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REPORT



Creative and cultural industries and global production network approaches so far

A brief review of the literature and its relevance for the creative and cultural industries

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1. Europe: a global powerhouse of creative and cultural industries

Europe has a unique diverse tapestry of creative and cultural industries or CCIs (cf. Sassoon, 2006; European Commission, 2017). It draws on a legacy of political (even city states), social (both landed aristocracy and urban-based bourgeoisie), economic (craft production), religious (different forms of Christianity, Jewish minorities as well as Muslim and other influences), and cultural fragmentation (along linguistic lines , but also urban vs rural and inter- and intra-urban). European CCIs do not only produce a wide variety of goods and services whose main selling point is their symbolic meaning, but they also drive (especially local and regional) economic growth and, in addition, provide cognitive markers for often deeply rooted local heritages thus contributing to social cohesion (Seghezzi, 2009; Dessein *et al.*, 2015). These CCIs consist of both large firms such as, for instance, Endemol, Axel Springer, and LVMH, as well as a plethora of smaller and medium-sized firms and institutions. They, in addition, thrive on a broad set of specialised skills from traditional craftsmanship to sophisticated digital skills and from conceptual design to management and marketing expertise (Friel and Santagata, 2008; Banks, 2015). European CCIs are, then, very well positioned to benefit from a more general trend of aesthetisation of consumer goods and services in developed economies, which according to the French sociologists Gilles Lipovetsky and Jean Serroy (2013) even amounts to a new phase in capitalism: “capitalisme artiste”.

According to *The First Global Map of Cultural Industries* (EY, 2015), Europe’s strength as a global cultural powerhouse is rooted in its associated legacy of a unique concentration of heritage and arts institutions. The CCIs – those economic activities which produce goods and services for which their symbolic or aesthetic value is their main selling point – can draw on an extensive multifaceted ecosystems of firms and related institutions in the European Union to create and reproduce the various skills of those involved in making creative commodities and the skills or discerning tastes of the public enjoying and buying them. These intricate ecosystems underpin the production of a wide range of creative commodities from fashion to architectural design and medieval music to modern dance. The CICERONE project builds on the idea that it is through understanding Europe’s diverse cultural and creative business ecosystems that we will be better able to devise policies to enhance the competitiveness of CCIs, while at the same time contributing to both and cultural goals.

The CICERONE project will investigate how CCI in the EU contribute to (local) economic development, sustainability, social cohesion and identity. Nearly two decades ago, CCIs were first identified as significant drivers of especially contemporary urban economies. These early inquiries started with discussions on how to conceptualise, operationalise and measure these cultural and creative industries (cf. Pratt, 1997; Scott, 2000; Ilczuk and Wiczorek, 2000; Florida, 2002; Power, 2003; Kloosterman, 2004; Power and Scott, 2005). These initial, more general studies, were followed by a large number of much more focused case studies which looked at, for instance, architecture (Kloosterman, 2008), fashion (d’Ovidio, 2015), music (Power and Hallencreutz, 2002), publishing (Sarikakis *et al.*, 2016), performing arts (Tomova, 2004), film (Scott, 2004a; Coe, 2015) and artistic craft (Leslie and Reimer, 2003). These studies typically departed from a cluster perspective in which firms were the main actor said to benefit from proximity and the ensuing agglomeration economies. Early research, then tended to treat the firm as a black box and self-evident basic building block of economic activities, and furthermore privileged local ties over larger spatial scales.

Such an approach, although valuable in its own right, tends to neglect or underestimate changing organisational formats of production (e.g. project-based networks) as well as the supra-local ties which are becoming ever more important as production processes are increasingly carved up into several phases, each of which can take place in separate locations benefiting from specific local conditions (notably the presence of a specialised labour pool or a particular regulatory context). This carving up or ‘second unbundling’ (Baldwin, 2016) is a key characteristic of the current phase of globalisation. The unbundling of CCIs has been shown in *Mapping the Creative Value Chains; A Study on the Economy of Culture in the Digital Age* (European Commission, 2017). In short, cultural and creative businesses of all sizes thrive on ever quicker and expanding knowledge and business connections across and beyond Europe.

A meaningful understanding of the EU-wide, national, regional and local issues regarding CCIs, then, is only possible if we explicitly take into account how these dispersed, multi-format activities are simultaneously embedded in local contexts and inserted in larger global networks. Consequently, effective policies should be based on a thorough understanding of the evolving multi-scalar spatial division of labour in CCIs involving not just traditional firms but also other actors such as the (often part-time) self-employed (cf. d’Ovidio, 2010; Watson, 2013).

To capture CCIs’ simultaneously local and global integration, the CICERONE project will apply the Global Production Network (GPN) approach. The GPN approach departs from the view that contemporary production processes are confined to one place and posits instead that production processes are integrated in complex networks which often comprise locations in a number of countries (Coe, 2015). Such an approach goes beyond traditional value-chain analyses by considering the organisational and spatial patterns of production networks as well as investigating the embeddedness of the various components in multi-scalar institutional regulatory contexts. It entails - among other things - examining the historical roots of local assets (notably the reproduction of specific skills); the power relationships between different actors; and the broader institutional and political setting on various spatial scales. To grasp the multifaceted nature of global production networks of EU-based CCIs, a multi-disciplinary framework which encompasses approaches using insights and methods from geography, sociological, economics, business studies, history and political science is needed.

GPN approaches have often been applied to networks producing tangible, material goods – e.g. cars or electronic devices – as their production processes were among the first products to be unbundled (Henderson *et al.*, 2002; Coe *et al.*, 2008; Coe and Yeung, 2015). Services have only quite recently been analysed from a

GPN perspective (Lambregts *et al.*, 2016; Kleibert and Horner, 2018). There have been a few studies applying the GPN perspective to selected CCI using secondary data (cf. EY, 2015; Coe, 2015; Kloosterman and Koetsenruijter, 2016, 2018). So far, however, no systematic, comprehensive, international comparative analysis of CCIs based on original empirical research from a GPN perspective has taken place. This project will provide cross-border comparative case studies of selected CCIs to unpack their production networks, their embeddedness, and their impact on a local, national and EU-level. This project, then, will be a highly innovative departure from analyses to date and will open a new window on how best to understand the dynamics and impact of CCIs in the EU in an age of hyper-globalisation. The GPN approach will not only structure the research questions, but also reveal gaps in the existing data sets, thereby helping us to address policy-oriented questions in a novel way.

Below, we will first offer a focused review of the literature on CCIs since the 1990s when they started to become a research theme in its own right (section ii). After that, we will present the main components of the GPN approach and briefly sketch its development (section iii). The GPN approach was initially intended to analyse complex value chains in manufacturing industries (e.g. car industry, electronics). Applying this analytical framework to CCIs, which are only partly goods-producing activities, necessitates adapting the GPN approach to be able to deal with activities whose products in many cases are either services (e.g. performances) or products in digital form (e.g. recorded music, games). In the final section (iv), we will dwell on the implications of applying a GPN approach to CCIs.

2. A brief history of research on creative and cultural industries

2.1 The origin of the concept

The original notion of the ‘culture industry’ was proposed by Adorno and Horkheimer (1997) in 1944. The idea sought to capture the spectre of the threat to culture posed by commercial interests and mass production; as well as the concerns of popularism and how mass movements could be manipulated by media. Adorno’s reference point was a signal concern with the rise of fascism in Europe. Adorno’s positive notion of culture was rooted in the appreciation of craft and skill, and the ‘aura’ created by the original art work. Adorno’s concern was not so much to define the cultural industry as to highlight a category of problem produced by commercial and mass production, and base sentiments fermented by strong leaders. Adorno’s analysis was aimed at understanding how the positive qualities of culture were produced. Inter alia the definition of the ‘Culture Industry’ was that of the ‘modern’ audio-visual media, mass production and nascent consumer culture. Such a division mapped closely onto a more traditional conservative distinction between ‘high’ and ‘low’ culture. Although Adorno approached the problem from a different perspective – a neo-Marxist one – his elevation of aesthetics coincided with traditional idealist and paternalistic notions of ‘high’ culture common in Europe at the time.

The challenge to this binary notion of culture and cultural value developed through the 1960s with the British Cultural Studies tradition that sought to interrogate ‘ordinary culture’ (mass culture) and challenge the distinction between the consumption and values of high and low culture (Williams, 2001). A second strand

of research developed by French Communications Studies scholars sought to analyse the plurality of production forms across the different cultural industries (Garnham, 1987; Menger, 1999), arguing against the reductivism of the dualist divide. The socio-political transformations of the post 1960s period shaped a less hierarchical democracy in the US and Europe, and the growing economic, cultural and political power of the youth (Frank, 1997). The economic power of the cultural industries in relation to the wider economy grew significantly (beyond film, adding, and converging with, TV and music and fashion).

Public funding and public policy had, in Europe, been based on a paternalistic and idealist 'deficit model' (Throsby, 2010), that is to compensate for the market failure of 'high' culture. This is a model that had its roots in elite patronage systems, and meshed with a 'welfare state' model for culture. Policies were articulated through funding of institutions, the training and support of artists. In this sense it was a merging of romantic idealism and the welfare state. The political transformations of the 1960s strained the dualistic model (Hewison, 1995).

In short, the role of policy become what might be called social instrumentalist in the 1960s and 70s. The art, culture and the role of the CCIs more broadly were conceived of as fulfilling a role for integration of jobless, immigrants and youth into society. In short, "[c]ulture had a social and democratic purpose which was considered appropriate to develop through public strategies, such as extensive use of subsidies" (Lysgård, 2012: 1283). Also, during this period cultural policy developed on an urban level and hereby complemented national programmes and cultural politics with local initiatives.

Towards the end of this period, the general welfare regimes throughout (Western) Europe started contracting in relation to economic restructuring, which among other things meant that cities and regions had to take a larger responsibility for their own development. In this process, conceptualised by David Harvey (1989) as a process from 'urban managerialism' to 'urban entrepreneurialism', culture and the related industries was singled out as one of a few routes that could make a difference to urban development. Culture was in this sense not primarily valued for being a relevant industry in its own right or for its job creating aspects, but rather that culture would make the city special and attractive to investments of various kind. Research in the 1980s into the role of culture for cities had noted this development. Bianchini writes: "A lively, cosmopolitan cultural life was increasingly seen as a crucial ingredient of city marketing and 'internationalisation' strategies, designed to attract mobile international capital and specialised personnel, particularly in the high-tech industrial and advanced service sectors" (Bianchini, 1993: 2, see also Grodach and Silver, 2013).

What emerged was a debate in the 1990s concerning the case for state support for culture as an industry, alongside the more traditional 'heritage' and 'high' culture notions. A particular case in point was the idea of the Creative Industries, promoted by the UK government: these were characterised as activities that generated wealth via generating and trading intellectual property rights (Department for Culture Media & Sport, 1998). An uneasy balance emerged as public administrations sought to continue the support for 'culture/heritage' and the new 'creative industries' (Hesmondhalgh & Pratt, 2011). As a concept the cultural industries was agnostic about funding (state or commercial), but focused on the process and organisation of the cultural production ecosystem (that included: creation, making, production, distribution, exchange and archiving) (Pratt, 1997; 2005).

The legacy of these debates has been the erosion of the automatic hierarchy of high and low culture, and its direct correspondence with state and commercial funding (cf. Kloosterman, 2014). There is a recognition of a pluralism of cultural values (although attenuated by inherited social norms). More specifically we have three

'lenses' on the field: a focus on artists and excellence, a concern with the production of value through intellectual property, and perspective that views an integrated production system (Pratt, 2009a).

To this could be added a small but related research literature focusing on the system of support which would include the social role of culture, e.g. integration and diversity, (e.g. Valtysson 2016) but also regarding norms of valuation and measurement, e.g. regarding accessibility (Markusen and Gadwa, 2010). In practical terms or at least as a side-effect the practices of the inclusive role of culture also relate to the production of future talent for the cultural and creative industries, raising interest and recruitment from a broad base of the population as well as providing jobs (for cultural producers) in cultural education (often for children and young people).

Other studies discuss that although different ideas in cultural and creativity policy have dominated at various periods in time, what seem to happen is that the 'old' policy ideas do not disappear but co-exist in parallel to the new ones, not the least lingering on in the understandings of people working with actually implementing policy (Borén and Young, 2017).

The background to these developments are broadly reflecting the experiences in Western, Northern and Southern Europe whereas the role of culture and cultural industries in Eastern Europe up to the 1990s would look different. Nevertheless, as the state-socialist systems in Eastern Europe were dismantled similar, although with a time lag, developments in research and policy on CCIs have started (Borén and Young, 2016). Moreover, based on the developments in Eastern Europe research has been able to question the "universal" character of CCI, meaning that place-specific factors should be discussed (Rozentale and Lavanga, 2014; see also Bontje *et al.*, 2011). This further strengthens the case of the importance of understanding how networks and the flows within them are related to particular places and policies, and their respective social, economic and political contexts.

Moreover, in some countries in Eastern Europe nationalistic political ideals are also in recent years up-front advising cultural policy on the national level affecting both the content produced by the CCIs (Grcheva 2019; Borén and Young, in review), and possibly also its future relationships with other places. These are recent political developments that would demand further empirical study on how CCIs and related networks and places are affected.

2.2 Terminology: CI, CCI, C&CI, CE and more

The terminology used to describe this field is rooted in conceptual debates as outlined above, but also significantly modified by political concerns. An important step was to embrace the cultural industries as a positive term, and one that was plural and complex; and, one that had an industrial logic. For many years the notion of the cultural industries captured an emergent logic and field of new cultural forms and came to be linked to urban regeneration policy making. The field of cultural consumption, linked to political identity ushered in by cultural studies, was not connected.

The notion of the creative industries was a political construct of the British government seeking to 'de-politicise' the cultural industries notion. However, its popularity and legibility, led to it effacing the terminology

of cultural industries (Pratt, 2005). However, sensitivities in mainland Europe that had not had such a neo-liberal assault on the welfare state as in the UK, preferred the terminology of 'culture and the creative industries', and 'cultural and creative industries' signalling a plurality of, and distinction between, forms, and a sensitivity about the relations of market and culture.

As the notion of the cultural industries was spread internationally it carried the label 'creative industries' even though it commonly referred to a wider concern than simply intellectual property industries. In the USA the popular term has always been 'copyright industries'; in China the term has always been the 'cultural industries'. In recognition of, on one hand, this terminological/political sensitivity; and on the other hand, opening up the scope of the concept the first UN report on the field referred to the 'creative economy'(UNCTAD, 2008). This term has been popularised through international reporting and debate, although some of the previous terms are used interchangeably. There remain, for many commentators, some concern about the adequacy of the term 'creative'; accordingly, a preferred term is the 'cultural economy'.

Empirical measures - SIC/SOC codes

An important corollary of the conceptual debate has been the definition of empirical measures. Clearly, part of the demonstration of economic value of the cultural industries lies in such measures. However, this task is difficult due to the basic taxonomies of statistical reporting. These taxonomies were established before many contemporary creative industries existed, and hence they are effectively 'invisible' in the data record. A technical innovation was developed whereby the taxonomies were recomposed to capture more of the cultural industries (where activities were 'hidden' in other categories) (DCMS, 2003; Pratt, 1997). However, the statistical database still is deficit and will under-report the cultural industries.

The problem applies- albeit in different ways- to all three ways in which economic activities are classified for statistical purposes: occupation, industry and trade. There are two more significant categories of problem. First, the debate about 'creative and non-creative' activities. One school of opinion seeks to narrowly defined cultural activities within cultural industries (for example excluding management or administrative tasks). The result is an occupational measure of 'creative intensity' (Bakhshi, Freeman, & Higgs, 2012). By focusing on 'creativity' this approach reproduces the atomistic focus on individual skills, and conceptually echoes normative perspectives of the 'romantic artist' (Pratt, 2008). Moreover, conceptually, this perspective aligns the creative industries(Garnham, 2005) to the much criticised (Block, 1990; Castells, 1976) 'post- industrial society' (Bell, 1973) or 'information society' (Drucker, 1993) narrative of economic change.

Another competing school uses the cultural industries as a system, within which both creative and non-creative tasks are required to produce cultural goods (Pratt, 1997; UNESCO Institute for Statistics, 2009)(UNCTAD, 2008). In fact, this is consistent with the logic of industrial analysis, and the taxonomic principles of industrial statistics. Second, the problem of material and immaterial/invisible goods and services. The coverage of statistical collections is based on material trade, and under reports, disguises, or simply does not count other trade. Increasingly the income from the creative industries has tended to 'invisible' earnings. The net result is that progressively less of the turnover of the cultural industries is recorded in official statistics.

Data sources - Census of employment, census, sample problems

The first measures of the scale of the cultural economy were based upon public data (employment, funding and turnover of public institutions), supplemented by advocacy surveys by cultural agencies. The innovation

was to use national census sources that provided 100% coverage, and were indisputable (Srakar, Čopič, & Verbič, 2018). However, the drawback here (beyond the taxonomic issues discussed above, and the caveats about invisible trade) is the irregularity of censuses, and the challenge of synchronising different national censuses. At the European level the Labour Force Survey has been a popular source (although there are limitations based on sample sizes for sub-national analyses). The preparation of a set of cultural industries national accounts, that give clear indications of GVA have been reported by some nation states; however, a significant evidence gap concerns imports and exports: that is, transfers between companies, and across regions. Data regarding regional transfers within companies is not publicly available. These problems are all magnified by 'invisible trade' in cultural goods and services.

2.3 Clusters of creative and cultural industries

Normative industrial location theory focused on minimisation of costs for an individual firm. The experience of wide scale de-industrialisation in urban areas in the late 20thC highlighted the relatively unexamined relationship to organisation and firm size. The relative demise of large firms, and the growth of small firms with strong contracting relationships led to an interest in networks and interdependencies. A common reference point was the concept of the industrial district identified by Marshall (1920) at the start of the 20th, and again by Becattini (2004), and Piore and Sable (1984), in the late 1980s.

Scholars and policy makers turned their attention to transactions costs minimisation between part-finished goods within a district, as well as for some, the social context of industrial development (Scott, 2000). A parallel observation was that part-finished goods would be naturally traded within an industry, and potentially within a wider sector. Accordingly, industrial districts could be dominated by one industry, or sector rather than simply a random co-location or agglomeration of firms. This line of argumentation takes debates away from neo-classical and toward institutional economics whose concern is not with individual firms, but with the networks that they are embedded within (Amin, 1994).

With the empirical growth of the CCI it was noted that there was strong urbanisation, and co-location patterns (Power & Scott, 2004). At the same time policy-makers, seeking to re-generate urban areas developed supply side initiatives that both provided space/locations to attract cultural industries, planned them in a district or quarter: thereby fulfilling both an economic promotion and an urban renewal objective; and echoing an assumed form that was beneficial to economic development (the industrial district) (Amin & Thrift, 1994). This argument rearticulates the notion of institution to the 'filière', the branch of industry (Groeneweyen & Beije, 1989; Raikes, Jensen, & Ponte, 2000) and its inter-dependencies (labour, ideas, and practices), irrespective of firms. It also pointed to the uniqueness of the organisation and spatial configurations of particular industries: that they were not generic to all industries, but might be particular to specific industries, such as the cultural industries. This leads us back to the formative work of French scholars who devised the initial ideas of the cultural industries.

Subsequent debates have been concerned about precisely what role co-location, and agglomeration plays in enabling or encouraging traded and untraded interdependencies that have been observed to be important for cultural industry development, let alone knowledge transfer and innovation. Moreover, research has questioned the insularity of industrial district accounts, pointing to the importance of the flows of knowledge, people and goods (to and from) beyond the district to the city, regional and globally.

A particularly influential intervention into the debate about clustering and policy emerged from business studies, not economics, or economic geography. The work of Michael Porter (1995) blended firm strategy and analysis of cost structures, with a superficial reading of the Italian industrial districts' material. His consultancy company was contracted by OECD and a number of national governments to identify how nations might discover their unique competitive advantages. Porter's (1998) approach was a mapping of the co-location of industries and identifying the particular concentration of value-added activities (see also the next section).

Even with the constraints on data regarding the cultural industries studies highlighted the existence of cultural industrial clusters, and directed policy makers to support, or promote them. There is a significant question whether it is possible to 'promote' an industrial cluster 'de novo'.

Porter's approach is based on the analysis of the value chain; significantly, the focus is on individual business units, and the agglomerated benefits for a district. There is considerable vagueness in Porter's work about at what scale a district can be identified; moreover, what the precise nature of clustering benefits are (Martin & Sunley, 2003).

Apologists for Porter, and for neo-classical industrial location generally, put great store in the spill-over effects, and the benefit of externalities (Lee, 2014). However, it is axiomatic that knowledge and innovation are externalities in neo-classical economics: simply, it is not explained, but assumed. Other researchers have sought to focus on the flows between firms from a value chain perspective: most obviously through supply chains and logistics, the strategic question for the firm is one of control of such chains. This line of research has morphed into Global Value Chain analysis (Blair, 2009). The focus is on the GVC, but from a firm perspective [see contrast with GPN below].

2.4 Creative cities: consumption and place marketing

An allied debate which has become incorrectly conflated with debates about cultural industry districts is that of creative cities. The notion emerges from Florida's (2002) application of Bell's (1973) post-industrial society thesis to contemporary economic development (Pratt, 2011). His assumption was that growth could only come from exogenous development, that is attracting external investment and the skillset of a particular sub-section of knowledge workers (the creative class). Whereas in the past various subsidies had been used to attract firms, Florida argued that new knowledge workers (the 'super creative class') would not be prepared to move from 'cool locations'. Cities that were 'cool' could use this vital and valuable skill pool to attract investors.

Despite the fact that the 'creative class' was the 'bait' to attract investors, there was no expectation that they would work in the cultural industries. In fact, urban level promotion was focused on the (supply side) consumption environment of existing, and new recruits to, the creative class (Pratt, 2008).

More generally, cities have used culture and creative consumption to promote their cities. This is a process that has been going on for more than a century, the 'bohemian' city landscapes are merely the latest iteration beyond the art gallery and opera house, or green space and good schooling (Ward & Gold, 1994). In fact, the evidence is that creative city strategies have forced out the creative industries from cities by generating a new cycle of gentrification (Pratt, 2018). To this should be added the very hard academic criticism that Florida's ideas have received attacking both its planning consequences and production of social inequalities (e.g. Peck

2005), conceptual in-preciseness (Markussen 2006) or underlying assumptions about the mobility of the ‘creative class’ (Hansen and Niedomysl 2009, Borén and Young 2013a), neither of which seem to not have reached into the decision- and policy-making bodies of cities and regions (Borén and Young 2013b).

As noted above, critiques of normative location theories have stressed a more structural, as opposed to atomistic, understanding of economic development. Much attention has been paid to economic, social and cultural networks that mediate both firms, and individual practitioners (Grabher, 2002). Moreover, attention has been paid the delicate eco-system of project -based companies who operate in a high-risk environment and winner-takes all structures; additionally, activities that span the for and not for profit, and the formal informal, as well as the state-non- state boundaries. This is a debate about endogenous, not exogenous, economic growth. The particularities of the economic organisation, risk and reward structures, and co-dependency of market and non-market incentives that plainly exist outside and across firms, and within networks that may or may not be confined to places are the new realities of the cultural economy (Pratt, 2009b).

Research has begun to explore the institutional and network structures that not only link cultural producers and consumers, but also between different aspects of the production cycle (not a linear chain) within each industry, and between and across locations (Bathelt & Gluckler, 2011). Moreover, researchers have identified a temporal nature to some clusters (Comunian, 2017). These networks and relationships are both identified as the means, and the conduits of, knowledge transfer and exchange (Virani & Pratt, 2016). The challenge for researchers is not simply the ‘invisibility’ of the CCI in the official data record, but the parallel lack of information on the nature of flows between, within and across activities (and spaces). The fact that these transfers are increasingly ‘invisible’ complicates matters further.

Moreover, to the extent that policy of places develops in tandem with local CCIs, for example when creating the yearly European Capital of Culture-event or developing other cultural clusters or districts, a related literature on ‘policy mobilities’ (McCann 2008, 2011; McCann and Ward 2011; Prince 2012, 2014; Rindzevičiūtė *et al.* 2016) would be informative to understand how these networks, flows and functional integration may be regarded as a social phenomenon where norms are created, ‘best practices’ announced and interactions follow also the ‘irrationalities’ of people in more informal than formal ways. However, recent studies in this field point to the agency of places and the urgency in understanding how places relate to these flows (Dzudzek and Lindner, 2015; Robinson, 2015, Stein *et al.*, 2017).

3. A brief history of the global production network approach

3.1 The background: economic context

Production systems have changed significantly in the last three decades in the context of globalisation. Besides a quantitative dimension, as reflected in a rise in trade (as a share of output) and in foreign direct investment (FDI) since the 1980s, a qualitative change in the structure of international production appears even more significant. Current production processes have in many cases become “unbundled”

(Baldwin, 2016). They tend to be structured around highly fragmented and geographically dispersed value chains typically under the aegis of transnational corporations (TNCs) which break up production processes in different parts and (re)locate them on a global scale. Such global production arrangements involve agricultural commodities (e.g. coffee, vegetables, and fruits) which have been among the forerunners of global economic linkages. With the onset of hyper-globalisation after 1980, they also comprise, albeit with diverse intensity, manufacturing sectors from the more capital-intensive ones – such as automobiles, aeronautics, to the more labour-intensive ones, such as footwear, clothing, toys. More recently, service activities have been unbundled. Enabled by digital information and communication technologies, production processes in services can be carved up and located in faraway places as, for instance, with call centres in India. Notably business-related services (e.g. customer relation management, human resources management, banking and financial services) have been unbundled (Kloosterman *et al.*, 2015), but also tourism has increasingly become part of cross-border linkages initiated and coordinated by TNCs.

Global value chains (GVCs) can hence be seen as the result of a fundamental organisational and spatial reconfiguration of production. The crisis of the vertically integrated firm involved in mass production whose organisational principles clashed with the modified macro-economic context– characterised by uncertainty, heightened international competition, reduced production cycles, technological change and modified consumers' tastes - can be located at the centre of the structural transformation of the economic-industrial panorama during the 1980s (Hirst and Zeitlin 1989; Piore and Sabel, 1984).

Organisational renewal takes essentially two paths. The first one implies the internal modification of production and work organisation which coincided with (failed) experiences of intensive automation and work qualification and with the (successful) adoption of the Japanese lean production model (Womack, Jones and Roos, 1990). A second path of flexible specialisation leads to the process of de-verticalisation of large companies -which maintained their core competencies- and the formation of production networks. As indicated by Herrigel (2010), flexible specialisation should be conceptualised as forms of intense and ongoing collaboration in the context of increasing fragmentation of the division of labour within and across firms. Such fragmentation may occur in situ, that is by consolidating production networks within specific industrial districts and regional complexes (e.g. Baden-Württemberg, Silicon Valley). However, in a historical period characterised by fewer international trade regulations and greater availability of means of communication and transport, the organisational restructuring of large companies may also lead to the formation of more flexible and globally dispersed production networks (Herrigel, Zeitlin, 2009; Herrigel, 2010). In addition to the search for cost reduction and innovations of various kinds, companies pursue new sources of competitive advantage, among which the so-called time-to-market plays a decisive role in acquiring added value and/or in securing market shares (Coe, Yeung, 2015). GVCs have therefore emerged as the prevailing organisational forms capable to face the dynamic challenges, in terms of flexibility, cost and speed, that underpin successful global competition. Thus, in contrast to the international division of labour which emerged in the 1960s and 1970s (see *infra*), the contemporary global division of labour does not rely upon direct ownership, but on lead firms using complex combinations of subcontracting, alliances, partnerships, and other forms of non-equity relationships.

3.2 The theoretical antecedents

The GVC perspective is rooted intellectually both in the World Systems Theory (WST) and in the Schumpeterian conception of capitalist innovation, but it also draws from other theoretical strands, as will be briefly illustrated. According to Hopkins and Wallerstein (1994:17) global commodity chains (GCC) have structured the world capitalist economy from its beginning and indeed "can be thought of as the basic elements of its social production system". The commodity chains structure as well as reproduce the stratification and the hierarchy of the world system through an unequal distribution of the surplus or added value. The vast international division of labour that, over time has extended itself both functionally and geographically, produces hierarchical relationships that lead to a polarisation between geographical areas (centre and periphery) not only in terms of distribution, but also as loci of capitalist accumulation. Such a polarisation comprises self-reinforcing mechanisms (e.g. investment in human and infrastructural capital) and this implies that the hierarchical structure of the world economy is relatively stable; although they can modify their appropriation of surplus, individual countries are however incapable of modifying their long-term position (Di Meglio, 1997). Other theoretical underpinnings for the GVC perspective developed by Gereffi and his collaborators come from: (a) the Schumpeterian theory of innovation with specific reference to the entrepreneur and his/her capacity to introduce (i) new methods of production and/or new forms of industrial organisation; (ii) new commodities; (iii) new sources of supply; and (iv) new trade routes and markets. These have been translated into product, process, functional and chain upgrading by GCC analysis (Kaplinsky and Morris, 2001); (b) the literature emerged in the 1980s on the new international division of labour and its socio-territorial consequences (Fröbel, Heinrichs and Kreye, 1981; Henderson and Castells, 1987; Massey, 1994) (c) the managerial studies of Kogut (1985) and Porter (1990).

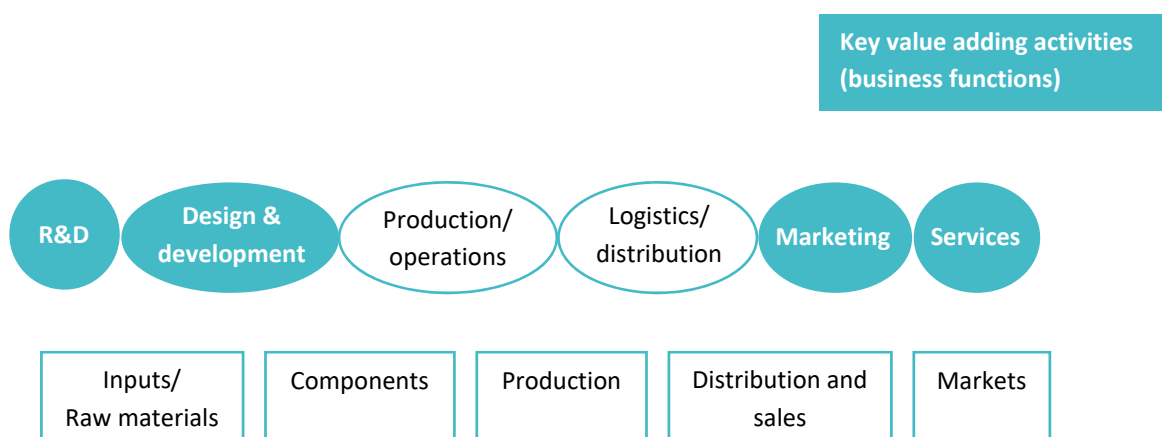
The notion of added value chain was initially developed by Kogut (1985) in relation to firms' international strategies, whose success comes from the combination between comparative advantages (between countries) and competitive advantages (between companies). While the logic of comparative advantage helps to determine how the components of the value-added chain should be broken across national borders, competitive (or firm-specific) advantage influences the decision on what activities and technologies along the value-added chain a firm should concentrate its resources in (Gereffi, 2005). Subsequently, Porter (1990) developed the notion of the value chain both at the national level and at that of the individual firm. With concern to the latter, every business unit is a collection of discrete activities ranging from sales to accounting that allow it to compete. On the basis of such activities, firms can establish two main types of competitive advantage: (a) one based on relative cost (its ability to carry out the activities in its value chain at lower costs than its competitors); and (b) one based on differentiation (performing in a unique way relative to competitors). The value chain, however, is a system of interdependent activities as the competitive advantage derives both from the way in which the individual activities are carried out and how they are coordinated.

Despite its roots in World Systems Theory, the work on GVCs carried out starting from the mid- 1990s has made significant departures from it. In an attempt to move beyond the nation-state centric analysis of the global economy and to comprehend the new forms of industrial organisation at a meso-level, Gereffi and Korzeniewicz (1994:2) have contributed in particular to the identification of GVC as a new conceptual category for 'understanding the changing spatial organisation of production and consumption in the contemporary world-economy'. Secondly, in contrast to the idea that 'there is no such thing as national development' (Wallerstein 1974 quoted in Bair, 2005), Gereffi conceptualizes the GCC/GVC perspective as facilitating the investigation of contemporary development issues that are not easily handled by previous paradigms (Gereffi

and Korzeniewicz, 1994). In this perspective, therefore, development is contemplated through upgrading processes and strictly connected to lead firms' abilities to govern commodity chains as part of their competitive strategies (Gereffi, 1996). GVCs are defined as 'sets of inter- organisational networks clustered around one commodity or product, linking households, enterprises, and states to one another within the world-economy. These networks are situationally specific, socially constructed, and locally integrated, underscoring the social embeddedness of economic organisation' (Gereffi and Korzeniewicz, 1994: 2).

GVC analysis covers generally four main dimensions (Gereffi 1994, 1995): (i) the input- output structure that identifies the key economic activities and value-adding stages encompassed in the transformation of raw materials and other inputs into finished products (graph 1). The main segments of a chain differ from sector to sector but they typically include: research and conception, design and development, inputs, production, distribution and marketing, sales, and the related services; (ii) the territorial configuration concerning the geographic scope and the different geographic scales (local, national, regional and global) at which GVCs operate; (iii) governance structures that highlight the power relations within GVCs and particularly the role played by lead firms - namely the firms that coordinate and govern GVCs- in establishing the chain configuration and in distributing the resources according to which global industries operate; and (iv) the institutional context that points to the local, national and international regulations, policies and contexts shaping GVCs.

Graph 1. Apparel value chain stages and added value (source: Gereffi, 2012)



Among the dimensions analysed above, the issue of governance has assumed a relevant place as it allows an understanding of the power relations within networks. The governance dimension is also at the basis of the seminal distinction between 'producer-driven' and 'buyer-driven' commodity chains (graph 2). Producer-driven commodity chains (PDCCs) tend to emerge in high capital-intensive manufacturing sectors, such as automotive, engineering, semiconductor sectors, aeronautics, where product and process innovation is crucial. Capital and technological requirements constitute the main barriers to entry into the market and this strengthens the power of the large transnational or vertically integrated manufacturing companies that, along the chain, manage to appropriate the greatest shares of added value. In these cases, producers tend to maintain the control of the production processes internally and to outsource the most labour- intensive phases where there is greater competitive pressure. PDCCs often take pyramidal forms as they are organised according to different levels of subcontracting (e.g. first/second/third tier suppliers). The specificity of resources (for example know-how, professional skills, technology, creative content) decreases in connection to the different levels of subcontracting; at the same time the pressure towards cost reduction increases.

Graph 2. Producers vs buyers driven chains (source: authors' adaptation)

| Type of capital | Industrial | Commercial |
|---------------------------|----------------------|-------------------|
| Capital intensity | High | Low |
| Core competences | R&D, production | Design, marketing |
| Main barriers to entry | Upward | Downward |
| Firm property | Transnational firms | Local firms |
| Control | Hierarchical | Market |
| Externalization | Medium/increasing | High |
| Supplier networks | Intermediate goods | Finished products |
| Main links in the network | Based on investments | Based on trade |

Buyer-driven commodity chains (BDCCs) are typical of labour-intensive sectors, such as clothing, footwear, toys, but also the services sector. In this case, the lead firms are not manufacturing companies but mass commercial chains (e.g. Walmart, Tesco, M&S), branded clothing stores (for example Benetton, The Gap, Next), brands (like Nike, Levi Strauss, Hugo Boss, Diesel) or other intermediaries that control the whole suppliers' network. Vertical integration in these sectors is rare; by contrast, lead firms tend to pursue an extended production decentralisation for the execution of fairly standardised production phases. In BDCCs, control is linked to less tangible resources. It is apparent that in these chains profit does not derive from economies of scale or from technological and capital innovations but rather from product innovation, design, brand, distribution, logistics. In the nodes of the network where these activities are concentrated, competitive pressure is low; competition reaches its peak in the phases of production where producers are forced into cost-cutting strategies.

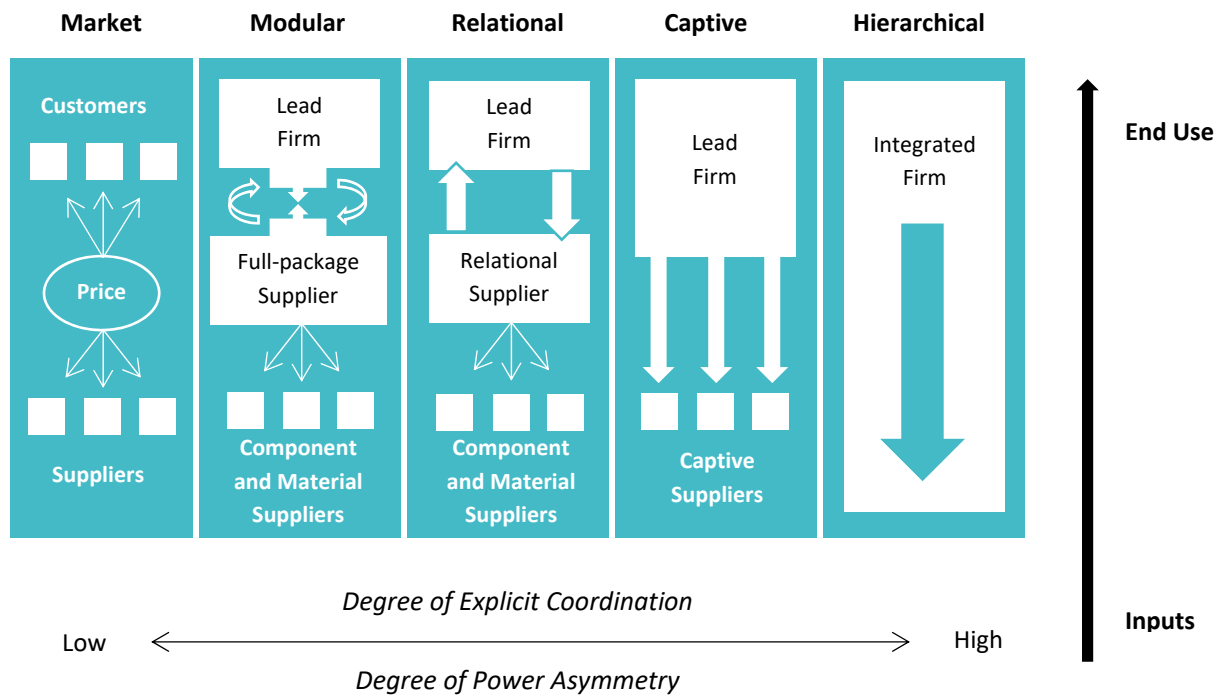
With global industries growing rapidly in scope and scale and changing their character in the early 2000, a dynamic theory was deemed useful to replace the above rather static typology. The result is a GVC 'governance' theory focused on a few key conditions (transactional complexity, *codifiability* of information and supplier capability) that structure how lead firms link to their suppliers (Gereffi *et al.* 2005) (table 1).

Table 1. Dynamics in GVC governance (Source: Gereffi *et al.*, 2005)

| Governance type | Transaction complexity | Ability to codify transactions | Supply base capabilities |
|-------------------|------------------------|--------------------------------|--------------------------|
| Market | Low | High | High |
| Modular | High | High | High |
| Relational | High | Low | High |
| Captive | High | High | Low |
| Hierarchy | High | Low | Low |

While the focus of governance shifts from driving to linking (Gibbon *et al.*, 2008), there is an assumption of the coercive and asymmetric nature of the main power dynamic in business relationships (Dallas *et al.*, 2017). The different degree of power asymmetry required by lead firms to engage in explicit coordination leads to the distinction between ‘captive,’ ‘relational’ and ‘modular’ value chain falling in between hierarchies and markets (graph 3).

Graph 3: Typologies of GVCs governance (Source: Gereffi et al. 2005)



3.3 Departing from global value chains: the global production networks perspective

The global production network (GPN) perspective in economic geography builds upon the work of Gereffi and his collaborators, but aims to deal with some of the critique levelled at this approach. Theoretically the GPN framework is rather eclectic and draws on a number of scientific traditions – mostly from outside the discipline. Besides the GVC analysis, it borrows insights from economic and organisational sociology and from actor-network analysis (Hess and Yeung 2006). Since the mid-1980s, network and embeddedness concepts have come to be widely used in the field of economic sociology, organisation studies, and strategic management (Smelser and Swedberg, 2005). According to Hess and Yeung (2006), its development in economic geography is rather slow. The work by Dicken and Thrift (1992) however was an impulse for economic geographers to apply networks and embeddedness (with reference to different levels – see below) in the analysis of firms and their productive activities, by favouring the relational turn in the discipline (Bathelt and Glückler, 2003; Yeung, 2005). In addition, the geographical adaptation of the actor-network analysis helps to give relevance to the role and power of individual firms within the network and its structural characteristics (Thrift, 1996).

As anticipated, the GPN framework takes into consideration and seeks to overcome the shortcomings of the GVC analysis. A first limitation relates to the firm-centric emphasis of GVCs. Production processes seem to be organised in a linear way resulting in a final commodity/service rather than in a flow of materials, intermediate products, services of different kinds organised into a dynamic configuration. Consequently the accumulation process is exclusive outcome of inter-firm competition and cooperation. In this approach, the social relations of production are rather neglected. More recent insights have therefore worked towards integrating the analysis of labour process, of class relations and of the broader local labour control regime (Selwyn, 2011). Secondly, although the multiple geographical scales have a key relevance in the GVC analysis, the geography of GVCs remains weakly developed, namely how actors in various GPNs are anchored in different places and at various scales (from the national to the local scale). Another critical issue concerns the emphasis given to interfirm relations, that is to alternative governance structures that are associated with the peculiar configuration of GVCs in different industries and sectors. This has ended up neglecting the role of socio-institutional actors and contexts – including policies and institutional conditions at different scales - and the way in which they influence those relations. Production networks link societies which exhibit significant social and institutional variation, embody different welfare regimes and have different capacities for state economic management: in short, they reflect different forms of capitalism (Whitley, 1999; Coates, 2014).

When compared to the GVC approaches, the GPN perspective can be seen as a conceptual framework which is capable of grasping the different geographical and social dimensions of the processes of economic globalisation (Henderson *et al.*, 2002). The adoption of the GPN framework allows therefore for far greater complexity concerning power relations and knowledge between actors and institutions are understood in a multidirectional and non-deterministic fashion. Such networks therefore not only blur traditional organisational boundaries but also integrate national economies (or parts of such economies) in ways which have enormous implications for their growth and well-being. At the same time, the configuration of production networks is substantially influenced by the concrete socio-political contexts within which they are embedded. Departing from the GPN approach, recent studies have shed new light on key issues pertaining to cross-border production systems. First, investigating cultural diversity and embeddedness is of crucial importance as, depending on an actor’s societal embeddedness and cultural background, power asymmetries, network configurations and governance modes may vary greatly within the same universalistic category of transnational production systems (Kleiber and Horner, 2018).

Second, a growing body of theoretical and applied research is working on development and uneven development. Far from being self-evident, the improvement of firms/workers/regions/ countries’ position within and linked to production chains as well as the fair distribution of value require enabling conditions and the active agency of all actors involved. It has been shown that participation in a GVC is a necessary but not sufficient condition for development as this occurs when local companies gain qualified roles in the network. Coe and Yeung (2015) have identified three modes (couplings) through which regions tend to relate with GPNs (table 2).

Table 2. Key types of regional strategic coupling with global production networks (source: adapted from Coe & Yeung, 2015)

| Mode of coupling | Description | Regional trajectories |
|-------------------|--|---|
| Indigenous | Leaf firm regions that initiate formation of, and subsequently drive, global production networks | Distinctive regional assets and string autonomy |



| | | |
|-------------------|--|--|
| Functional | Meeting strategic needs of global lead firms and their production networks through balanced partnerships of regional and extra-regional actors | Distinctive regional assets and some regional autonomy |
| Structural | Standardized assembly of offshored (and often outsourced) goods and services for exports | Generic regional assets and external dependency |

An indigenous coupling implies the co-evolution between regional resources and global companies. Regional actors display specific regional resources and this translates into considerable autonomy and value capture. A functional coupling occurs when regional actors meet the production needs of global networks: there is a clear division of role which allows some autonomy at regional level. Finally with structural couplings external actors connect the region to the network with a relationship of dependency. Situations of adverse incorporation are also present and can become systematic drivers for increasingly depauperizing conditions. At the same time processes of incorporation are accompanied also by processes of de-coupling from the network with related consequences.

As already mentioned, recent literature on GPNs has devoted attention to analyse the agency of labour in global production systems. The focus is on the processes and practices by which workers actively produce economic spaces and scales in particular ways. Such studies acknowledge the centrality of labour to understanding GPNs and recognize GPNs as networks of ‘embodied labour’ (Cumbers *et al.*, 2008). They also suggest that the concrete logic of capital entails new territorial involvements but notably new and different processes of *subjectivation*. Strategies of firms, driven by the ceaseless imperative of profit, do not coincide exclusively and generically with the search for low-paid labour force. Besides cost assessments, the new organisation of production seems to aim for the inclusion of labour forces with specific features, such as gender, race, ethnicity; those same features ensure the accumulation process and generate and amplify existing social differences (Tsing, 2009).

Third, over time an increasingly number of industries are being studied through the GVC/GPN lens, beyond the traditional manufacturing ones. These include tourism, services, biotechnologies, finance and to a small extent also cultural and creative industries (Lambregts *et al.*, 2015, 2016; Kleiber and Horner, 2018).

4. Seeing creative and cultural industries through a global production network lens

4.1 From clusters to networks

The GPN framework is very useful heuristic tool to investigate contemporary dispersed production systems. In the CICERONE project, we will use this approach and go beyond the mere creative part or conception/design phases of the CCIs and the clustering of these activities in larger (metropolitan) urban areas. We will use the

GPN approach to disentangle complex production systems in the CCI and investigate how the different components are embedded in broader society. We will also examine where value is created under which conditions, and how power relationships within the networks impact on the capturing of value. In addition we will assess the contribution of the different components of GPNs in CCI to local development and cultural identities. Following this approach, then, we can add a new chapter to the already extensive field of research and studies in CCI.

As mentioned above, much research aimed at unpacking the geography of CCI tended to focus on the clustering of the creative part of them. In the wake of the publication of the pioneering study *Economy of Signs and Space* by Scott Lash and John Urry (1994), a large body of knowledge has been built on the importance of the relationship between the cultural, the economy and the space in an increasingly globalised world. Parallel to the expansion of markets on a global scale, the immaterial, symbolic and cultural value of goods remains strongly embedded to specific places. In this view, cities are at the centre of the geography of cultural production: those productive systems that manage to draw the maximum profit from the symbolic relationship with the territory not only assume an important position in the capitalist economy, but also develop global sectoral specialisations (Scott, 2000). Many studies on the cultural and creative industries have concentrated on analyses of the local, very often urban-centred, dynamics of production, exploring in details all the different kinds of local embeddedness, local clustering and local relations. The *production of signs* tends to be dominated by a few large firms (e.g. Disney and LVMH) concentrated in large urban regions – initially mostly in the West, but increasingly now also in cities as Seoul, Beijing, Shanghai, Hong Kong, and Taipei. With the aesthetisation of consumer products and the concomitant rise of a “capitalisme artiste”, CCI with their emphasis on creativity, local culture, intellectual faculties of labour have now also moved to the core of urban development strategies and they now represent an important factor for city competitiveness.

With the increasing (often cross-border) fragmentation of the productive cycles, complex geographies of production have emerged not just in manufacturing but also in CCI. Up till now, the GPN approach has been largely and successfully applied to manufacturing sectors which have been affected relatively early by the global dynamics of delocalization, externalization and, in general, fragmentation of production processes. Extant research has already shown that many CCI also rely on very long chains of activities with a very intricate geographies reflecting the contemporary economy of sign and space. The music, fashion, publishing industry, just to mention a few, produce goods too that are the result of a production network, which very often is organized following a complex geography. For instance, "The music industry is increasingly globalized and concentrated, currently dominated by five multinational companies based in a few of the world's capital cities – Tokyo, LA, New York and London. These multinationals deal with multiple media, hardware and software, and they have integrated music production, marketing and distribution with that of other (increasingly globalized) cultural or media industries" (Brown, O'Connor and Cohen, 2000, p. 438).

Because of the above transformations, there is a clear need for sharper tools for both theoretical and empirical analysis in order to grasp the complexity of current dynamics. Accordingly the conception that focuses on the core segments of CCI and neglects the rest of the activities is misleading. Many studies of CCI put much emphasis on the very beginning - or the "core" - of the production chain (mostly in the conception/design phase) as most of the value added creation is concentrated there. The rest of the chain is implicitly considered less important and therefore deserving less attention. We believe that this conception is basically misleading and had very deep consequences on the local development of European Regions. Particularly important is therefore to understand how the creative core of the production network is connected to the other segments and how they are embedded in the local societies. Analysis of CCI should

not focus exclusively on the creative phase in order to grasp information on the real extent of the economy of sign and space: one must look at the whole chain of activities where conception, production and marketing of cultural and creative goods are connected.

4.2 Global production network lens and creative and cultural industries

Applying notions derived from the GPN perspective to the CCIs allows to open up new insights and understanding of these industries and their role in society. In particular, this approach allows a wider and in-depth knowledge on the economic and social implications of CCIs in different geographical contexts; moreover, this perspective sheds light on mechanisms of value creation, enhancement and capture (appropriation) in CCIs, including technological innovation (digitisation/3D), workers' (self-) exploitation, the role of labels and brands (the significance of, for instance, the "made in Italy" label, Santagata, 2002), and reputational capital (Gandini, 2016). The notion of GPN can contribute to the analysis of the spatialisation of CCIs and specifically to the relationships between clusters/agglomerations and trans-local links, by exploring extensively around the different notions of embeddedness. The notion of creative and cultural industries is particularly suitable to catch the dynamics of inter-firm relations and to explore the governance model through the analysis of the input-output structure. Analysing the GPN of CCIs, then, is particularly crucial when local development is to be taken into account: we know a lot about the importance of CCI for the economic growth of cities and urban regions, but there is still a lack of knowledge on the implications of the different phases and of underlying activities on the economy of other local contexts. In terms of local development, using the notion of a more comprehensive production network is useful to understand not only where the largest share of added value concentrates, but also where (and in what ways) value is extracted from.

The literature has largely explored the importance of the urban environment for the development of activities linked to knowledge, creativity, culture (Scott, 2008) and, on the other way round, the capacity of such activities to produce added value. Urban economic development has translated mainly into programs of urban regeneration in order to provide the best environment for all the activities concerned with content creation and added value. Yet, the implementation of the creative city tends to focus on the built environment (such as opera theatres, museums etc.) while neglecting other types of interventions that are less visible but probably more effective, such as investments in higher and focused education, or programs targeting specific industries which represent the whole production network

Regarding value creation and appropriation, the literature on creative labour has made clear that these industries rely on value extraction of creative workers, who are often (self)exploited. This has important consequences in terms of local development (on the medium period) of the urban regions (Pratt, 2011). Exploring the agency of workers and labour conditions within the CCIs, which are very much connected to local development strategies both at the local level and at the regional one, scholars acknowledge that "[t]he creative sector finds itself full of young people who are burnt out, exhausted, unable to consider having children, and often self-exploiting on the basis of the 'pleasure in work' factor" (McRobbie, 2011; Watson 2013). A growing body of literature interrogates the notion of power studying the creative labour and their agency, in particular, in terms of value production and appropriation. Still, this literature concentrates only on the content-production segment of the chain for cultural products, being it a piece of music, a webpage or a

film, each of them characterised by different configuration of power. "Mobilizing the notion of power and value is useful to demonstrate how the inherent symbolic value of creative industry commodities morphs into, and combines with, other forms of economic rent [...] allowing powerful actors within the wider GPN to capture disproportionate shares of the profits created" (Coe, 2015, p. 488). What is less debated and explored are the mechanisms of value creation and appropriation of the whole GPN of the CCIs, the geography of value concentration and the implications of such dynamics in terms of local development. The application of the GPN perspective is highly relevant as it allows to highlight multiple forms of value extraction, i.e. from the core to peripheral segments, but also within each phase.

Another potential contribution of the application of the GPN perspective lies in the analysis of the spatialisation of CCIs and on the relationship between patterns of spatial concentration (districts, clusters, agglomerations) and trans-local links. CCIs are often seen as a combination of local and non-local connections, and the debate, as discussed above, has largely argued about the importance of agglomeration economy for such industries. Applying the GPN perspective allows to focus into the connections between different kinds of clusters of CCIs activity, and how they are organised at different spatial scales.

Related to this, is the notion of embeddedness. All economic activities take place within specific socio-cultural, and institutional regulatory contexts (cf. Polanyi, 1957; Granovetter, 1985; Whitley, 1999; Kloosterman, 2010). All parts of a GPN, are, hence, *embedded* in concrete social contexts which may select, foster, constrain or shape these economic activities in various ways. The application of a GPN perspective thus allows us to explore the relationships between selected economic activities and their wider societal environments. These relationships have to be linked to different spatial scales as different forms of embeddedness are linked to socio-cultural and institutional regulatory contexts expressed at different levels – from the local to the regional and the national level (Coe, 2015). Embeddedness is an inherently multi-scalar phenomenon.

Following Coe (2015), we distinguish three levels of such embeddedness:

- 1) *Societal embeddedness*: the role of socio-cultural, institutional and historical origins with respect to concrete economic activities. This is very much in line with what Granovetter calls *structural embeddedness*. This topic has been extensively explored for the creative and cultural aspects, though relatively little is known about the connections between these elements, the production chain and the cultural/creative segment of the chain.
- 2) *Network embeddedness*: the degree of functional and social connectivity and the stability of the relationship.
- 3) *Territorial embeddedness*: (where and who), how economic activities are shaped by institutional contexts. This form of embeddedness is closely linked to approaches in Comparative Political Economy (Esping-Andersen, 1990, 1999; Whitley 1999). Regulatory contexts impact on relationships between owners, managers and workers; between financial institutions and firms; between firms themselves, between sellers and buyers, between the state and the other actors, and which activities are legal and which not. Consequently, the inter-firms relations and their governance models which are at the heart of the input-output structures of GPN within CCIs are (partly) shaped by their territorial embeddedness. These forms of embeddedness thus have significant implications both in terms of geographical knowledge and local development. Srakar *et al.* (2018) have recently shown how four different clusters of countries can be distinguished on

the basis of cultural statistics (i. Eastern European group; ii. Mediterranean group; iii. Western European group; and iv. Outliers). Each cluster evidently presents a rather different environment for CCIs.

4.3 Components of global production networks in creative and cultural industries

Value chains and, therefore, Global Production Networks too can be unpacked into several distinct components. We follow the typology of the stages used in *Mapping the Creative Value Chains; A Study on the Economy of Culture in the Digital Age* (European Commission, 2017) and by the UNESCO (2009). These stages represent more of a cycle without having a clear hierarchical order:

- a) *Creation*: “the originating and authoring of ideas and content”(European Commission, 2017: 35) (e.g. sculptors, writers, design companies) and the making of one-off production (e.g. crafts, fine arts).
- b) *Production*: “the reproducible cultural forms (e.g. TV programmes), as well as the specialist tools, infrastructure and processes used in their realisation (e.g. the production of musical instruments, the printing of newspapers)” (UNESCO, 2009).
- c) *Dissemination*: “the bringing of generally mass-produced cultural products to consumers and exhibitors (e.g. the wholesale, retail and rental of recorded music and computer games, film distribution). With digital distribution, some goods and services go directly from the creator to the consumer” (UNESCO, 2009).
- d) *Exhibition/Reception/Transmission*: “refers to the place of consumption and to the provision of live and/or unmediated cultural experiences to audiences by granting or selling access to consume/participate in time-based cultural activities (e.g. festival organisation and production, opera houses, theatres, museums). Transmission relates to the transfer of knowledge and skills that may not involve any commercial transaction and which often occurs in informal settings. It includes the transmitting of intangible cultural heritage from generation to generation” (UNESCO, 2009).
- e) *Consumption/Participation*: “the activities of audiences and participants in consuming cultural products and taking part in cultural activities and experiences (e.g. book reading, dancing, participating in carnivals, listening to radio, visiting galleries)” (UNESCO, 2009, pp. 19–20).

These phases can be understood as the crucial steps of input-output systems in production networks of CCIs. They are, then, the building which lie at the heart of the CICERONE project. More specifically, we will look at:

- i. Creation (design, planning, creation, ...)

CCIs tend to differ from many other economic sectors in the sense that they rely widely on *immaterial content* or *conceptual innovation* that is then transferred onto the process of production product (being it a chair, a song, a dress, a game, a drama, or a film). The creation of a cultural product gains its value mainly from its novelty, innovation and, therefore, its uniqueness, while the production is characterized, very often, by series production, scale economies and reproduction. How is value created, enhanced, appropriated (notably through claiming Intellectual Property Rights), and subsequently distributed along the network by different types of companies? Among the many technological developments that will be observed, digitalisation in this phase can act both as a disintermediating element, minimising the production and reproduction phase, and as an empowering tool, enlarging the chances of all citizens to become creators.

ii. Production/publishing or physical and immaterial production

In CCIs, the unique immaterial content is often applied in the production phase to a very large number of products that can be easily reproduced. However, in some activities (artistic craft, live entertainment, ...) creation strongly overlaps with production. In addition, the production phase typically intersects with more or less qualified goods and services. Technology development, and digitisation particularly, in manufacturing (and all the rapid transformations which are frequently labelled under the heading *Industry 4.0*) will be an important element to focus on in the CICERONE project as this can contribute to shape the general organisation of the production network and, hence, also the configuration of power in the network.

iii. Dissemination/trade (marketing and distribution)

This phase must also be connected to the creative/conception phase as very often CCIs combine artistic-driven creation and production with corporate-driven distribution with very unbalanced dynamics of value creation and appropriation. Finally, the role of digitisation can be of paramount importance in the sphere of consumption and distribution of cultural and creative goods and services as, for instance, shown by games, music, films, and soaps. The possibilities offered by processes of disintermediation can have a revolutionary impact for whole networks. Digitisation can be observed in many different areas, such as new marketing models, new distribution models, access to many different niche markets and so on.

iv. Exhibition/reception/transmission

This phase is closely related to the previous one and similar dynamics can be observed here. However, particular attention has to be devoted to the transmission of skills, knowledge, cultural codes, behaviours which can happen relatively easy in face-to-face settings with low transaction costs. The transmission of such knowledge and information between creators, workers, users, and consumers may impact on terms of power, organization of the GPN and labour agency.

v. Consumption/Participation

A crucial element to be kept into account is consumers' role: thanks to their behaviours, they are able to shape the production network both at the very "end" of the network in the distribution and marketing phase, but also at the very beginning in the creation phase. The influence of street styles

on the designed- and high-end fashion industry has been amply demonstrated. Porter (1990) has already pointed at the role of sophisticated local demand in stimulating local clusters by pushing firms to come up with innovation and enhance quality. This mechanism is also highly relevant for CCIs. The emergence of Dutch architecture as a global player was partly driven by challenging local and national customers (Kloosterman, 2008).

4.4 The CICERONE approach

The GPN perspective highlights the chain of flows and its dynamics as the primary object of analysis and not the firm per se (although as a legal entity the firm is always an object of policy/regulation). Our research, then, is focused on unpacking the chain of flows comprising creation, production, dissemination, exhibition/reception, and consumption. We will investigate for each of the selected CCIs (1. Architecture; 2. Archives, libraries, heritage; 3. Artistic crafts; 4. Audio-visual; 5. Design; 6. Festivals; 7. Music; 8. Publishing) the following research questions:

- How are the selected CCIs organised?
- Who the important actors are in which phase of the production network?
- Where they are located?
- What is their role or contribution?
- Which are the main drivers of changes in the division of labour among firms (i.e. digitisation, regulations, taxes/subsidies, copy rights policy, conservation etc.)?
- Which kind of skills are crucial in which phase (ways of competing) and how are they reproduced?
- What is/how is it transferred in networks (material, immaterial goods; skills, ideas, know how, financial capital)?
- What are the labour conditions in the various phases?
- How are these activities embedded (societal/network/territorial)?
- What are the governance models/coordination mechanisms of the chain (including role of financialisation and related actors)?
- Where and how is value created and captured?
- To what extent do phases of CCIs contribute to local development and local identity?
- Which policy strategies/recommendations can be seen as potentially effective given the structure of the production network?

To address these questions, we will construct stylised models of production networks in the selected CCIs based on empirical research along similar lines as presented in *Mapping the Creative Value Chains; A Study on the Economy of Culture in the Digital Age* (European Commission, 2017). We aim at capturing variation not just between sectors and between countries, but also within sectors by offering multiple case studies for each selected sector. This way, the dimensions of difference in production networks of CCIs and their drivers can be identified in a more systematic manner and thus offering a better foundation for policymaking.

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