to it. These resources are the anchor for GPN, and if they are eroded, or lost, consequentially either added value (cultural and economic) is lost, or investment is removed altogether (in favour of another global location). The dilemma is that on the one hand, traditional economic policy as applied to culture works on price incentive (subsidies) which pays little attention to the strength of local networks; and, on the other hand, traditional cultural policy focuses on the attributes of culture in place (but not generally 'ordinary culture', and local networks).

Another aspect of transversal concern is the awareness of the variety of business models that are found in the CCS, and factor into the variety of production networks (see D3.5). A central issue here concerns the co-existence of both intrinsic (cultural/value) and extrinsic (economic/instrumental) motivations in organising and maximising cultural production networks. Our findings, both empirical and conceptual, point to a hybrid form; perhaps a better expressed as varieties of 'balance' between these two objectives. It is rare in the CCS to find examples of simple cost maximisation, it is almost always a compromise balance between social, economic, and cultural maximisation. A particular balance on a specific case is based on the strategic decision of actors, based on a variety of long term aims: sustainability, entry into a network, and playing a leadership or innovation role. Again, we find that the existing policy frameworks tend to maintain a visibility of economic or cultural value, but not

a mix between the two. Again, we suggest that transcending the dualism<sup>3</sup> can be achieved by a focus on networks and flows within production networks<sup>4</sup>.

Finally, there is the question of production networks. Our framing of production networks is a counter to the (sometimes) limited breath of concern of business models. As we have pointed out above, these ‘spill over’ into other realms of social, cultural, and economic activity. However, production networks articulate this action over space. An awareness of the local and global embedding and dis-embedding has also been pointed to above; however, the remaining issue to raise concerns the governance of production networks and the characteristics of power and control across and along the network which has practice implications for places, and the health, or otherwise, of the CCS. At the extreme we can see, as is the key insight from other GPN studies, how platform, or just monopoly, actors can lead or dominate whole networks, not necessarily by owning and directly controlling entities, but by acting as gatekeepers for a global production network. Gatekeeping is seldom expressed as in/exclusion<sup>5</sup> but is commonly organised on price setting. In GPN price setting happens at market exchange and distribution gets translated down to creators in terms of a fixed price for cultural production, which may set the labour costs, and the investment in local ecosystem infrastructure, skills, training, and technologies.

What is apparent from our overview of the policy and governance environment of the CCS is that the governance of CCS production networks is not locally controlled, and hence is only tangentially subject to local policy intervention; the scale of intervention is clearly dictated by the particular production networks existing locally, and logical policy action may be required at international and EU level to address relevant issues. This feeds back into a salient point of the need for a resolution of the tension between distributed and allocative policy and strategic policy making. Clearly, both are needed, but the institutional separate, and different levels of action present challenges at present.

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<sup>3</sup> Here we are referring to the framing of policy and the underpinning conceptions. Clearly, this in itself is not a practical solution or a ready policy action; we discuss these issues in WP6.

<sup>4</sup> A relevant reminder here is that we have shown in this project, notably in WP4, that the basic data that we need to understand both production networks and the flows of activities across them, let alone the organisational forms are lacking. Hence, our parallel pointer to the need to build an CCS Observatory that extends beyond the existing employment and final output measures reported by Eurostat, and the AV production outputs, and consumption reported by the EU AVO.

<sup>5</sup> Although we do see examples of this in access to distribution networks; albeit expressed as distribution networks sympathetic to particular business models (i.e. Producers in effect ‘self-exclude’ themselves).

# Annex 1

A major challenge to developing a GPN analysis of the CCS is the lack of data. The secondary sources derived from Eurostat are, from a GPN perspective, limited as they focus on location and industry (and occupation at that site/industry). We lack any indication of relational information either as control and power or, as a surrogate, flow of goods, services and people. The CICERONE argument is that the picture derived from the Eurostat data is at best partial, and at worst misleading: misleading in that it does not make the relations of power and control analytically or empirically visible, which leads to a default conclusion that the added value of activities corresponds to an individual firm's location. The CICERONE empirical analyses, as reported in WP2 (see <https://zenodo.org/communities/cicerone-h2020>), sought to collect novel primary information (previously unavailable) that explored the relational aspects of activity, hence providing a necessary complement to simply locational data.

As noted in D3.4, “the largest share of European CCS is composed mainly of micro and small entities” (95%, with up to nine people employed; CCS as defined by the EU: 96%, fashion industry: 92%).<sup>6</sup> In addition, 70% of all CCS in the field of trade and services are sole proprietorships (OPE). Data from Eurostat as reported by the JRC in 2020 shows that in EU-27, 32% of culture professionals are self-employed, compared to 14% in overall employment.<sup>7</sup> The largest companies and groups in the CCS are to be found in the media and high-end industries (luxury fashion brands). In media and entertainment, Vivendi (France), Bertelsmann AG (Germany), RTL (Luxembourg), are among the largest companies in terms of turnover.”<sup>8</sup>

What we know from secondary research in the ‘grey’ literature of company reporting is that “large media companies are often characterised by strong vertical integration – acting across the whole value and production chain and thereby controlling a large part of the market. These companies are all active across several sub-sectors and therefore also strongly horizontally-integrated. Almost all of them have developed branches into all media-related activities, including audio-visual content production, press and publishing activities, as well as advertising services. A few media groups also branch out into other sectors like video games or music (e.g. Bertelsmann). In the field of high-end fashion industries, on the one hand, there is a strong presence of large companies and multinational

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<sup>6</sup> KEA (2022) Enumerating sector organisation and industrial arrangements in Cultural and Creative Sector production chains. (CICERONE report D3.4) DOI: [10.5281/zenodo.5524923](https://doi.org/10.5281/zenodo.5524923)

<sup>7</sup> Montalto, V., Sacco, P.L., Alberti, V., Panella, F. and Saisana, M., (2020) *European Cultural and Creative Cities in COVID-19 times*, Publications Office of the EU, Luxembourg. Available at: <https://publications.jrc.ec.europa.eu/repository/handle/JRC120876>

<sup>8</sup> <https://www.value.today/top-companies/top-media-companies-europe>; More examples in Europe and in the world: [https://www.medienorge.uib.no/files/Eksterne\\_pub/Topmediacompanies\\_2011\\_PDF.pdf](https://www.medienorge.uib.no/files/Eksterne_pub/Topmediacompanies_2011_PDF.pdf)



brand groups (European Commission, 2012c). The majority of the biggest high-end companies in the world are European, for instance LVMH – Louis Vuitton Moët Hennessy, Kering (Alexander McQueen, Gucci etc.), Prada, Hermès International or Burberry. On the other hand, the up-stream supply chain is dominated by small-scale manufacturers – typically micro- enterprises with 10 or fewer employees. For instance, 80 % of the high-end fashion suppliers in France had 4 or fewer employees (Frontier Economics, 2014).” This comment from D3.4 illustrates a wider point that has been made about the emergent organisational characteristics of the CCS in the current period, namely that of a bifurcated structure divided between the very large and small, and characterised by project-based networks that form and reform to adapt to innovative market conditions.<sup>9</sup> However, the important point here is that this organisational analysis is based on company reporting, and secondary analysis. No comprehensive primary analysis has been carried out on the organisational structure of the CCS (and no information is available via secondary statistical sources).

The first point that we explored was to test the hypothesis whether CCS firms were involved in production networks or not. As noted in WP2, methodologically, we began with entry into the CCS production system with firms/actors that we assumed were engaging in cultural production. Using this entry point we then followed both upstream and downstream networks as identified by our interviewees: simply plotting a routeway through their contractors and customers. We sought to reach methodological exhaustion where we appeared to have recorded all the links in a network and followed up with interviews with as many of these firms as possible. Where we were unable to secure interviews, we checked that we had already examples of that production function, as these were likely to be duplicated in parallel (to enable firms to mix and match expertise and specialism on new and subsequent product lines).

This unique and meticulous mapping of relations demonstrated that all our interviewees, across all industries, were engaged in production systems – simply, that they did not perform all production functions on site, and within the company. This is perhaps a banal point, but it is one that challenges the normative conception of ‘industry’, and the particularity of the ‘sole operator’ of the CCS. Moreover, it challenges the limited visibility of operation and activity of the CCS presented by reductive locational analyses.

However, this was simply our starting point: having established that a normative position is a production network rather than an isolated operator then our analysis sought to explore and understand the configuration of these networks, which we hypothesised would be important to gain insight into governance and the distribution of control and power of people and resources within networks, and the degree of autonomy localities were able to maintain (in the sense that if an actor was embedded in an trans-local/international network, potentially power and control could be exercised on the actor from outside of the locality; moreover, that locality limited governance – the

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<sup>9</sup> Pratt, A. C. 2012. The cultural and creative industries: organisational and spatial challenges to their governance. *Die Erde*, 143, 317-334.

scale of governance- might be exceeded by that of the network and hence to reduce or eliminate the local powers of (state) governance). More formally, we sought to understand the configuration of production networks in the CCS, as this has not been done before, and to reflect on any similarities or differences from discussion of 'generic' GPNs.

This is an interesting point as it demonstrates that the logic of production networks is not arranged on the same taxonomy that state governance is in short, that the 'imaginary' CCS of governance is liable to be ineffective if (as illustrated in D3.4) actions and powers are commonly articulated at the nation state level to regulate, control or incentivise the CCS. Moreover, when they are articulated at the local level that do not engage with the power structures of production networks.

The WP2 interviews allowed us to formally record the functions that were performed for the network and location (which we articulated to both local embedding, and scale of the network). So, in addition to questions about the position in the production network we asked about the degree of embedding in local systems (based on dependences), and the degree of autonomy or control that actors were able to exert within the system. This was a critical dimension of information as it allowed us to make a summary judgement of the network governance. We reported the textual descriptions of these in WP2, what this allowed us to report in D3.5 was the governance type: hierarchical or horizontal.<sup>10</sup> Clearly, reducing the range of relations to a binary is limiting, but by separating different functions we were able to identify where the 'break point' in a network was for power and control, and if it tended to the local, or the global (a synonym for trans-local that is regional and beyond: we adopted this division as we found little if any 'break points' at the national level). This is an interesting point as it demonstrates that the logic of production networks is not arranged on the same taxonomy as state governance is in short, that the 'imaginary' CCS of governance is liable to be ineffective if (as illustrated in D3.4) actions and powers are commonly articulated at the nation state level to regulate, control or incentivise the CCS. This led us to focus on two spatial scales of CCS production networks the local and the 'global'.

As noted in WP2, and in the Annex to D3.5, we mapped these findings into a standardised typology matrix. As noted in the previous paragraph, the spatial breakdown proved to fine-grained for our use, and we found that we could collapse the 'national' and 'intra-EU' categories into a 'local' and 'global'. Simply there were few representations in these categories.

As noted in D3.5 where we review the networks forms found across the CCS the question of production function proved to be less useful than we expected. As expected much of the making, or curation, to place locally; however, the distribution and exchange functions were commonly remote. The power relations commonly indicated that the added economic value was returned to a remote

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<sup>10</sup> The annex to D3.5 explains how we used interview statements on relations with (intermediate) suppliers and customers to convert into a judgement of governance type. See Pratt, A. (2023) *A synoptic view of production networks in the cultural and creative sector* (CICERONE deliverable D3.5) DOI: [10.5281/zenodo.8353230](https://doi.org/10.5281/zenodo.8353230).

function; thus, weakening the potential contribution to the locality and local CCS production system. We concluded that whilst separation of functions was a useful analytical task it did not substitute for power and control; hence, to simplify the analysis further we focused on the power and control of the network; albeit noting which functions commonly wielded this control.

Technically, at this stage we could have quantified used matrix algebra to produce a summary picture. This was not considered appropriate as the 'sample size' was not sufficient, nor was it methodologically relevant as the sample was not a statistical sample, but a theoretical one. This is important in directing our analysis: we were not seeking statistical regularities, but the elaboration of ideal types of organisations. Further work would have to be done to confirm the popularity of particular 'types'. However, based on our theoretical sample to capture the range of CCS types we hope to identify the initial range of possible types of network, and to potentially explain that variation by industry.

As noted in D3.5 we found a limited allocation of production network type with 'industry'; moreover, that it was perhaps less about 'industry' as a category and more about the business model that was balanced to either economic value or cultural value that seemed likely to explain the allocation of ideal types.

We were in effect left with a 2 x 2 matrix of plotting scale of production network (that is the predominance of functions, and local embeddedness) and production network governance types: vertical/hierarchical versus horizontal; and local versus global. Based on these rules we allocated of our case studies into 4 cells as demonstrated by Table 2 displayed in D3.5.

The basis of our analysis in this deliverable (D3.6) on synoptic governance challenges (which we address in WP6) was to explore the congruence between the actually existing production network form of the CCS and the 'imaginary' of the CCS policy environment that was either based on the Transnational corporation, or the individual firm. Moreover, whether the prime axes of policy action at the local scale (via subsidy) or national level (regulation) were relevant/connected to the power dynamic of the CCS production networks. Findings from WP2 were marginally relevant here from individual firms; however, we found that their concern was not with CCS policy, but with areas of contract law and health and safety. This reinforced the logical conclusions drawn here of the mismatch between the level and powers of governance applied by states, and as operated by the CCS sector.