
Situation and Development Opportunities of Creative Industries Companies in Latvia

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Abstract:

Nowadays, the information economy is in the process of transition to a creative economy focusing on human creativity and innovative ideas. Creative industries are among the fastest growing sectors of the global economy, more and more of export capacity of the developed countries of the European Union relies on the creative capital and companies of the creative industries. However, the innovation and labour productivity rates of the Latvian population are lower than in the developed regions of Europe. The aim of the research is to evaluate the creative industries companies in Latvia, detect their problems and identify opportunities for development.

At first, in the article, the theoretical basis of the activity and specificity of detecting creative industries have been reviewed, taking into account the fact that creativity is an intangible factor that is exposed to constant change and not easy to measure, which creates problems of management in practice. In the second part, the composition of the creative industries in Latvia is defined by identifying 8 groups according to the activity type, which can be directly attributed to creative industries, including software and computer services group. Next, based on statistical data and survey results, the characteristics of Latvian creative industries are defined in order to understand the current situation, problems in the creative industries sector; as well as analyse the development potential of the creative industries. At the end of the article, there are conclusions and suggestions for improving the performance of the creative industries companies.

Used in the research are the following theoretical methods: textual analysis, document analysis and content analysis, the survey method, methods of data processing and statistical analysis. The period of research is from year 2010 to 2015. The survey part of the research took place from April until May 2016. The research was limited by the inaccessibility of the current statistical and economic information isolating the creative industries. Official data are only available at the NACE classification 2-digit level, which poses constraints for characterizing each creative sub-sector in the industry and could serve for the sectoral analysis of solely the sub-sectors directly linked to creativity.

Keywords: *creativity, creative industries, improvement of company performance*
JEL code: *L26, L80*

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1. Introduction

Studying the role of creativity has become topical only in recent 20 years when a mutual connection has been established between economy and culture. Nowadays the transition is taking place from the information to creative economy where a significant role belongs to individual innovative ideas and creativity. Creative industries foster economic growth and represent one of the fastest developing business sectors in the world, and, consequently, occupy an increasingly bigger role in the national and global economy.

The term “creative industries” was first used in Australia in 1994; however, it gained wider popularity in 1997 when the Department for Culture, Media and Sport (DCMS) of the United Kingdom established the Creative Industries Task Force (Marinova and Borza, 2014). In 1998, DCMS published the Mapping Document of Creative Industries, which defined the sector and named its thirteen subsectors which were no longer called branches of culture (Maryunani and Mirzanti, 2015). DCMS used the term “creative industries” to classify the industries that have their origin in individual creativity, skill and talent and possess the potential for wealth and job creation through the generation and exploitation of intellectual property (Lee and Drever, 2013). UNCTAD defines creative industries as follows: “they comprise the cycle of creation, production and distribution of goods and services that uses intellectual capital as its primary input; they are a set of knowledge-based activities aimed at, but not limited to, art, potentially generating income through trade and intellectual property rights; they cover tangible products and intangible or art services with creative content, economic value that meets market goals.” (Gregory, 2016). The Ministry of Culture of the Republic of Latvia describes culture and creative industries as “activities that are based on the individual and collective creativity, skills and talent and can raise welfare and create jobs by creating and using intellectual property. Creative industries create, develop, produce, use, demonstrate distribute and store products that possess economic, cultural and/or entertainment value.” (Ministry of Culture, RL 2016).

The subject of the research is the creative industries companies in Latvia. The aim of the research is to evaluate the creative industries companies in Latvia, detect problems and identify opportunities for the company development. To achieve the aim of the research the following research methods were used:

For the acquisition of the data: theoretical research methods (textual analysis, document analysis and content analysis), empirical method – the survey method (questionnaires).

For processing and analysing the data: statistical analysis (descriptive statistics, grouping, comparison, analysis of statistical indicators – calculation of the means, mode, median and relative indicators and correlation analysis), method for the interpretation of economic processes, Pearson correlation).

To substantiate the analysis and establish the development opportunities, it is important to study namely the current situation and available information. This is why the chosen research period was from year 2010 to 2015. The survey conducted within the research took place in April and May, 2016.

For conducting the research individual questionnaires were used as they provide for the acquisition of diverse data and involving a rather large number of creative industries representatives. To receive a possibly larger number of completed questionnaires and prevent the interviewer's influence the questionnaire was completed electronically by using website visidati.lv the link to which was sent by e-mail. The link to the questionnaire was sent to 1,093 representatives of the creative industries companies that fall into the range of the creative industries established in the research. Their contact information was obtained through the following resources: websites of different industry associations; databases Lursoft.lv and firmas.lv; search portals 1188.lv, zl.lv; social networks. As a result, 136 completed questionnaires were received which accounts for 12.4 % of the questionnaires sent. On the positive side, the majority or 76 respondents (55.9 %) of those who completed the questionnaire indicated that they wanted to receive the summary of the research to apply it in practice.

The research was limited by the inaccessibility of the current statistical and economic information separately on the creative industries. Official data are only available for the NACE classification at the 2-digit level that limits the inclusion of each creative sub-sector in the industry profile and could serve for the sectoral analysis of solely the sub-sectors directly linked to creativity.

2. Creative Industries – Theoretical Aspects

Creative economy is defined as a policy aimed at acquiring a new growth through economic activities that facilitate creativity, convergence of knowledge and scientifically improved technologies, is based on coordinated learning and, consequently, creates new markets and new jobs (Sung, 2015). Creative economy is a concept that relies in its development on creative assets. It represents a transition from the regular models to the multi-industry one, which features the intersection of economics, culture and technology and is focused on the services of creative nature. As Marinova and Borza (2014) said “Creative economies at their very core are creative industries.”

Creative industries are developing in many places of the world, particularly in the developed countries (Maryunani and Mirzanti, 2015). In the European Commission report of 2006 “The Economy of Culture in Europe” it was stated that creative and

culture industries in Europe were as competitive as other industries, in some cases even more competitive because creative and culture industries represented the driving force behind economic growth and were based on their own workforce (Marco-Serranoa *et al.*, 2014). As stated in the European Commission report, the European Union regions with a high concentration of culture and creative industries have a higher level of welfare (European Commission, 2011). Research suggests that creative industries often mean a good forecast for regional growth. According to evidence this is not just a simple correlation, the cause and effect relationship rather has a circular character – a well-off region makes more people being employed in culture and creative industries, while more people working in these sectors make the region wealthier. However, other studies suggest that the relationship is more complicated and sometimes even controversial (Marco-Serranoa *et al.*, 2014).

Potts and Cunningham (2008) pointed out that creative industries have different perception models, such as the welfare, competition, growth, innovation and social ones. According to the *welfare model*, creative industries have a negative effect on economy. The government provides the industries with financial resources and the resulting economic gains are smaller. This model is based on the assumption that creativity exists for its own sake, for example, creating a piece of art that is not sold. The *competition model* states that creative industries form a separate branch of economy. For example, the design sector can very well be compared with the leisure time sector, which means that for assessing its influence in the market the same tools, can be used. According to this model, the creative artefact is the regular output, similar to units of a manufactured product. The *growth model* provides that creative industries are perceived as the driving force of economy. Creative industries influence other industries and sectors, for example, the design sector influences engineering and car manufacturing. The transition from one industry to another by using the dissemination of ideas coincides with the social paradigm of creative industries. According to the **innovation model** creative industries represent the innovation subgroup in the economy rather than a separate industry. Creative industries lead economy based on their creative capacity; they infiltrate in the economy as a whole and promote economic development. By this model, the necessary creative knowledge should be transferred to other industries and vice versa. The **social model** determines that creative industries form a set of economic activities that involve the development and maintenance of social networks and formation of value through the design of value network choices and consumption in these networks. The main feature is being socially produced and consumed. The work is appreciated and approved by the public. The model envisages that creativity can be passed over from one sector to another. Thus, a graphic designer can get involved in the film industry and, although, different skills might be required for it, the necessary creative talent would be the same (Joel, 2009).

Creative industries stand out among the rest of industries because their output comprises symbolic and aesthetic values. That has a significant effect on

establishing prices and operation in the market. For the consumer, the value of such products exceeds its use value and is not directly connected with the manufacturing costs. The party involved in establishing the price is the distributors (rather than creators) who take over the consumption “arrangement”. Moreover, the specific character of culture products requires a particular kind of workforce – the creative talent, whose occupation provides for a wide-scale contribution to creativity and requires a certain organizational system that includes openness, cooperation and self-management. Another specific feature of these industries is that due to their artistic product the consumers in culture markets face the problem of incomplete information. According to Australian culture economist Throsby, the creative content is often classified as “product that is experienced” and consumers are not aware of its usefulness before purchasing the product (Lyubareva *et al.*, 2014).

Moreover, the quote by economist Cave that “nobody knows the value” is often used in literature to refer to the challenge of uncertainty where the actual value of a product is arbitrary and subjective, and its creators generally have no clear idea about their customers’ taste, it is very difficult to forecast the success or failure of a project and, consequently, its profitability (Caves, 2003). Another specific feature of the industry is that the manufacturing of culture products requires substantial investments at its initial creation stage; however, as it was mentioned before, usually the creative content is multiplied and spread by distributors who can copy it thus making significant savings. On the other hand, the distributor also operates as a driving force by focusing the consumer choice in the market that is characterized by incomplete information and a wide range of products.

All the above-mentioned features create a certain tension between creativity and business efficiency. Manufacturers face high development and promotion costs combined with global uncertainty and big risks concerning future profit. Companies face the challenge of evaluating the potential loss of transactions, especially in light of the recent financial crisis that showed what can happen as a result of poor risk management policy (Rupeika-Apoga *et al.*, 2016; Vovchnko *et al.*, 2017).

It is important to note that the development of a creative industry is determined and influenced not only by economic factors, but largely also by the factors that influence our creativity. In many studies authors emphasize the combination of all influencing factors. According to Martinaitytė and Kregždaitė’s study “*The Factors of Creative Industries Development in Nowadays Stage*” creative industries are highly influenced by the costs of culture and recreation as level as the creativity level of population (index). A rather strong influence on creative industries is observed from the government expenditure on culture, the number of patents per million inhabitants, the level of employment in research and development, the number of students in arts and humanities and the level of tolerance. Low influence is observed from the level of employment in creative industries, their export rate and government expenditure on research and development (Martinaitytė and Kregždaitė, 2015).

Sternberg (2006) indicates that the essence of creativity is rather complex because it requires many resources, such as intellectual skills, knowledge, motivation, personality, thinking style and the environment. Namely the environment is one of the most important components of creativity, however it is important to use all of the above-mentioned resources rather than become owners of them. This suggests that creativity is not only a significant quality; it can also be developed and fostered.

Another factor that affects creativity and is particularly important today is the influence of information and communication technologies (ICT) the application of which accounts for one of the main sources of competitive advantage for companies. At the same time, the companies, which work in the ICT sector, form a big subsection of the creative industries. Larger communication between consumers and creators of a product make the product more customized to user needs, which, in its turn, decreases uncertainty and promotes development (Lyubareva *et al.*, 2014). On the other hand, ICT provide others with the opportunity to copy and pass the creative content onward at a very low cost.

This has a significant impact on publishing, advertising and distribution. When the marginal costs become low and almost insignificant, it provides significant advantages to those copying the product. Even if such changes provide for excellent opportunities from the consumer perspective, they pose a threat to creative industries. This has lead researchers Moyon and Lecocq to conclude that the development of creative industries requires innovation in two main areas. Firstly, legal institutions must design new structures to maintain the intellectual property rights. Secondly, organizations that work in creative industries must revise their business models to maintain their profitability and competitiveness in the international environment (Moyon and Lecocq, 2014).

To sum up, creative industries are considered the driving force of economy and a measure of welfare. Their products have an economic, culture or entertainment value. In economics, the perceptions of creative industries differ: they are considered spenders of resources, a regular industry, driving force of economy, subsection under innovations as well as designer of social networks. Researchers agree that creative industries stand out and are special because the development value of their product can differ substantially from the use value and its consumers face the problem of incomplete information. According to research, the efficiency of creative industries is comparatively higher than the efficiency of other industries in the economic growth of the country regarding the creation of products and services with a high final added final value (SIA "Baltijas Konsultācijas" and SIA "Konsorts", 2013). To analyse the situation in creative industries and study the opportunities for the company development, it is necessary to establish the industries that belong to the creative ones.

3. Establishing the Composition of the Creative Industries in Latvia

Taking into account the complicated structure and diverse definitions of creative industries, in practice there are difficulties in establishing the specific kinds of activities that belong to creative industries. The limited accessibility of data and insufficient methodology pose problems in analysing creative industries and make precise calculation complicated regarding the weight of each industry in the economy. There is no single approach regarding the companies that fit under the creative industries. The Informative Report of the Ministry of Culture of the Republic of Latvia on the creative industry and its policy in Latvia mentions the following problems in accounting for the creative industries:

- insufficiency of the available data for characterizing the diverse contribution of the creative industries to the economy of Latvia;
- lack of compliance of culture statistics with the needs of economic analysis;
- quality and comparability of various sources of data (Smiltnieks, 2012).

After the analysis of various research and the classification offered by the Ministry of Culture of the Republic of Latvia, which includes the review made within the report “The Performance of the Creative Industries Sector of Latvia and Preconditions for its Targeted Development” from the project administered by the State Chancellery of Latvia about the NACE 2nd rev. classification codes which have been classified as creative industries in the previous research conducted in Latvia and abroad, it was concluded that there are different assumptions of namely what NACE classification codes or sectors belong to the creative industries. The publicly available information of the Central Statistical Bureau groups the kinds of organization activity only by their general economic activity on the NACE two digit level which is insufficient for identifying the creative industries sector. Similarly, not all sectors can be specified by a NACE four-digit code and many new sectors fall in sections entitled “Other activities”.

Moreover, it is often that the updated information is not available. Thus one of the main problems during the research was the availability of statistical information both in Latvia and in Europe. The catalogue for the accounting purposes of the creative industries by NACE classification received from the Central Statistical Bureau was created following the request of the Ministry of Culture and reflects the main sectors of the creative industries which are directly connected with culture; however the majority of research uses a much wider listing of creative industries. The above-mentioned considerations limit the opportunities for the detailed analyses of the industries. Other researchers also agree that the lack of the data applicable in practice is the biggest problem in conducting research (Coelli *et al.*, 2005).

In addition it must be pointed out that several manufacturing sectors can also be considered creative, such as manufacturing of textiles and clothing, leather and leather accessories, furniture as well as other kinds of manufacturing where a part of

the activity is directly associated with creativity, fashion, design and artisanship, for example, the design of clothing, footwear and furniture, decorations etc. However, taking into account that the statistics of the sector comprises workforce and mass activity that are not connected with creativity and there are no data on creative occupations, the inclusion of these sectors in the analysis would have a significant impact on the analysis and would comprise mass production instead of showing the actual situation of creative industries.

Similarly, a part of artisanship belongs to creative industries. The artisans who design an individually made product represent creative industries, however, on the 2-digit level of NACE classification there is no separate section that would describe this activity. Unfortunately, the occupation survey results of CSB cannot be used because artisanship is included in core section 7 “Qualified workers and artisans” which does not allow assessing the features characteristic to artisanship. Similarly, if in other CSB publications artisanship is approached as a kind of economic activity, it cannot be separated from the processing industry or construction as a whole (Budreiko and Ziemelis, 2006). The various directions of artisanship are grouped together with manufacturing industries and there is no publicly available separate statistics on the kinds of artisan businesses or performers of economic activities. We can only state precisely how many artisan businesses and workshops are registered in Latvian Chamber of Crafts. As Latvian artisans make unique and creative products, for the research purposes their companies were included in the survey as representatives of the creative industries.

Based on the nature and definitions of the creative industries as well as the previously made analysis of research and considering the available information on NACE 2nd rev. on two-digit level, 8 groups of economic activities were analysed in this research that can be directly attributed to the creative industries:

1. *Printing and reproduction of recorded media*, including such sectors as printing and reproduction of recorded media (C18);
2. *Publishing activities*, including such sectors as publishing (J58);
3. *Motion picture, television, music, radio*, including such sectors as motion picture, video and television programme production, sound recording activities (J59), programming and broadcasting activities (J60);
4. *Computer programming and computers*, including such sectors as computer programming, consultancy and related activities (J62), information service activities (J63);
5. *Architecture*, including such sectors as architectural and engineering activities; technical testing and analysis (M71);
6. *Advertising*, including such sectors as advertising and market research (M73);

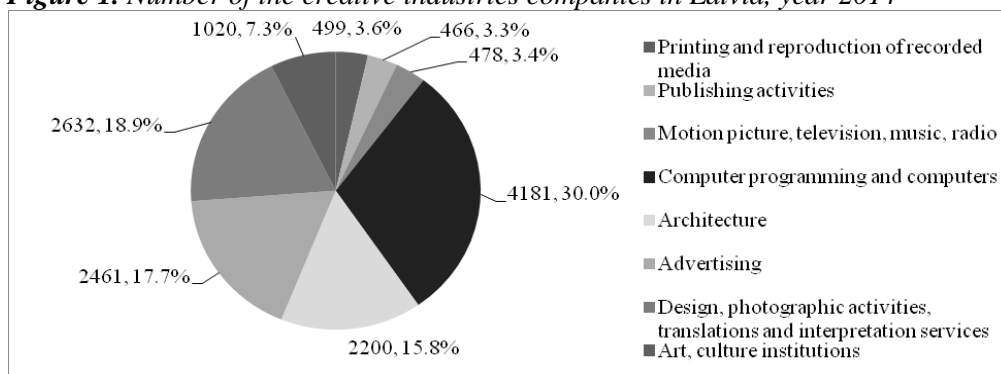
7. *Design, photographic activities, translations and interpretation services*, including such sectors as other professional, scientific and technical activities (M74);
8. *Art, culture institutions* including such sectors as creative, arts and entertainment activities (R90), libraries, archives, museums and other cultural activities (R91).

For the research purposes, the authors considered the above-mentioned eight groups creative industries or creative sectors.

4. Analysis of the Situation in the Creative Industries of Latvia

In 2014 in Latvia 13,937 economically active companies were registered in creative industries. 4,181 or 30% of them were computer programming and computer service companies, 18.9% - companies working in design, photographic activities, translation and interpreting, 17.7% - advertising and 15.8% - architectural enterprises (Figure 1).

Figure 1. *Number of the creative industries companies in Latvia, year 2014*



Source: authors' construction based on LR CSB data

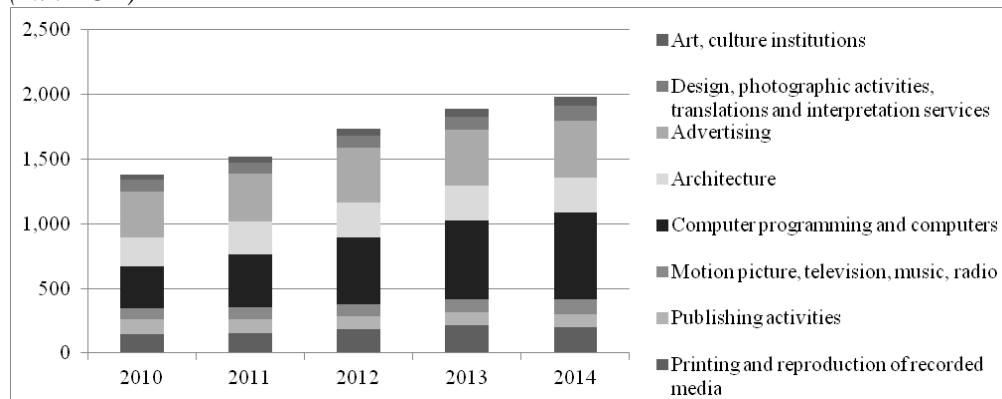
In 2014, the number of the creative industries companies accounted for 8.5% of all the economic operators registered in Latvia. Since year 2010 increasingly more companies have been founded in the creative industries, the number of economically active companies in the examined sector has increased by 56% compared to the average rate in Latvian economy of 21.1% (*authors' calculations based on LR CSB data*).

The creative industries market of Latvia consists of small and microenterprises with a small number of employees. In 95.5% of the creative industries the number of staff does not exceed 9 employees. The overall proportion of small companies in Latvia is slightly smaller – 93.3% (*authors' calculations based on LR CSB data*). The situation is not typical only to Latvia as the creative industries companies in other European countries are small as well. It is connected with the rapidly changing

business environment where the new companies are under continuous reformation. In addition to that, these companies often work in projects thus establishing short-term teams. These companies have low barriers for conquering the market therefore they can compete without getting involved in the economy of scale or investing big amounts in marketing. Moreover, they are more flexible and often exchange information within new teams therefore the representatives of creative industries might have more opportunities for introducing new methods of work (Lee and Drever, 2013).

At the same time it means that the companies in the creative industries have barriers that are specific namely to small and micro enterprises, such as small research and innovation potential, difficulties in raising funding, limited amount of resources and access to knowledge, difficulties in accessing new markets, limited manufacturing capacity, bigger dependence of external factors, lower capacity to influence the market, big mutual competition, lower export capacity and usually – no collateral for banking loans etc (Figure 2).

Figure 2. Net turnover of the creative industries companies in 2010-2014 in Latvia (mln EUR)



Source: authors' construction based on LR CSB data

Financial indicators suggest that the net turnover of the creative industries companies since year 2010 has grown by 43% to reach 1,979.6 mln EUR in 2014 (Figure 2). The overall net turnover of Latvian companies has grown less – by 34.8%. This reflects the recovery of the sector after the recession and faster development than in the economy as a whole. In 2014 the market share of the creative industries by the company turnover accounted for 3.7 % of the total turnover of Latvian enterprises. In 2010 – 2014 the rate has been approximately the same and fluctuated between 3.3% and 3.7%.

The biggest turnover among the creative industries companies was in computer programming and computer services (34.1%), advertising (21.9%), architecture

(13.7%) and printing services, as well as sound recording (10.3%). Since year 2010 all sectors have experienced growth, except printing where in 2014 the turnover dropped by 15.2% compared to 2010. The biggest growth in turnover was seen in computer programming and computer services: 107.1% over 5 years (*authors' calculations based on LR CSB data*). This reflects the currently fast development of computer programming and computer services.

The profit of the creative industries companies has increased by 131.7% over recent five years. In 2014, compared to 2013, the growth accounted for 12.1%. The figure proves the very fast development of the creative industries. The profit rises year by year and overall the rise is faster than that of the turnover, which suggests that the profitability of the creative industries has been rising as well. In 2014 the profit of the creative industries accounted for 92.9 mln EUR. 51.3% of the profit was earned by the companies working in the computer programming and computer services sector, 16.1% - in advertising and 15.5% in architecture. In 2014 none of the sectors demonstrated loss; consequently all subsectors of the creative industries were profitable. (*authors' calculations based on LR CSB data*).

According to the research conducted by the UK-based organization "Nesta", in 2013 the creative industries of the European Union employed 11.4 mln people, which accounts for 5% of the overall EU workforce. The highest employment rate in the creative industries was shown by the highly-developed countries, such as Sweden, Finland and UK (Nesta, 2013). The analysis of the workforce employed by the creative industries of Latvia suggests that the average number of occupied jobs increases year by year. Since 2010, this indicator has risen by 41.1%, while the average growth rate in the economy was 13.8%. Since 2014, the growth has accounted for 5.9%, while the economy average has been 1.1%. This means that increasingly more people have been working in the creative industries year by year and the number of the employees has been growing much faster than in the economy as a whole.

In 2015 in the creative industries, there were 61,580 occupied jobs, which accounts for 7% of all the occupied jobs. The biggest amount of occupied jobs was in the computer programming and computer service sectors – 28.6%, in arts and culture institutions – 24.9%, architecture – 14.8% (*authors' calculations based on LR CSB data*). However, the average rate of vacancies in the creative industries accounted for 0.3% in 2015, which is twice less than in the economy of Latvia as a whole (0.6%), and constituted 3.9 % of all vacancies in the country. This means that jobs in the creative industries are almost 100% occupied. Research suggests that the lack of forecast qualified workforce in the nearest years will be one of the main obstacles for the development of the creative industries, particularly so in the area of ICT, project management and design. Moreover, taking into account that creative industries are the ones that introduce innovations in order to provide for the adjustment to change and innovations among the workforce of the industry as well as corporate management a constant improvement of the professional qualifications

and educational level is needed (SIA “Baltijas Konsultācijas” and SIA “Konsorts”, 2013).

In 2015, the biggest ratio of occupied jobs in creative industries was in Riga Planning region 80.3%, which suggests a high concentration of the sector in the capital. The business in the creative industries is extremely monocentric. This trend can be seen all over the world – creative industries are not evenly distributed across countries, but rather form clusters that concentrate in individual regions (Dong *et al.*, 2015).

Table 1. Average gross salary per month in creative industries in Latvia by economic activity in 2015 (EUR)

No.	Sector	Average gross salary per month, EUR
1	Art, culture institutions	673
2	Design, photographic services, translation and interpreting	735
3	Economy as a whole	818
4	Printing and reproduction of recorded media	823
5	Publishing activities	826
6	Architecture	942
7	Creative industries	990
8	Advertising	1028
9	Motion pictures, television, music, radio	1054
10	Computer programming, computer services	1389

Source: authors' calculations based on LR CSB data

The average gross monthly salary of the employees in the examined industries calculated by taking into account the proportion of the occupied jobs in each of the creative industries subsectors accounted for 990 EUR in 2015. The gross salary is by 21% higher than the average gross salary in Latvia, which accounted for 818 EUR (Table 1).

The situation differs across subsectors. The highest salary is paid in the computer programming and computer services sector – 1,389 EUR, which is by 69.9% more than in the economy as a whole. This can be explained by the topicality of the sector and specific knowledge needed in the job. The lowest salary is in art and culture institutions –17.7% below the average. This can be explained by the large number of the staff not directly involved in producing the creative product (for example, ticket inspectors, and security staff in culture institutions).

Table 2. *Export by creative industries of Latvia in 2010 and 2015 (thousand EUR)*

Sector	Export 2010 (thousand EUR)	Proportion in creative industries 2010	Export 2015 (thousand EUR)	Proportion in creative industries 2015	Increase/decrease 2015/2010, %
Printing and reproduction of recorded media	52,725	79.0%	104,399	76.9%	98.0
Publishing activities	3,212	4.8%	1,139	0.8%	-64.5
Motion pictures, television, music, radio	169	0.3%	17	0.0%	-89.9
Computer programming and computer services	3,112	4.7%	15,098	11.1%	385.2
Architecture	976	1.5%	6,179	4.6%	533.1
Advertising	1,830	2.7%	4,488	3.3%	145.2
Design, photographic services, translation and interpreting	2,696	4.0%	2,340	1.7%	-13.2
Art, culture institutions	1,988	3.0%	2,046	1.5%	2.9
Creative industries total	66,708	100.0%	135,706	100.0%	103.4
Total	6,680,220	-	10,371,537	-	55.3

Source: authors' calculations based on LR CSB data

The analysis of the export indicators leads to the conclusion that in 2015 the creative industries export accounted for 135,706 thousand EUR, which is 1.3% of the total export volume of Latvia. In 2010 the proportion was 1 % (Table 2).

The biggest exporters are printing and reproduction of recorded media, computer programming and computer services as well as architecture sectors. Since 2010 the export of the creative industries has grown by 103.4%, which is by 48.1% more than that of the total export growth of Latvian companies (55.3%). The biggest export growth was seen in architecture – 533.1% and computer programming and computer services – by 385.2%, a decrease in exports was observed in the motion picture, television, music and radio sector as well as publishing activities, design, photographic services, translation and interpreting.

It is important to note that these data do not include the fashion industry designer-created export as this economic activity is not isolated by NACE classification, but rather is included under the textile manufacturing, clothing manufacturing and

leather manufacturing sectors, the inclusion of which in the analysis would lead to analysing mass production, which is not directly connected with creativity. These data would significantly influence the volume of export; however, they would not be connected with the creative activities of humans. Similarly, many services that are provided as indirect export are not represented in the official statistics on export. As an example the case of souvenirs individually made by Latvian artisans are sold to tourists who take the product abroad.

In general, the data suggest that although the export in creative industries is rapidly growing, the companies themselves are not particularly active in export markets. This is because in creative industries there are mostly small companies with limited export capacity. According to the EU research, there is a lack of coordinated and suitable export support events on behalf of the government, public institutions as well as international cooperation as financing is mostly focused on the national market. Small companies find it difficult to found and maintain international contacts. The teaching and training of knowledge and skills needed for export is insufficient, the same concerns the budget and qualifications needed for export (EU Working Group, 2014). However, it must be admitted that the proportion of export growth in the creative industries has low influence on the creative sector of the country.

In 2013, (the last data available from CSB) the total added value accounted for 1,342,718 thousand EUR, which is 6.6% of the total added value of Latvian enterprises. In 2013 the added value per employee (or occupied jobs) in the economy as a whole was 23.4 thousand EUR, however in creative industries – 24.5 thousand EUR. This means that the average added value per employee in the creative industries was by 4.8% higher than in Latvia as a whole (authors' calculations based on LR CSB data).

The analysis of the situation of the eight creative industry groups classified by economic activity shows that the creative industries represent 8.5% of Latvian companies and employees of the creative industries form 7% of all the occupied jobs in the country, they account for just 3.7% of the turnover in Latvia, 6.6% of the added value and 1.3% of the country export; the employees of the creative industries in average earn by 21% more than the country average. Disregarding the small market share, the number of the creative industries companies is growing much faster than the average rate of the country. The same concerns the turnover, number of employees, profit and export of creative industries, all of which are growing faster than in the economy as a whole. In 2014 all subsectors of the creative industries were profitable. The biggest proportion among creative industries in terms of the number of enterprises, turnover, turnover growth, profit and the number of employees is represented by computer programming and computer services sector and the employees of this sector earn the most. This suggests the particular topicality and competitiveness of the computer programming and computer services sector.

5. Development Opportunities in the Creative Industries Enterprises

Within the research an individual survey was carried out among the creative industries companies asking them to complete questionnaires. To find out the company representatives' opinions about development opportunities several questions were asked concerning the creative environment and stimulation of creativity – whether the companies stimulate creativity and, consequently, innovation, as a source of competitive advantage and a possibility for raising their efficiency. Within the survey the attitude and practice of the companies in the application of efficiency methodology was assessed. In order to establish the relation between the application of the efficiency methodology and turnover growth, the representatives were asked to assess if the company has experienced turnover growth within recent 3 years. The goal was to evaluate if the companies used additional support possibilities that could enhance their performance, the representatives were asked to assess how often their company had practically used various possibilities for product promotion, development or support.

Among the participants of the survey, there were employees of various creative industries enterprises. Most of them or 29.4% represented design, photographic services, translation, and interpreting sector. In 15.4% the economic activity of the companies was connected with the work of art and culture institutions, 13.2% represented artisanship, 12.5% - architecture. 7.4% of the respondents were connected with computer programming and computer services sector. Most of the respondents (48.5% or 66 representatives) had worked in their companies for more than 7 years at the moment of completing the survey. 32 of the respondents had worked for 4 – 7 years, 31 – 1 – 3 years and 7 respondents for up to a year. The turnover of the examined companies differed. 14.4% of the respondents represented very small companies with the turnover of less than 5 thousand EUR per year. In these companies most often the owner or economic operator also is the only employee. In 16.7% of the enterprises, the turnover exceeded 500 thousand EUR per year.

For raising efficiency and facilitating development the creative industries companies must enhance namely the creative approaches in designing the product as well as promoting it. Majority or 60.3% of respondents fully agreed that the employees in their company openly share their creative ideas with others and only 2.9% fully disagreed to that. This facilitates the development of new and creative ideas because the employees supplement each other. Similarly, 72.1% fully or partly agreed that their company actively used the opportunities offered by ICT (social networks, web page, etc.) for promoting their product/service. This is one of the most important ways of product promotion and communication nowadays and more intensive communication between the consumers and creators of a product makes the content better adjusted to the user needs thus facilitating its development.

The companies have different cooperation patterns with distributors – 30.9% marked that they would rather not cooperate and 37.5% do promote their product with a help of distributors. The distributors may both copy or promote the creative product in the market. Each company has to assess the risk presented by distributors individually. It is important to note that the majority of respondents (61.8%) had indicated the growth of turnover in recent three years, which complies with the market trends.

In order to evaluate if the creative companies use additional development opportunities by promoting their product in new markets and facilitating contacts with their cooperation partners, the respondents were asked to evaluate in scale from 1 to 5 (where 1 – never, and 5 – regularly) how often their company practically applies various methods for promoting their product. The results suggest that the companies rather regularly use various Internet communication platforms (78.7% - assessment from 3 to 5, median - 4), participate in exhibitions, conferences and other thematic events of the industry (66.2% - assessment from 3 to 5, median - 3), associations (58.1% - assessment from 3 to 5, median - 3) and cooperate in groups with other business people (65.4% assessment from 3 to 5, median - 3). The data are not particularly high; however the available opportunities are used. Particular attention must be paid to the opportunities that in most cases are not used, such as the funding from EU or state institutions (50% have never used it and 17.6 % have almost never used it, median - 1), consultations from state institutions (36.8% have never used it and 25.7% had almost never used it, median - 2), cooperation with the academic sector (44.1% have never cooperated and 18.4% almost never, median - 2), business incubators (69.9% have never used them and 8.8% have almost never used them, median - 1), support initiative to private businesses (51.5% - never and 9.6% almost never, median - 1), offers of creative industries education programmes (33.8% - never and 16.2% - almost never, median - 2). The results suggest that many development support opportunities are not used.

To understand the connection between the lengths of the company operation, growth of its turnover and its size Pearson correlation ratio was calculated between these indicators and the statements in the survey questions about the improvement methods of the creative environment in the enterprise, product development, methods of improving efficiency and using of the support opportunities. Overall, the relations in the research are not close; this means that the provided answers to the statements have no close correlation with the company size and turnover. However, it was found that there is a negative relationship between the company length of operation and introduction of innovations over the recent 12 months, i.e. the bigger the company and its length of operation, the less it was marked that the company has introduced any innovations of the product over the recent year. The correlation ratio $R = -0.201$, where the correlation ratio is statistically relevant with the probability $p = 0.981$ or the level of significance $\alpha = 0.019$.

There are similar results for the connection between the size of the company turnover and introduction of product innovations. These results confirm that smaller companies have a bigger tendency to innovate. There is a weak positive correlation between the turnover growth and introducing product innovations. Moreover, there is a bigger correlation in the connection between the process innovations and turnover growth. This means that the introduction of new methods of work has more influence on the turnover growth. The analyses of the correlation among the very statements themselves suggests a bigger connection, which is significant, between the statements that the work environment is provided that facilitates creativity and new ideas and that there is time set aside for the employees for improving the process of work. Correlation ratio $R=0.578$, where the correlation ratio is statistically relevant with probability $p = 1$ or the relevance level $\alpha = 0.000$. This means that there is a relatively close positive correlation between these statements and the companies that stimulate the creative environment have a bigger tendency to allocate time for improvements. There is a relatively close positive correlation between allocated a special time for improvements and open sharing of creative ideas.

This means that in the companies where the time has been planned for improvements there is a bigger trend to share ideas and vice versa. In average, a relatively close correlation also exists between providing for a creative working environment and sharing of creative ideas among employees. The correlation ratio $R=0.460$, where the correlation ratio is statistically relevant with likelihood $p = 1$ or the level of significance $\alpha = 0.000$. This means that the creative environment in the company has a positive impact of sharing ideas among employees, which leads to the development of innovations. A rather close positive correlation exists also between the provision for a creative working environment and permanent work on reducing the costs and imperfections.

Overall, the majority of respondents consider the possibilities for improving their work and were interested in the results of the research. The representatives of the creative industries are aware of the significance of creativity but have no unanimous opinion on training creativity or the coordination and control of the creative process. Most respondents believe that the offering of the state educational programmes in their respective field does not match the market needs and the information on the specific issues in their sectors is not widely available. The small companies find it difficult to understand the regulatory requirements imposed by the state institutions. There the legislature and sector ministries must work on simplifying them or develop measures that are related to providing informative support to the representatives of the creative industries.

6. Conclusions, Proposals, Recommendations

The significance of creativity in the development of economy and business has been highlighted in recent years. It is considered to be the driving force of economic growth and one of the main competitive advantages and basis of innovation.

Creative industries comprise the sectors that primarily contribute through their creativity and intellectual property. They stand out among the rest because their produce comprises economic, symbolic, entertainment and aesthetic values, and the product design value can differ significantly from its use value.

Limited access to data, the complicated composition of the creative industries and incomplete methodology present problems in analysing the creative industries and make it complicated to carry out precise calculations regarding the proportions of each sector in the economy.

LR CSB has to consider the possibility of summarizing separate data on the creative industries in order to enable the comparison and analysis of the performance of the creative industries in Latvia and EU and take over the best practice of EU for developing these sectors in Latvia.

Most creative industries companies have introduced product and process innovations over the recent year, business people have been actively working on reducing costs and losses by particularly focusing on the customer, their needs and the final product, but less on the internal working processes.

The growth of the turnover in the creative industries companies is positively influenced by the use of the additional development opportunities: cooperation with distributors, active use of ICT as well as initiatives supporting private business, business incubators, and cooperation with other enterprises, which companies should look more into.

In order to provide for a focused and targeted development of ideas in the creative industries enterprises, their performance and export capacity, the Ministries of Culture and Economy of the Republic of Latvia must consider designing a joint development and support programme targeted namely at small enterprises.

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