

CREATIVE ECONOMY AS A SOURCE OF ECONOMIC GROWTH

Abstract. Despite the considerable creative and intellectual potential, development of creative industries in Ukraine tends to be slow in coming, which has a negative impact on social and economic growth in general. The objective of the article is to present the peculiarities of development and prospects of growth of creative industries in Ukraine. Economic substance was defined as the process of creation, production, and commercialisation of creative content, including determining its components such as functional creativity, cultural heritage, media and arts; peculiarities of development and dynamics of commodity circulation in international trade in creative goods in the world.

Potential of creative industries such as IT, media, architectural design, “handmade” crafts, etc. in Ukraine was studied, the approximate capacity of the respective markets and prospects for their growth were determined. A number of areas of concern related to the lack of statistical information, personnel, infrastructure, and funding of creative industries was analysed. As a result, strategic directions of cultural and economic policies were developed to support the growth of creative industries.

Key words: creative industries, post-industrial economy, cultural policy, creative potential.

JEL classification: Q17, F15.

Introduction. Creative (cultural) industries have been the driving force behind economic growth in this decade. Their development and growth have been successfully integrated as major tasks in the economic strategies in post-industrial nations, and their high economic potential is recognised by organisations such as the Council of Europe, UNCTAD, the World Bank, the OECD, etc. The EU is committed to the development of the creative economy. The European Commission’s 2014-2020 Creative Europe framework program provides for the allocation of EUR 1.46 billion (Annual..., 2018) to increase the competitiveness of creative industries.

Ukraine has strong creative and intellectual resources, which are the main prerequisites for the development of the creative sector of the economy. However, due to the lack of strategic vision and systemic changes in the social and humanitarian sectors, development of creative industries in Ukraine advances at a very modest pace. As a result, transnational mobility of cultural and creative works slows down and shapes a whole layer of untapped opportunities for social and economic growth in the national economy.

Among contemporary adherents of the creative economy are J. Howkins (Howkins, 2001) and P. Florida (Florida, 2002), who have studied the development of creative industries and their impact on social and economic transformation in cities, regions and countries on the global level. J. Jacobs (Jacobs, 1984), E. Glaeser (Glaeser, 1998), C. Landry (Landry, 2006) studied the determinants and concepts of creative cities. A number of researchers, such as J. Porfirio, T. Carillo, L. Monico (Porfirio, 2009), have focused on particular aspects of development and functioning of the creative economy and explored the development of entrepreneurship in the culture, arts, science and technology sectors of the creative industries. P. Collins and J. Cunningham (Collins, 2017) explored the

possibilities of implementation of creative business models in depressed regions.

The works of representatives of the Frankfurt School of Critical Theory such as T. Adorno and M. Horkheimer (Horkheimer, 2002) are also noteworthy as they criticise the concept of cultural industries in the middle of the 20th century. They believe that the corporations instil and control the process from above, undermining development of grassroots culture movements. In advancement of their arguments against the industrialisation of culture, the researchers give reasons for the likelihood of ethnic and cultural assimilation, blurring and further marginalisation of local identities, which may eventually lead to the loss of economic, political, and territorial sovereignty. Yet, in the contemporary context of post-industrial economies, creative industries can become a powerful addition to physical infrastructure and technical resources, actively engaging added value for those who are disengaged from the manufacturing industry.

So far, the economic science in Ukraine has not been paying much attention to the determinants, factors and strategies of development of creative (cultural) industries in the national economy, even though the creative economy is an alternative source of added value, jobs and a tool for equalising the social and economic development of regions. Therefore, the **objective of the article** is to study the peculiarities of development and prospects of creative industries in Ukraine.

Presentation of Basic Materials. The concept of the creative (cultural) industry, which is closely linked to the concepts of creative economy and creative community, became widespread at the beginning of the 21st century to designate creative industries that produce a wide range of goods and services, provide jobs to a large number of people, use digital technology, depend on innovation, and have been developing mainly in Western Europe and the United States. The

information revolution and the transition to an innovative “knowledge society”, where creative capacity and innovative thinking are the main unlimited resource, became the basic prerequisites for the development of creative economy. Today it is a driving force not only for the artists, musicians, actors, etc., but also for the manufacturing industry, business community, and management. Creative approaches ensure new unique solutions in a turbulent economic environment and fierce competition on the market. For the first time, the concept of creative industries was officially used in Australia’s new cultural policy program Creative Nation (1994), which was essentially an economic policy aimed at exploiting new opportunities for information and digital technology in the global culture.

The UNCTADstat defines creative economy as a new concept that relies on the interaction between human creativity, ideas and intellectual property, knowledge, and technology. It includes advertising, architecture, arts and crafts, design, fashion, cinema, video, photography, music, performance arts, publishing, research and development, software, computer games, electronic publications and television/radio. Together, they make an important source of both cultural and commercial values. The basic areas for the development of creative economy and cultural capital of the country are cultural heritage and performance arts. Fig. 1 shows the elements of the creative industries.

In terms of economic content, creative industries are an economic activities based on the use of knowledge, talents and ideas embodied in business models and technology to generate profit and unlock creative capacity. Creative industries combine the process of creation, production, and commercialisation of creative content, for which non-substantial and cultural nature is intrinsic. Since creative economy is the least dependent on material resources, it is the most dynamic in terms of job creation, revenue generation, and export development.

Today, a characteristic feature of the creative industries is that they develop mainly in cities, especially where the market is already saturated with consumer goods, there is a developed social sector, and the population has a high level of income. High quality of life and standards of urban service enhances economic and social dynamics, which contributes to the creation of competitive advantages over other territories. One in three EU citizens (35%) over the age of 16 takes part in cultural events at least once a year, which has a positive impact on their quality of life, according to EUROSTAT. Austria, Denmark, the United Kingdom, France, Lithuania, Latvia and Sweden – more than 50% – are the leaders in this regard. As of 2016, 8.4 million people were involved in the creative industries in the EU, i.e. 3.7% of all employed individuals. The highest rate of employed individuals is observed in Estonia (5.3%), the lowest is observed in Romania (1.6%). (EUROSTAT, 2016).



Fig. 1. Elements of creative industries
Source: based on (Creative Economy..., 2008).

The development of creative industries plays a huge role in global economic and political change. Overall, economically developed countries remain the leaders in creative industries, but the share of developing countries is growing steadily. Whereas in the 1950s, US GDP was more than 50% of global GDP, today, US GDP is approx. 25% of the global GDP. In particular, this is due to the development of creative industries in such countries as India, China, the regions of South-east Asia and Latin America (Loshkovska, 2014). Significant advances in the development of the creative economy have been made by Asia Pacific

countries, where the relevant sector generates approx. USD 740 billion in revenue (33% of the global creative product sales volume) and provides 12.7 million jobs (43% of jobs in creative industries globally) (Tursky, 2016).

One of the benefits of development of creative industries for the national economies is the ability to profit from exports, since goods and services produced in the creative economy can become objects of international trade. Fig. 2 shows the volumes of international trade in creative goods.

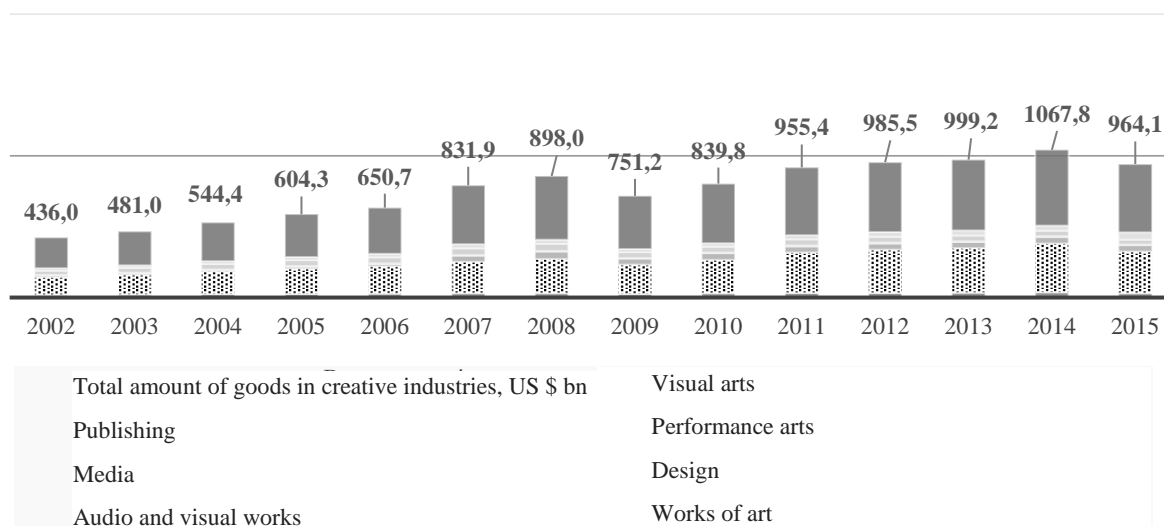


Fig. 2. Volumes of international trade in creative goods, billion of USD

Source: based on (UNCTADstat, 2018)

Fig. 1 shows that creative industries are producing more and more goods every year, and international trade is gaining momentum, with the exception of the crisis 2009. Over the period of 2002 to 2015, the total turnover increased by 2.2 times, and the largest share in its structure belongs to design.

According to the Global Creativity Index ranking (Global, 2018), Ukraine ranked 45th among 139 countries in 2015 with a score of 0.53. This integral indicator is formed based on three components:

- technology (volume of investment in R&D, volume of patents per capita and technology index), where Ukraine ranked 43rd,
- talent (creative community share in society, education level and talent index): 24th,
- tolerance (racial and ethnic minorities, sexual minorities and tolerance index): 105th. Therefore, Ukraine's major competitive advantage is the talent and creative skills of its population, while tolerance is less developed.

According to the European Business Association, as of 2016, among the 16.9 million economically active population of Ukraine, approx. 500,000 people, or 3% of labourers, are involved in the creative industries, generating approx. 5% of the country's GDP. The IT industry, which is overwhelmingly export-oriented and operates based on outsourcing fulfilling orders from

major foreign companies, is currently the leading field of creative economy. As of 2017, there were over 130,000 IT professionals in Ukraine, with the volume of software exports bringing in approx. USD 3.2 billion. In 2017, the Global Outsourcing 100 listing included 13 companies, which have their development centres located in Ukraine. This is three times more than in the previous year, and nine times more than in 2015. The technology and product start-ups are the powerful potential of the IT market, as evidenced by large-scale agreements with major transnational corporations. (All..., 2017) For instance, Google acquired the Ukrainian project Viewdle for USD 45 million in 2012, and Snapchat bought Lookserly, a start-up from Odesa, for the unprecedented USD 150 million in 2015. (How..., 2018). Thus, the dynamic nature of the development indicates that the IT industry in Ukraine can become one of the leading export-oriented industries that will generate a high-margin product and provide Ukraine with strong competitive positions in the global market. To this end, the government needs to invest in the talent, ideas and education of the population, primarily into the young generation of professionals currently in the first undergraduate stages of their professional growth, in order to develop a specific vision for future prospects within rather than outside of the country. Furthermore, it is important to

focus not only on outsourcing, but also on design of strategies for developing other market segments, such as software, computer hardware, etc.

The media market, including television, online media, production, advertising, PR, radio, film industry, and print media, is another creative economy market in Ukraine with extremely high potential. It is oriented mainly on the internal consumer, so due to difficult economic conditions in general, the volume of this market is currently close to UAH 15 billion, according to experts of the European Business Association.

Ukrainian handmade market also has significant potential; according to various estimates, 120,000 to 140,000 persons are involved there. The architectural design is gradually gaining momentum. According to the estimates of the Ministry of Regional Development, Construction, Housing and Communal Services of Ukraine, there are close to 3,700 certified architects in Ukraine. In 2016, according to the official data of the State Statistics Service (State..., 2018), construction works to the amount of UAH 73.7 billion were completed in Ukraine, of which architecture and design typically account for approx. 5%. Thus, the approximate volume of the market may amount to UAH 3.7 billion. The markets of many other sectors, which can be attributed to the creative industries, have even less capacity. In addition, currently there is a lack of information, including statistics, on the state of the creative industries, which in turn complicates the implementation of analytics and the process of development of an adequate policy of government support.

For Ukraine, the creative economy sector can become a platform for active development of small and medium business. In this context, it is necessary to focus on the main challenge faced by SMBs, namely the sources of funding and attraction of investments. In addition to direct support through preferential government lending, there must systematic policies of infrastructure development, support for projects to create public creative spaces such as hubs, hack-spaces, co-workings, anti-cafés, etc. These are the spaces for creative and talented people to communicate and present their ideas and projects. Regionally, it is important to develop cultural institutions, innovation and production, educational parks, information technology that will accelerate the involvement of the creative community in entrepreneurship. An important issue is the formation of human resources with a fundamentally new understanding of culture, creativity and their commercial component, which can satisfy the economic interests of both the individual and the government in general.

In light of Ukraine's European integration processes, it should be noted that in 2015 the EU launched a three-year Culture and Creativity program with a budget of EUR 4.2 million aimed to support and develop cultural industries in post-Soviet states (Azerbaijan, Armenia, Belarus, Georgia, Moldova, and Ukraine). Such projects create additional opportunities both for setting up production systems and

commercialising unique, authentic products of Ukrainian culture on the global markets.

One of the peculiarities of the organisation of creative activities is the involvement of a considerable amount of women's labour, which ensures the implementation of gender equality policies. The share of self-employed women in the creative industries is several times higher than in the economy in general: in particular, in Germany, these rates amount to 44% (in the creative sector) and 7% (in the economy in general), respectively (Sondermann, 2009).

The framework for the support and development of creative industries should be the result of the joint work of two agencies:

a) the Ministry of Culture, which should be in charge of establishing the new goals and approaches for the development of culture in synergy with other industries, implement best practices of arts education, cultural heritage branding and design of attractive spaces, etc.;

b) the Ministry for Development of Economy, Trade and Agriculture, which should focus on creation of favourable environment for stimulation of innovation, development of business support services with respect to creative economy, improvement of their skills and competences necessary for participation in international trade. The development of creative industries in Ukraine can be one of the determinants of the transition to a post-industrial and highly intellectual economic way of life. Along with improving the quality of life of the population and equalising the social and economic development of the regions, there is an opportunity for cultural expansion and the use of the nation's enormous creative potential for self-presentation of the country in the global market.

Conclusion.

1. The purpose of creative industries is the use of knowledge, talents, and ideas embodied in business models and technology for profit. They create the most dynamic economic sector in terms of job creation, revenue generation, and export development. International trade in goods and services of the creative economy also develop rapidly.

2. The talent and creative abilities of the population are the greatest competitive advantage and unlimited resource for the development of creative industries in Ukraine. IT, media, handmade, architectural design and other markets have considerable economic potential.

3. In order to be able to actualise their key competences and ensure overall economic growth the creative industries require, firstly, the implementation of a new cultural policy format, and secondly, the implementation of a comprehensive government support program aimed at infrastructure development, financial, and information support for small- and medium-sized businesses.

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MARKET MULTIPLE "ENTERPRISE VALUE/APPRaised BRAND VALUE" QUANTITATIVE DETERMINATION AND ITS COMPONENTS CROSS-CORRELATION RELATIONSHIP ANALYSIS

Summary. “Enterprise value/Appraised Brand value” market multiple use possibilities in applied econometrics field, or rather in assets independent valuation/appraising, are educed and analyzed. Methodology and quantitative indexes of that multiple are offered and obtained on the concrete example of brand name valuation. It is set that such special intangible assets, as brand name and goodwill, are able to change their value characteristics in both directions and change the annual depreciation/obsolescence sign during the separate periods of economic life, made it positive or negative. Obtained quantitative indexes of “Enterprise value/Brand name value” market multiple are analyzed and interpretation of these results is executed. This multiple high sensitivity to the influence of market value changes sources for this class of researched intangible assets is set. It is educed that there is close high-density statistical relationship between the appraised trademark value indexes and enterprise market value. It is showed that at brand appraising/valuation procedure is not recommended to apply any accounting book-keeping amortization indexes, as they are not the reliable indicator of factual depreciation/obsolescence. It is educed that for these types of intangible assets researched depreciation/obsolescence mainly depends on their advertizing and information support, which are measured by associated cash flows expenses, invested by owner in its development. It is set that during the period of brand existence a multiple change of its depreciation/obsolescence sign on the separate time periods is possible. For brand it depends on sufficient informative and advertisement support implementation, that’s why these price-