

Policy review

Policy for Fostering Entrepreneurship and Innovation in Creative Industries

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Abstract:

This policy review describes the efforts to develop an ecosystem to boost innovation in creative industries. Since the 2017 re-imposition of the US-led sanctions on Iran, creative industries in the country emerged as a competitive advantage which could help lessen reliance on foreign countries and generate revenues through self-sufficiency. Accordingly, the Iranian government has invested in creative industries ecosystem to foster entrepreneurship and innovation. This policy review briefly touches on Iran's experiences in the implementation of the policies in this regard.

Keywords: Creative Industries Policy; Creative Entrepreneurship; Innovation.

1. Introduction

Since 2017 reinstatement of US sanctions against Iran, the country has faced serious obstacles in accessing world markets which have in turn made international trade increasingly difficult. With many industries affected by sanctions restricting access to raw materials and resources, it has been understood that the country can rely on creative industries as they need no imported materials or technology. These knowledge-based industries have the potential to export technology to overseas and generate revenues.

Such industries are deeply rooted in young knowledge workers who provide the country with a competitive advantage in several areas including painting, script-writing, handcraft and so on, thanks to Iran's rich history of culture and arts. Thus, creative industry has been viewed as 'the savior industry', prompting the government to take a serious policy making approach aimed at promoting entrepreneurial activities in creative industries.

This focus shift from conventional industries to creative industries is clearly reflected via Bureau of Culture and Art Economics, a subsection of the deputy of human and resources management in Iran's Ministry of Culture and Islamic Guidance. Established in early 2018, the bureau is tasked with promoting the entrepreneurship in creative industries and facilitating the policy making process for culture and art industries. This article reviews the policies developed by this bureau.

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2. Models of Policymaking for Creative Industries

Creative industries have special characteristics that keep the policy making distinct from other industries. Hawkins (2001) characterized creative economy by two special traits: Reliance on individual creativity, and protection by intellectual property. Caves (2000: 2) presented a detailed and comprehensive definition. According to him, creative industries have seven characteristics: 1) they are experience goods that are dependent on the quality of creative workers, 2) creative workers accept lower income in trade-off for pleasure of doing their favorite job, 3) a diverse array of skills are needed to produce a complex creative good or service, 4) creative products are differentiated, 5) there is a 'star system' in the market, including superstars and special artists, 6) to produce a complex creative work, there is a need for both creative workers and regular workers, and demand is time-dependent 7) the durability of creative products require them to be protected by copyright and the payment of royalties. Doyle (2016) argues that given a lack of consensus among researchers and scholars on the meaning of the core terminology, two terms of creative industries and cultural industries are used interchangeably.

Digital revolution and decrease in the cost of content creation in digital platforms provides an opportunity for new players, such as individuals and new ventures to do entrepreneurial activities within the media and creative industries (Khajeheian, Friedrichsen & Mödinger, 2018). EU commission (2012) acknowledges the fast-changing environment triggered by digital shift and globalization, arguing that this change results in the emergence of new players, coexistence of big organizations with small and micro size entities, a progressive transformation of value chains as well as evolution in behavior and expectations of consumers (2012: 4).

Iranian government policy towards the creative industries has evolved over the past decades. There has been a periodic change in the policy regarding cultural and art works since the 1979 Islamic Revolution. Four models of creative industries proposed by Cunningham, Flew and Swift can help understand the process better.

According to Cunningham, Flew & Swift (2015), there are four approaches towards policy making for these industries. The first model considers the cultural products as 'merit goods' that must be supported by governments. In this model, the art and culture products are the goods that cannot necessarily generate enough revenue on their own and for this reason, they must be propped up by the government aid. Their justification is based on market failure, and the assumption that these products generate non-market values and promote the welfare of the society (2015: 106). This technically means that taxes collected from other industries must be spent on these industries. Therefore, in this case, there is an inverse relationship between cultural industries and other industries.

The second model is based on the assumption that cultural industries are similar to other industries, and must be dealt with in the same way. This model argues that film, cinema, music, publishing and other cultural industries have a considerable market and can generate revenues. In such a view, cultural industries are seen as competitive as other industries and accordingly, subsidy policy must be replaced with an industry policy which prepares the ground for the players of these industries to freely compete with each other as well as other industries.

The third model puts emphasis on the advantages of creative industries and argues that the success of these industries, especially in the digital sector, indicates that they enjoy a considerable lead over the many other industries and their average revenues are higher than those of the other industries. Based on such an approach, government must invest in these industries to benefit from their revenue generation potential, job creation, and economic growth.

The fourth model, that is closely related to the topic of this special issue, highlights the emerging opportunities that creative industries provide for the societies. They argue that digital disruption creates new opportunities for delivering entrepreneurial value and that is why, innovation policy must be implemented to enable creative industries to take up such emerging opportunities and create wealth, innovation, sustainable growth and entrepreneurship. Given the theme of this special issue, that is innovation and entrepreneurship in emerging markets, and the experience of implementation of innovation policy by the Iranian government, this model is used as the basis of the present policy review, though the third model is also very helpful in understanding of this experience.

Table1. Four models of the creative industries (Adapted from Cunningham, Flew & Swift, 2015)

Model	Relationship with other industries	Typical indicative content	Sub-discipline/ approach	Policy framework
1) Welfare Model	Negative	Arts, crafts, material culture, heritage	Cultural economics	Subsidy/grant
2) Competitive Model	Neutral	Cultural industries: Cinema, broadcasting, music, publishing	Neoclassical (descriptive)/political economy (critical)	Industry policy
3) Growth Model	Positive	Creative industries: digital content, new media, internet media and mobile media	Evolutionary economics	Investment policy
4) Innovation Model	Emergent		innovation economics	Innovation policy

It can be noted that from 1979 onwards, the first model was adopted in the Iranian government's policy for creative industries for a period of almost 20 years. In such view, subsidies and grants for arts, crafts and other cultural products were provided by the government. However, the tendency in the economic policies over the past 10-15 years towards entrepreneurship, evolved the policy and models of growth and innovation. As already mentioned, the special economic situation of the country has rendered the creative industries more strategic, turning it into a sector capable of generating jobs and revenues, which is not only independent of importing from international markets, but also has a potential for exports. In the next section of this policy review, the policies that have been set to foster the venture creation and employment in the creative industries are briefly touched upon.

3. Policies

Doyle (2016) argues that policy must concern the role of state in media [and creative industries] provision, as well as the desired forms of state intervention in the media and creative industries, the suitable regulatory environment for technological and market conditions, etc. Accordingly, this article seeks to review the results of the recent policies adopted by the Iranian government to support creative industries. It also sheds some light on some of the challenges and experiences in this regard.

'Policymaking is lagging behind new developments and not anticipating the future' (Van de Donk et al, 2005: 12). Khajeheian (2016) argues that the pace of technological advances is much higher than the process of regulation and drafting new laws and suggests policy making must replace regulations. He stresses that given the sluggish nature of drafting laws and regulations, technology outpaces the law-making process, rendering them obsolete. This is especially the case with disruptive technologies, where there is more vagueness as the outcomes of the new technology and the way it affects the people is not clearly known. As all aspects of the phenomenon and externalities must be taken into account during the regulation process, it is almost impossible for regulators to draft good

regulations concerning the innovation (Khajeheian, 2016). The followings are the most prominent policies that have been implemented by the Iranian government over the recent years:

Policy 1: Promotion of entrepreneurship by granting loans

Proposed by Bureau of Culture and Art Economics, a subsection of the deputy of human and resources management in Iran's Ministry of Culture and Islamic Guidance, the government has approved granting new loans for entrepreneurial activities in culture and art sectors. In a country like Iran where getting loans from banks is a relatively uphill task, such measures by the government aimed at encouraging entrepreneurs to create ventures and self-employing is seen as part of the promotional policies. These loans are offered with low-interest rates. However, surprisingly, few people have applied for these loans so far. One of the possible reasons are the transaction costs of taking such loans. The process is too long and too complicated, and prompts many of potential entrepreneurs to forsake these loans.

Policy 2: Promotion of entrepreneurship by institutional and developmental interferences

One of the policies, that is not implemented yet, but has been discussed, is to decrease the transaction cost of communication between the government and possible entrepreneurs by adding new intermediating agents. This policy, that is categorized under the institutional interferences of the government, aims to encourage creation of ventures in the cities as the facilitators of entrepreneurial activities within the local communities. The idea is that such agents will play a mentoring and coaching role for potential creative agents to get involved in entrepreneurial activities to exploit their innovations. As this policy is not implemented yet, the authors of this policy review cannot evaluate its performance and related challenges.

Policy 3: Improving intellectual properties rights

As Hawkins (2001) and Cave (2000) stressed, one important characteristic of creative industries is to be protected by property intellectual rights. Iran is one of the few countries that have not joined the Berne Convention for the Protection of Literary and Artistic Works. It has instead added new amendments to make the intellectual property law cover the rights of the creative people. However, some challenges confronting the implementation of this law against a backdrop of different interpretations and uncertainties have given rise to some concerns among the creative people, preventing them from commercialization of their innovations. The government has taken some measures including the appointment of a PhD holder in intellectual properties rights as the vice deputy of human and resources management in the Ministry of Culture and Guidance as part of efforts to improve the legislative process in this regard and also to raise public awareness about this issue.

There is also a serious challenge facing the implementation of such policies: The required infrastructure for creative industries, especially on the internet. At the time of writing this article, Iranians face a new challenge that has never been experienced in any other countries, as far as the authors know. There was an almost full internet blackout in Iran following 2019 riots when even Google was not accessible. Although, it was a temporary shutdown (16-23 November) and the internet was restored shortly after, even under normal circumstances, internet users in the country have faced two-fold restrictions on content and platforms, in the aftermath of the re-imposition of the US-led sanctions against Iran. On one hand, the government has filtered many websites and blocked access to platforms such as Facebook, Twitter, YouTube and etc.; On the other hand, access of users inside the country has been restricted by providers of universal services. For example, learning platform of Coursera.org and envato.com, a major marketplace of digital assets has blocked the access of Iranian users. Besides, the restrictions imposed on financial transactions for Iranians and strict supervision pose serious challenges to entrepreneurship and innovation in creative industries.

Digital platforms are deemed as one of the most important spaces for innovation and co-innovation in content, process, product and exchange of value among users (Van Alstyne, Parker & Choudary, 2016). These digital platforms are engines of innovations that result in complementary products and services. In fact, the network of value exchange, entrepreneurship and innovation facilitate promotion of digital platforms (Srinivasan & Venkataraman, 2018).

4. Conclusions

The new policy for promotion of entrepreneurship and innovation in Iran has been recently unveiled by the Ministry of Culture and Islamic Guidance and is underway in the country. It might be too soon to judge its effectiveness, but based on the early results it can be evaluated as slow-paced moves in a correct direction. The government has adopted the fourth model of innovation to support creative industries and concluded that the creative industries, especially the digital ones, have the potential to facilitate and accelerate the value creation and growth in GDP of the country.

Contribution of this policy review is to indicate how creative industries can help an economy that is strangled with sanctions via creating an emerging ground for innovation and entrepreneurship as the other major industries in the country are heavily affected. It also shows that this is a formidable challenge. Also, the paradigm adopted by the Iranian government which focuses on job creation instead of value creation seems to be an erroneous model. Jobs can be created by allocating a budget for every single option, but such measures fail to yield a demanding value, and simply manipulate the employment statistics. Such policy does not contribute to wealth creation and even decrease the efficiency of many workplaces by generating a surplus of the personnel. The Iranian government is highly recommended to shift the focus from job creation statistics to value creation and contribution of creative industries' employees to GDP. This is supported by the fourth model of creative industries (innovation policy), that has been presented in this article.

This review also depicts a very specific and possibly unprecedented situation. For example, two-fold impact of sanctions are very unique in this case. It shows that the creative people inside the country must struggle with internal restrictions of internet as well as sanctions banning free access to internet services. Such access instability raises the uncertainty of creative industries in Iran, and adds new risks in venture creation in creative industries.

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Biography:

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