

THE IMPORTANCE OF SUPPORTING THE BUSINESS ACTIVITIES OF CREATIVE INDUSTRIES

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Abstract: The legislative environment governing advertising agencies is of great importance to the development of the advertising agency sector as a part of creative industry. The legislation implies both opportunities and threats to their line of business. This sector is specific by the necessity of creative potential. This is associated with barriers to entry the market and acting in this sector as well. Cultural and creative enterprises are not only innovative themselves in an above average way, they also trigger innovations in other sectors due to their marked tendency to cooperate with others. Creativity is a vital asset for innovation because innovation essentially involves the successful application of creative ideas. The paper describes the largest problems of advertising agencies operating in the Slovak Republic. Describes initiatives promoting the sector and defines the specificity of the sector as well. Paper also presents the research results connected to supportive environment, which advertising agencies currently surrounds. Finally, the manuscript describes proposals to improve the current state in the area of the advertising agencies connected to business support of the advertising agencies in the Slovak Republic and mainly the importance of supporting these business activities in this creative industry. As findings shown, legislation and policy makers should rebalance the current state of support in the creative industries and try to transfer the value that favors intermediaries, mainly advertising industry in order to sustain the economy of cultural industries. Creative talent is a very value-added component of the creative industries. The creative community is the engine of innovation and can be defined as the important element for further sustainable development. Creative industries need supportive legal frameworks that protect the rights of creators and secure fair consideration, to boost economic growth and job creation at national level.

Keywords: creative industry; advertising market; advertising agency; creativity.

JEL Classification: L82, O31, Z11.

1. Introduction

Cultural products carry strong symbolic value which is determined by the social and cultural meanings associated with it that allow consumers to express individual and social identity via the purchase and use of the product Horng et al. (2015). In recent years, culture and creative industries play an important part in the national development policies in many countries. Culture or creative industry can be both high-tech and high-touch, highly creative and with potentials in economic development Eikhof and Hauschild (2007), Čorejova and Al Kassiri (2016).

Cultural and creative enterprises are not only innovative themselves in an above average way, they also trigger innovations in other sectors due to their marked tendency to cooperate with others. A large number of small enterprises and a high proportion of the self-employed

characterize the market segments of cultural and creative industries; cooperation is, therefore, vital for companies' success. Creative actors tend to operate in networks and maintain close collaborative relationships with suppliers, customers or partners. Creativity is a vital asset for innovation because innovation essentially involves the successful application of creative ideas. As a result, countries have begun to link the creative industries directly to innovation policy Dervojedna et al. (2013).

Many policies related to the creative industries have been oriented towards supporting key sectors of content development. Networks and clusters in creative industries networks are vital sources of innovation. Creative industries networks also play a key role in linking local and regional places into national and global circuits of information and resources. The places where network connections converge and concentrations of creative industries are found, are usually referred to clusters. Clusters have become more important to the new economy, not just as physical locations, but also as nodes in knowledge networks OECD (2014), Štofková and Repková (2010), Čorejova & Rostašova (2016).

2. Literature review

Findings support the necessity to calibrate economic policies to balance the influence of contexts on entrepreneurship development. Porffio et al. (2016).

The creation of new firms occurs as a context-dependent, economic, and social process. The dynamics of this creation are very dependent on the entrepreneurs' attitudes towards critical factors Chaston & Sadler-Smith (2012) and also on the conditions they need to grow and prosper. Knowledge about the context where industries and entrepreneurial ventures develop is crucial to understanding what is the phenomenon of the development of culture and creative industries. TERA (2014).

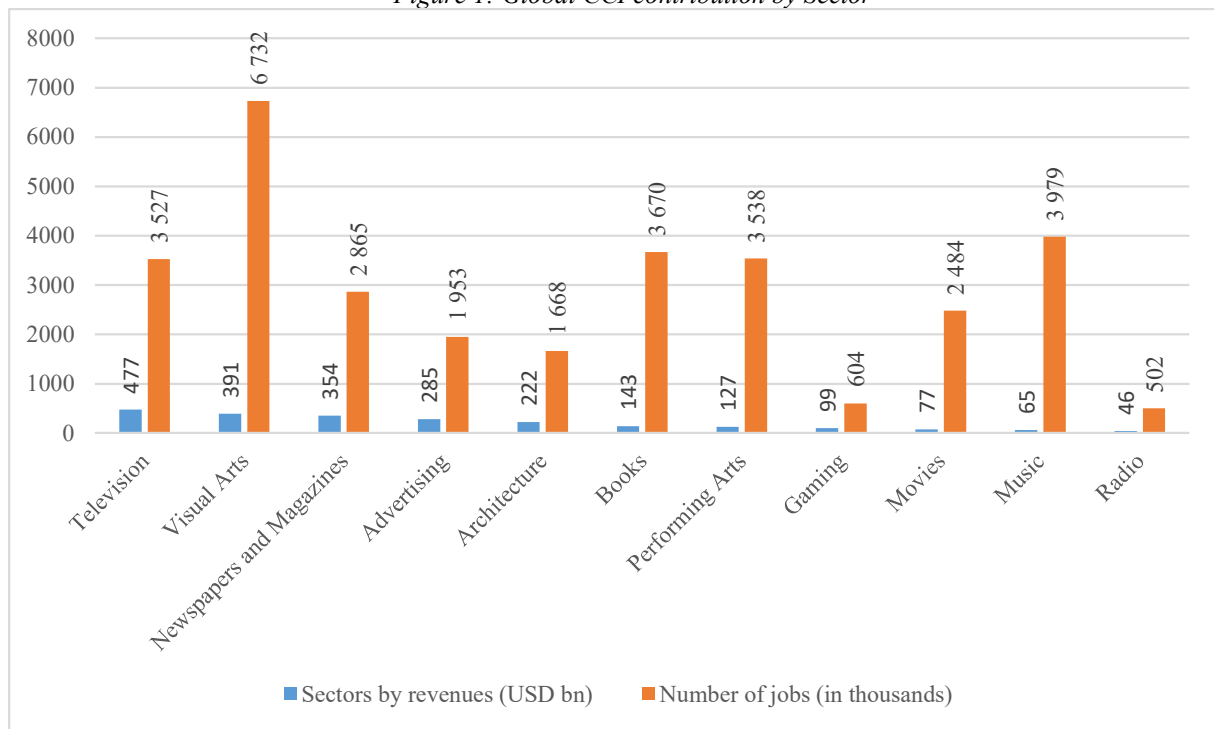
The literature explains job creation through entrepreneurship in general by studying its relations with several independent variables: education Block et al. (2013), the culture regarding risk tolerance and power distance Block et al. (2013), Fernandez & Romero (2014), Sambharya & Musteen (2014), individuals' perception of personal expectations and probable outcomes, life experiences for the discovery of opportunity Venkataraman (1997), prior knowledge for opportunity recognition Cohen & Levinthal (1990), knowledge of specific markets Colombier and Masclet (2008), Román et al. (2011), and embeddedness through social networking Farashah (2015).

This paper focuses mainly on the influence in the context of the development of entrepreneurship in creative industries. According to Daubaraitė and Startienė (2015), the most important areas of national economy under the influence of creative industries fall into following groups: fighting unemployment, part in GDP, foreign trade. As literature analysis suggests, creative industries foster the creation of new jobs, help to increase turnovers in the creative industry and creative industry-related enterprises and its contribution to GDP, as well as promote exports. In the UK, the motivational aspects of entrepreneurship have a close relation with the creation of jobs. The greater the market's maturity, the stronger are the benefits that entrepreneurs get from using other creative industries from the regional community to obtain human resources and to improve market access TERA (2014).

3. Impact of creative industry on national economy

Conducted by Ernst & Young and jointly presented by UNESCO and the International Confederation of Authors and Composers Societies (CISAC), the CISAC study analyzed 11 cultural and creative sectors in Europe, North America, Latin America, Africa, the Middle East and the South Pacific region. Fig. 1 presents the Global CCI (cultural and creative industry) contribution by Sector. As can be seen in Fig. 1, the highest revenues are reached in the media sector, mainly television (477 bn US), the lowest revenues are reached in media sector as well (radio with 46 bn US). Visual Arts provides the highest number of jobs.

Figure 1: Global CCI contribution by Sector



Source: World Economic Forum

Creative industries generated 29.5 million jobs, which employ about 1% of the world's active population. The top three employers are visual arts (6.73 million employees), books (3.67 million) and music (3.98 million). Creative industries also employ more people than the automotive industry in the United States, Europe and Japan combined.

Tab. 1 shows the top 10 developed countries in terms of exports of creative goods in 2012. The United States ranked first due to its competitive position in design, which saw exports increased from \$6.2 billion in 2003 to \$15.3 billion in 2012. This included exports of jewellery, interior and fashion design. Demand for gold jewellery added \$70 billion to the global economy in 2012 and accounted for nearly one-half of global demand for gold.

Table 1: Creative goods: Top 10 exporters among developed economies 2012

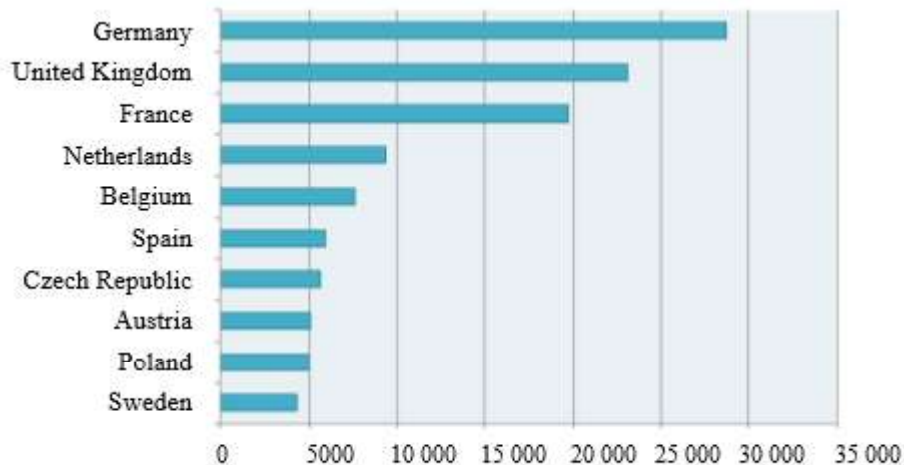
Rank	Exporter	Value (in millions of USD) (2012)	Market share	Growth rate (%)
1.	United States	37 844	7,9	8,5
2.	Germany	28 719	6,1	7,0
3.	United Kingdom	23 083	4,9	3,6
4.	France	19 774	4,2	7,4
5.	Switzerland	13 073	2,8	10,5
6.	Netherlands	9 395	2,0	8,7

7.	Japan	7 721	1,6	9,9
8.	Belgium	7 611	1,6	1,6
9.	Canada	6 254	1,3	-5,6
10.	Spain	5 922	1,2	2,4

Source: UNCTAD Global database on creative economy

For the comparison, Fig. 2 shows the top 10 exporters of creative goods from the EU 27 countries in 2012.

Figure 2: Top 10 exporters of creative goods from EU 27 in 2012 (in millions of \$)



Source: UNCTAD Global database on creative economy

The Creative industry performance of the Slovak republic can be seen in Tab. 2 and Fig.3 a and b.

Table 2: The Slovak creative industries performance

Slovakia	2003			2012		
	Value (in Million USD)			Value (in Million USD)		
	Exports	Imports	Balance	Exports	Imports	Balance
All Creative Industries	667,75	614,94	52,81	1354,15	1423,64	69,50
All Creative Goods	515,35	419,69	95,66	1288,55	1230,21	58,34
All Creative Services	152,39	195,25	42,96	65,60	193,44	127,84

Source: UNCTAD Global database on creative economy

Figure 3a: Creative goods import

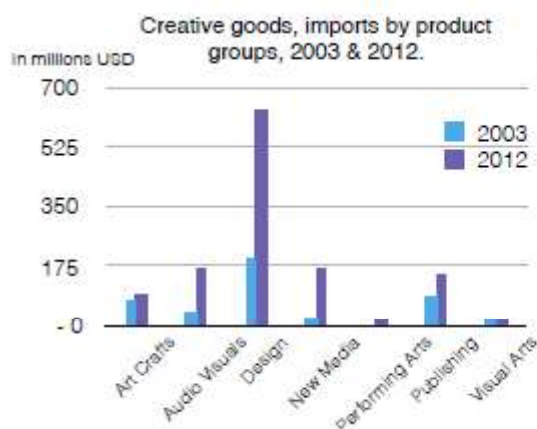
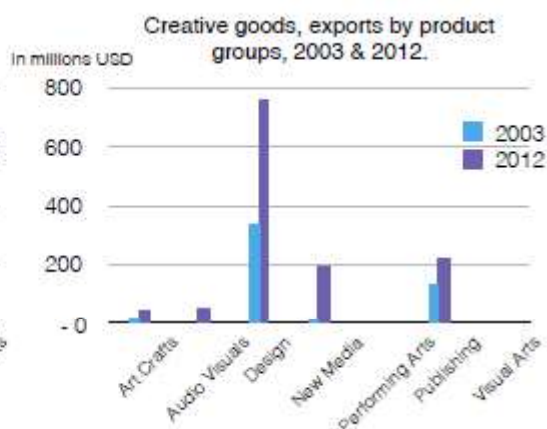


Figure 3b: Creative goods exports



Source: UNCTAD Global database on creative economy

The Slovak Republic exported 89% of creative goods in 2003 to Europe, 9% to Africa, 1% to Asia. In 2012, this export increased to 95 % in Europe, decreased to 2% in Africa and

increased to 2 % in Asia. As written before, Slovakia's main destination market for creative goods is Europe of the total market share, followed by Czech Republic, Germany, Hungary, Poland and Austria (Tab. 3).

Table 3: Top 10 exports partners of Slovak republic for creative goods in 2003 in comparison with 2012

Rank	Country	2003			2012			
		Value (in Million USD)			Value (in Million USD)			
		Exports	Imports	Balance	Country	Exports	Imports	Balance
1.	Germany	146,34	78,66	67,68	Czech Republic	261,29	148,92	112,37
2.	Czech Republic	68,77	84,54	15,78	Germany	242,26	118,67	123,59
3.	United States	33,80	5,90	27,91	Hungary	135,27	13,52	121,76
4.	Italy	25,83	41,79	15,95	Poland	100,61	64,54	36,06
5.	France	24,96	14,76	10,20	Austria	80,92	29,56	51,37
6.	Russian Federation	24,70	1,79	22,91	Italy	61,62	28,65	32,97
7.	United Kingdom	24,14	11,05	13,12	Fance	57,45	11,17	46,28
8.	Austria	23,61	23,52	0,10	United Kingdom	51,09	64,76	13,67
9.	Poland	22,22	31,28	9,06	Sweden	34,98	4,50	30,48
10.	Netherlands	18,68	5,79	12,89	Netherlands	28,07	7,59	30,47

Source: UNCTAD Global database on creative economy

4. Methodology

The paper research the possibilities of promoting entrepreneurship in the area of creative industry, especially in the field of advertising agencies. The main research question was to find out what are the main barriers preventing greater business development in the field of advertising agencies, after that, if from advertising agency point of view, is the business support sufficient in this industry.

Table 4: Researched Agencies and Associations

Year of Establishment	Number	
1990 - 1993	11	Advertising agencies
2011 - 2013	9	
1993	1	Association

Source: Author

There have been two approaches used to fulfill the research objectives:

Primary research - analysis of primary information and data about the qualitative aspects of the advertising industry, in particular the operation of advertising agencies and business support in the industry. There have been personal interviews in selected advertising agencies and in the the Club of advertising agencies Slovakia (KRAS) in the period from February 2015 to May 2016 realized. In general, there have been 21 interviews realized in this research. (Tab. 4). The reason for the interview was the necessity to get to know the views and experiences of respondents in this creative industry. Despite the set interview scenario should interview in all cases have free course, which reflects the respondent's freedom of expressing his will and in articulating his position on an issue.

Secondary research - analysis of the data existing. The primary base for secondary research consisted of the publications, initiatives, legislation dealing with issues of legislation support to entrepreneurship in the creative industry.

5. Results

5.1 Promoting business activities in the area of advertising

The business activities in the area of advertising in the Slovak Republic is governed by a number of legislative amendments and numerous of associations and initiatives. The key legislation, but not the most important for this sector is primarily the Act. 185/2015 Coll. Copyright Act, which regulates the much-debated area of intellectual property (Tab. 4).

Table 4: Key initiatives in the area of advertising

Associations and initiatives	Legislation
<p>The Slovak Advertising Standard Council (SASC) - the Council was formed mainly because of the need to create a standard functioning body for ethics self-regulation as is common in developed countries. The Slovak Advertising Standards Council defines its main goal as the codification and updating of a formal set of Ethical Principles of Advertising Practise in Slovakia, application of these principles in society and monitoring of ethics in advertising.</p>	<p>Law no. 147/2001 Coll. advertising Law no. 185/2015 Coll copyright Act Law no. 444/2002 Coll. – Act on Design Law no. 506/2009 Law on Trademarks Law no. 308/2000 Coll. On Broadcasting and Retransmission Law no. 428/2002 Coll. Privacy Statement Law no. 250/2007 Coll. Consumer Protection</p>
<p>The Club of advertising agencies Slovakia (KRAS) - is the primary organization which chooses those of its members who are the most successful and most productive advertising agencies currently acting in the Slovak market. The principal mission of KRAS is to increase the level of Slovak advertising and marketing communication in a way so that it becomes an inseparable part, and a permanent contribution of our market economy. KRAS has been a full member of The European Association of Communications Agencies (EACA) since 1993, which currently has its seat in Brussels.</p>	<p>Building Act. 50/1976 Coll. Provisions on outside advertising Act. 343/2007 on the conditions of registration, public distribution and storage of audiovisual works, multimedia works and sound recordings of artistic performances and on amending some laws (Audiovisual Act), Act no. 270/1995 Coll. on the State Language of the Slovak Republic, the Code of Ethics established by the Slovak Advertising Standard council</p>
<p>ADC Slovakia - Art Directors Club is a platform for the creative professionals in advertising, in order to shape the relevant views on the level of the creativity in the Slovak advertising campaigns.</p>	
<p>Slovak Association of Research Agencies (SAVA) - Slovak Association of Research Agencies is a selective association of individual agencies dealing with market research and public opinion.</p>	

Source: Author

5.2 Current support and related issues

The research results revealed not only information on the stage of the support of entrepreneurship in the sector of advertising but also describes the related problems in this sector. The main problems could be divided into legislation, economic and process problems.

Legislation: The biggest legislation problems in the area of advertising agencies is an intellectual property protection. The critical period ended by the year 2000, when the legislation did not adequately address the issues related to the intellectual property rights and protection.

At this time with no exception, if the client "took over" the marketing communication idea from the advertising agency, after that altered it and used it for own purpose. The main problem was, that the advertising agencies behave the same way. Even when this phenomenon is not an exceptional border nowadays, positive fact is, that legislation, mainly the protection of intellectual property is treated tending to promote the protection of intellectual property rights. The gradual improvement in the state also contributed greater cooperation of The Slovak Advertising Standard Council and creators of the former Law no. 618/2003 on copyright and rights related to copyright (the Copyright Act), resulting in the Copyright Act. no. 185/2015 providing greater protection to advertising agencies and their intellectual property rights.

Most of researched advertising agencies have criticized the legislation governing the action of advertising agencies in the Slovak Republic greatly. These advertising agencies rated it as a very complicated and chaotic. The main reason can be a discrepancy between the number of annual adjustments of the specific law not corresponding with the development of creative industries.

Economic: The main economic problems of advertising agencies are derived from the economic crisis reflected in the client's demand. The main problem is, that advertising agencies are struggling with high client expectations, who require low marketing communication budget contract. For this reason, an advertising agency may subsequently have existential problems that will affect further development.

Process: There operates a large number of small advertising agencies in the Slovak advertising market. Advertising agencies focus mainly on a particular market segment. There is not a large number of the full-service advertising agencies, operating in the national market. Based on data from the Statistical Office of the Slovak Republic in 2016, 64% of newly established advertising agencies, were advertising agencies which by specializing achieve economies of scale, resulting in decreasing number of full-service advertising agencies. The problem occurs when the client uses to carry out its orders several advertising agencies for the implementation of sub-contract action and is not able to manage all the activities, resulting in inability of the client to realize the order.

As the biggest problem of today, we could consider the relationship between the client and the advertising agency. This problem arises mainly in the part of supply chain, where the client chooses advertising agency. Tenders, respectively competition that take place in the Slovak Republic do not have established rules how to proceed, and therefore each advertising agency carries out this more or less spontaneously.

This means that there is no standardized system of tenders, which would legally regulate the relationship between advertising agency and its client. An appropriate solution would be a draft recommendation on the selection process when a client need to choose an advertising agency, which would not limit the activity of an advertising agency and its client at the free market. Currently the Club of Advertising Agencies Slovakia (KRAS) as an organization supporting advertising agencies, client relationship wants to solve this situation.

This initiative mentioned above will be built on the activity called "Fair Tender" carried out by the Association of Communication Agencies (AKA) based in the Czech Republic, which has created nine principles as fairness "tender" agency. It is an initiative created by the AKA and its section of Digital Agency, which aims is to eliminate unnecessary tenders, increase trust between the client and the advertising agency and sets clear rules under which both parties will benefit. The main principles are: 1. Tender only when needed. 2. A reasonable number of advertising agencies at the market. 3. The budget is not secret. 4. Enough time and clear time

schedule. 5. Good team management. 6. A clear evaluation criteria and feedback. 7. Participation of responsible person. 8. Not bother with useless matters. 9. The requirement of exclusivity is not automatic.

Figure 4: The problem relevance of the advertising agencies



Source: Author

A large number of advertising agencies and downward pressure on the price of the marketing communication makes it difficult to maintain the quality of provided services. The gradual price lowering of budgets (service price) relates to subsequent advertising agency insolvency. Among other problems can be included low valuation of creative work, lack of skilled and creative staff working in an advertising agency. Fig. 4 shows the relevance of the problems on the scale when 1- means the least significant to 3 what means the most serious problem. Finally, the problem of the advertising agency includes the pricing competition as well, where the competitors in order to obtain a larger number of clients provide its services at low prices.

An interesting finding was, that the newly founded advertising agencies did not demand financial support from the state, even when some forms of enterprise in Slovak system are entitled to receive some state financial support. On the other hand, advertising agencies demand creative and smart staff.

The research results have also found very problematic cooperation with young people. Advertising agencies are willing to give the opportunity to young, creative, talented and smart people and cooperate with them, but many young people are not willing to be employed and work without the experience and with high demands on salary as well.

6. Discussion

The research shows that when the advertising agency will flexibly respond to the client requirements needs and advertising agency will provide services on time, it is expected that this will be successful requested by clients.

Based on the research findings and in cooperation with the Club of Advertising Agencies Slovakia, the author has drawn some proposals for improving the business environment in main areas.

1. **Better education of clients** and the transparency of the processes between the advertising agency and the client.
2. **Improve the environment** by the legislative changes. Legislation should be adjusted to simplify the processes, set the legal control not to be able to break the law.
3. **Disclosure the budgets**. It means that if someone declares a tender for a campaign, for example, 10 000 EUR, the advertising agency is able to consider whether it is sufficient for the agency to fit into this budget or not.
4. **Permanent feedback between the client and the advertising agency** is very important as well. If the relationship between the advertising agency and the client is long-termed

and opened, an advertising agency will be able to correct and direct the marketing communication in order to ultimately bring greater effect to the client, especially in the long term. For this reason, it is more important for the client to cooperate with the same advertising agency not only during one marketing communication campaign, but in a long run.

5. **Transparent decision making** is another criterion that can improve the business activities of an advertising agency. In any creative product supply and creative campaigns, the price cannot be the only criterion. In advertising, the price represents the ratio of price to creative performance. If the selection of an advertising agency is primarily based on the principle of the lowest bid, the decision-making process when the client evaluates the value for money and creative ideas is definitely excluded. The problem also is, when the client is not able to value/estimate/understand the level of price for the creative product and creative marketing communication.
6. It would be very helpful to **create an association** that would bring together all national advertising agencies. Even when the Club of advertising agencies Slovakia organize 10 members who serve more than 80% of the Slovak market, we have to include, that the membership in this club is optional.

7. Conclusion

According to theoretical background and research results, advertising is closely linked with economic development. Successful marketing communication can increase sales consequently profit and profitable firm means economic development. The other economic impacts of advertising on national economy can be, that creative industry of advertising:

- promote consumption,
- promote innovations,
- effective marketing communication can improve product quality and brings a contribution to national income,
- in the competitive sector of the economy, advertising promotes competition among firms,
- successful marketing communication can persuade consumers to purchase domestic brands and thus support domestic production.

For the reason of positive economic impacts of advertising on national economy mentioned above, it is very important to support the business activities not only of the advertising creative industry but all the others creative industries in the Slovak republic.

Legislation and policy makers should rebalance the current state of support in a creative industries and try to transfer the value that favors intermediaries, mainly advertising industry in order to sustain the economy of cultural industries. Creative talent is a very value-added component of the creative industries. The creative community is the engine of innovation and can be defined as the important element for further sustainable development. Creative industries need supportive legal frameworks that protect the rights of creators and secure fair consideration, to boost economic growth and creation at national level.

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