

FIN-URB-ACT

Thematic Paper VIII

Innovative and high-tech projects – Creative Industry in Linz



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Support to innovative and high tech projects and businesses in the creative industry sector in Linz Summary of the FIN-URB-ACT work group meeting (28./29.10.2009)

Creative industry

The culture and creative industry sector comes increasingly into the focus of public attention and is no longer regarded as being only an important image criterion of a city. Moreover, within the past years, the creative economy has transformed into a self-contained economic sector, which is about to become firmly established as a long lasting growth industry. The Creative industry describes a quite complex subject and includes diverse branches from arts, culture, science and economy. Thus there is no consistent or leading definition, as there are different historical development conditions, empirical approaches and deviant ideological views, but one can comprehensively say that creative industry combines all sectors and branches at the interface between art, culture, science and economy.

Traditionally, in the UK where the recognition of these activities emerged first in the EU, the definition of the term creative industries covers a quite broad (including advertising, architecture, the arts and antique market, crafts, design, designer fashion, film and video, interactive leisure software, music, performing arts, publishing, software and computer services, radio and television. Following a study, which was done by *KEA European Affairs* for the European Commission in 2006 (*KEA, 2006*), in order to provide a definition that tries to combine different national approaches, a distinction between cultural and creative sector can be done. Accordingly, the "cultural sector" comprises a non-industrial (e.g. non-reproducible goods like paintings, exhibitions, theatre or cultural heritage) and an industrial sector of culture (including culture goods made for mass production like books, film, and music). Whereas, the "creative sector" is defined as sector, where culture is a production means for non cultural goods, like design, architecture and fashion. In order to the following paper all branches are subsumed under the term creative industry.

Creative industry in Linz

The creative industry sector in Linz covers a wide range of enterprises and businesses, dealing with advertisement, information and communication, multimedia and internet, architecture and cultural heritage, crafts and craft work (including painting arts, graphics, fashion, design, photography), books, literature and press, music movies and broadcasting medias, entertainment and also research, development, education and consulting. In particular with the IT and research sector, the term "creative industry" is quite broad defined and is following more the UK Approach of creative industry. In total, the creative industry sector in Linz includes almost 2.000 companies with more than 30.000 employees. This constitutes a share of 20 percent of the overall employment rate. Compared to other industry sectors the creative industry has shown a stable growth within the overall economy in the region during the last decade.

The City of Linz has decided to focus its Local Action Plan also on strengthening the creative industry sector. The decision was taken already in 2006 following roundtable discussions in Upper Austria with different stakeholders from the creative industry and various studies. Additionally there was the organisation of the "Cultural Capital of Europe" in 2009 and the "European year of creativity and innovation" has taken place, which serves as a further booster for the creative industry sector. These two events were used in order to raise the awareness of growth potentials from this "new" sector to a broad public. Therefore, more than 200 projects (art installations and

exhibitions, shows, music events) were introduced. Additionally Linz started campaigns and commissioned research studies in order to create a linkage between culture and economy. By now the traditional heavy industry and the creative industry are on a par within the local economy in Linz. Various interesting networks among the local industry, economy, arts and culture were established. Thus, the creative industry sector has taken a decisive role in the city's overall strategic development concept. For this reason a variety of support structures have been developed in order to bundle and concentrate the strengths and forces.

Imitative “Creative Community”

“Creative Community” is an initiative of the city of Linz in cooperation with “Network Design & Media” (an information platform involving all stakeholders from the creative industry sector) and in close cooperation with the Chamber of Architecture and Engineers, Chamber of Commerce Upper Austria, Ars Electronica Museum Linz, the University of Arts and as well as many creative companies and artists. The aim of the initiative is to build a strong network of the above mentioned stakeholders. Therefore the priority is to illustrate that creativity has a crucial role for the economic success, the valorisation of the benefits of creativity for the broad public and to carry out lobbying for creativity and creative services. Additionally, the initiative establishes framework conditions for projects and cooperation intentions and enables national and international network activities of artists and designers with employers.

Start-up centres

In order to support the start-ups of the creative industry sector, the initiative “Creative Community” has established four start-up centers: **Lederfabrik**, **Lencia Schmuckfabrik**, **Linzer Hafen** and the **Q70 Business Center**.

In order to offer premises with modest netto leases to the start-ups, the city made an agreement with the private property owners. The owner of each centre has to provide at least 500m² office spaces with special conditions of 5,50€ per m² to the entrepreneurs, which is half the price to the average market level. The city supports the net lease for all companies that are not older than three years for a maximum space of 40 m². Thus, very low rents (without operating costs) can be offered to the start-ups. The city's support for the lease is yearly reduced by 50% for the first, 40% for the second and 30 % for the third year. This cooperation between public and private stakeholders is an interesting model and a rare example on how to involve the private sector into public support structures.

Additionally the start-up centres provide different support services for the business founders, such as coaching, information services and training and initiate networking with potential employers. They set-up networks and partnerships among creative and artistic sectors on regional level and support the network partners and their creative activities and events. Within the start-up center initiatives for the exchange of experiences among the entrepreneurs like “creative DienstleisterInnen” (creative service providers) have been established. As a platform for presentation and publicity of the enterprises, a common database is provided.

Property protection

One of the most crucial issues for creative industries is the protection of creative and intellectual property. To tackle this issue, a mutual initiative of “Creative Communities”, the initiative “evolve” by the Austrian chambers of commerce and “Creativ Wirtschaft Austria” - a federal program to support the creative industry sector - has been set. The project “Creative Depot” provides a web based platform for all creative's, entrepreneurs and artists with the possibility to tag their achievements, works and ideas with a kind of time-stamp online. By this means it is possible to

communicate the original authorship and to provide a digital proving. Moreover, users have secure evidence about the author's permission for the re-use. The digital timestamp is valid for 35 years.

Awareness raising

In order to raise the public awareness of the creative industry in Linz, Creative Community is organising cross sector and awareness raising events, introduces studies and enhances cross sector communication and network activities. For this purpose the group "Creative Friends" has been established. This group comprises all enterprises and institutions, which support the objectives of the Creative Industries and with whom to cooperate. Among others, Upper Austria, Siemens VAI, regional museums, incubators, universities and the tourism sector are partners of this network. Campaigns aiming at interlinking the economic with the cultural sector like "Do you know economy?", "Do you speak arts?" and "Everything apart from common" have been established.

The Upper Austrian Chambers of Commerce

The Upper Austrian Chamber of Commerce was represented at the workshop by Dr. Gerald Silberhumer. It takes a crucial and decisive role in the entrepreneurial support structure of Linz and is acting as a kind of de facto one-stop shop.

The Chamber is the only legally approved organisation for representing the interests of the regional business community. It promotes the economy and is a preferred service provider for the Upper Austrian entrepreneurs. The overall duties and responsibilities of the Chamber are to encourage business-friendly economic conditions, to survey and mitigate counterproductive laws and regulations, to delegate experts to public corporations, to act as modern service provider, to offer tailor-made services and information for entrepreneurs and the chamber is offering knowledge-transfer and vocational training.

The chamber represents the interests of its members regarding social security, tax relieves, reduction of administrative bureaucracy and expansion of infrastructure networks. The provided services comprise consulting offers and information on a wide range of topics like business law, export or subsidies. Furthermore, offers the transfer of knowledge, advanced training offers (e.g. the WIFI Institution) and the Chamber provides offers of communication media.

Constitution and organisation

The Chamber has 1.463 elected representatives and around 75.000 members and the number of subscriptions is steeply increasing. Currently 49.000 enterprises without employees, 26.000 SMEs (1-99 employees) and 722 large enterprises with more than 100 employees are recorded as members. Hence, the chamber is a quite powerful organisation.

One particular and interesting characteristic in the Austrian system is the active role of the Chamber in the participation in social partnerships. The Austrian model of economic and social partnership follows an integrated approach. Different players like the Austrian Federal Economic Chamber, the Austrian Chamber of Agriculture, the Federal Chamber of Labour and the Austrian Trade Union Federation are involved. The representatives of the different stakeholders attend collective negotiations, deliver proposals to the government and elaborate political concepts. Due to the fact, that all partners are involved in the bargaining process, Austria has a low rate of strikes.

The chamber itself is a self-governing body with a mandatory membership and is organised centrally, regionally and functionally. There is the Austrian Federal Economic Chamber in Vienna and there are nine federal Chambers of Commerce and 85 provincial trade associations. Thematically seven sections have been established. The management system is based on the Dual-Leadership principle with voluntary elected representatives and regular employees.

As shown in nationwide comparative quality and service ratings, the Upper Austrian Chamber of Commerce is a highly acknowledged organisation. In particular regarding service, consulting offers, promptness and the perceived quality, excellent achievements can be exhibited. (88% of entrepreneurs state that the Upper Austrian Chamber of Commerce is a good and well working organisation.

The Upper Austrian Chamber of Commerce has a powerful regional customer service. The chamber headquarters are located in Linz. Additionally 18 regional offices with a wide range of services like consulting, regional development and regional representation of interests, are maintained. As a self-contained department, the WIFI (a training facility) offers vocational training, acts as an academy for entrepreneurs and offers professional training for companies. The WIFI has 72.000 participants per year and offers almost 6400 offered courses and training units. In addition, the chamber offers specific services for target groups and regional assistance within the "Junior Chamber & Woman in Business" department.

Support for start-up companies and SMEs

To be sure the Upper Austrian Chamber of Commerce has a special services for start-ups within the "Gründerservice", where confidential personal advice, workshops with group learning and networking measures, training units (selling, time management, accounting, negotiation...), information material and calculation are provided.

Needs Analysis of the Creative Industry in Linz conducted by the University of Linz

Prof. Dr. Kailer from the Institute for Entrepreneurship and Organization Development of the Johannes Kepler University Linz presented the results of a survey on the situation of the creative industry in Linz. The survey was commissioned by the local FIN-URB-ACT working group as part of the Local Action Plan and was funded with FIN-URB-ACT budget. It was carried out in august 2009 as a semi-structured online-questionnaire with a response rate of 11 % (165 business owners out of 1580). Founders from all branches of the creative industry have participated in the survey. However, most of the answering entrepreneurs came from the advertising and ICT economy (probably related to the fact that the survey was conducted online).

Summary of the outcomes of the survey

The results show a heterogeneous picture concerning the awareness and future usage of support measures, like information, training, consulting, coaching, networks, finance. In particular the survey has shown once more that the Upper Austrian Chamber of Commerce plays a crucial role on-site for the support structure for local founders, as 95% of the respondents are aware of the founder services of the Upper Austrian Chamber of Commerce. In comparison, the awareness of, for example, the Creative Community Network is much lower, with only 42% of the respondents being aware of it.

Regarding the premises, only a quarter of the entrepreneurs works at home. 56% have an office outside of their home or in a start-up centre/business incubator (5%). 70% of the entrepreneurs are sole proprietors. An interesting point is that the larger the founder team is, the more often offices in start-up centres/business incubators are used.

Regarding the financial needs it can be stated that there is no real lack of funding opportunities. Moreover one of the most important requirements is that the possibilities to establish contacts and cooperation among the entrepreneurs should be reinforced. Almost one third of the entrepreneurs carry out long-term cooperation with colleagues from the same branch. Merely 12% do not cooperate at all. Almost 40% respondents want to intensify their networking activities in the future (see also the presentation of Daniela Köppl below).

Besides, training needs were detected in the fields of legal questions (one third), soft skills like sales and negotiation training, reputation management and self development and coaching (one quarter). Additionally, creativity workshops and support in the exchange of experience, business administration and management skills (only 15%) were indicated.

Final considerations derived from the survey by Prof. Kailer

The results of the survey highlight different items that can be taken into consideration for further development policies and strategies in other cities. First, there is a **gender difference in the use of the provided networks** and a **difference between the level of knowledge and the use of different support offers**. Furthermore the local support programs are quite well known, contrarily to the European ones, which are almost unknown. That also applies to the access to finance. The closer the access points the better. Marketing strategies for networks support structures need to be well organised. Additionally, synergies between different types of local activities in combination with the development of a common “brand” should be implemented. This should be especially done for industry specific homogeneous networks, as the survey shows that they are more appreciated by entrepreneurs than the heterogeneous ones.

Example of a founder that was presented

In 2007, Daniela Köppl, a young entrepreneur from Linz, founded the advertising agency “Ventiva Kreativwerstatt GmbH”. At the beginning she was working in her home office. During the start-up phase she attended diverse interest privileged bank loans specialised seminars and events for founders carried out by the Upper Austrian Chamber of Commerce. Through this network she became aware of the “Creative Community” initiative and the associated foundation centres. Thereupon, she decided to apply for a subsidised accommodation allowance and hire an office space within the premises of the foundation centre. Since, she had the possibility to establish useful contacts to further founders, created long term business connections and found a helpful communication platform. Additionally, a crucial fact for her success results from the accompanied coaching initiative that she was offered. Being surrounded by likeminded people encourages her to keep on her business and gives her the opportunity to exchange ideas.

Examples from the financial support structure for start-ups in Linz

During the working group session of innovative businesses two examples of financial support facilities for creative businesses were introduced. The first one was presented by Wolfgang Schernhuber from the Upper Austrian Savings Bank and the second one was the Upper Austrian Guarantee Fund (Oberösterreichische Kreditgarantie Gesellschaft OÖ KGG) and Upper Austrian Equity Investment Company (OÖ. UnternehmensBeteiligungs Gesellschaft m.b.H.), presented by Dagmar Doppler.

The Upper Austrian Savings Bank

The Upper Austrian Savings Bank was founded in 1849 in Linz. With a total balance sheet of 11.025 Million €, a total financing volume of 7.000 Million €, 1562 employees, 9 commercial centers and 139 branches, it is the largest regional bank in Upper Austria and the largest savings bank in Austria. It is an accredited partner of the AWS and the ERP – Fund (Austria's biggest fund for small and medium sized businesses) and accredited partner of OeKB (Austria's main provider of financial service for the export industry). The financial support portfolio includes project analyses, the configuration of financial plans, arrangement and demanding of asset capital and venture capital, scheduling of applications for public grants and the financing of assets and working capital.

Within the project analysis, questions on the investment reasons the adequacy and necessities of investments, a SWOT analysis as well as an evaluation of the financial statements and an overall financial check are processed. To obtain a credit, a minimum equity of 20% - 25% is requested and the credit period must not be longer than the asset depreciation range. Additionally all possible public grants will be requested. For start-up companies a public grant of 14% of the investments with an maximum amount of 42.000 € and a guaranteed loan with an maximum amount of 600.000 € are available. Established companies can receive a grant of 5% of the investment with a maximum of 37.500 € and a subsidized loan (ERP-loan) with a maximum amount of 7.5 Million € as well as a guaranteed loan of maximum 9 Million €.

The Upper Austrian Guarantee Fund and the Upper Austrian Equity Investment Fund

The Upper Austrian Guarantee Fund was founded in 1969. The shareholders are the Chamber of Commerce and Upper Austrian banks. The State of Upper Austria participates with financial encouragements. The aim is to support the Upper Austrian entrepreneurship by the issue of guarantees for companies in order to vitalise the investments. Within the financial support structure the guarantee fund has taken a stable position for the last 40 years. Guaranties are provided for SMEs from all sectors, also creative business e.g. film-video-TV business, advertising agencies, IT-business and architects. Investment loans are provided from 25.000 € up to 1 Million € and working capital loans from 25.000 € up to 500.000 €. In its average, the Guarantee Fund has about 120 applicants per year. The current liability amounts to 40 Million € for 448 supported companies (average amount of 90.000 €/company)

The Upper Austrian Equity Investment Fund (founded in 1997) has the same shareholders as the Upper Austrian Guarantee Fund. The main objective is to support the entrepreneurship by providing equity investments (mostly) as long-dated dormant equity holding and to provide a stable relation between debts and private equity. The expansion amounts from 75.000 € up to 500.000 € as for existing SME from all sectors including creative businesses with innovative projects. The Fund has 5-8 applicants per year. The current equity investment amounts to 10 Million € for 35 companies (average: 300 000 €/ enterprise). Additionally equity investment and low interest loans are provided from 20.000 € up to 75.000 € for newly founded SMEs.

The programm “International Incubator Hagenberg”

As facilities for business and start-up support Linz presented two incubator projects. The programme “International Incubator Hagenberg”, which was presented by Dietmar Kirchweiger, is embedded in the “Softwarepark Hagenberg”. The incubator programme is aiming at the support of

the IT and software (basic research) sector in cooperation with research institutions, the Johannes Kepler University of Linz, the Province of Upper Austria, the Community of Hagenberg and the Raiffeisenbank as main investor.

The overall programme and means is subject of the “Academia Spin-off Programme” (AplusB), an initiative of the Austrian Federal Ministry for Transport, Innovation and Technology. It is run by the Austrian Association for Research Development. Each Austrian Province is endowed with a regional AplusB centre to support start-ups in the academic sector. For Upper Austria it is the “tech2b centre”, which is located in the Softwarepark Hagenberg close to Linz. The Park itself consists of eight research institutions, 40 companies with 1000 employees and 1400 Students.

The International Incubator Programme was initiated by the “Softwarepark Hagenberg” in cooperation with the Province of Upper Austria the local Bank “Raiffeisen Landesbank” and “tech2b”. The main objective of this initiative is to bring international high-quality ICT start-ups to Linz and settle their business in Hagenberg. To obtain support from the international incubator programme, some criteria have to be fulfilled. The focus of the company has to lay on IT (in a broader sense) and has to register in Hagenberg. The signed contract for the support has a duration of at least three years. The investing bank takes a share of less then 50% and the founder retains always a share of more than 50% from the company. Once the contract is signed the incubator provides various support achievements. The founder can obtain financial support (seed money, shareholding). Living costs and social security will be covered, office space, infrastructure facilities and business consulting will be provided. Moreover, the founders can participate at special business training programmes and obtain support in dealing with the authorities and for public funding applications. Since the international incubator has started in Autumn 2009, so far three positive applications have been approved.

For the future the International Incubator Programme will be extended. Up to 2007 almost 100 Million € has been invested as public private partnership. Until 2012 further 50 Million € will be invested into the settlement of companies, research institutes, educational institutions, the overall infrastructure (e.g. e-Library). Furthermore it is planned to establish a world centre of symbolic computation.

TechcEnter Linz Winterhafen

The second incubator example supporting start-ups in Linz was presented by Georg Spiesberger from “TechcEnter Linz Winterhafen”. The ownership of this incubator is shared of one third by each partner, which is the city of Linz, the Province of Upper Austria and Austria trough the Austrian Research Support Society. Within the TechcEnter 64 companies are located with approximately 500 employees. The main working fields at the TechcEnter are information, software and technology development, technology transfer, innovation consulting and mechatronics. Similar to the International Incubator, costs for offices and technical equipment are supported and active business networks for marketing, information events and coaching and mentoring are provided.

Conclusions:

- The decision to focus on creative industry in Upper Austria was taken already in 2006 following round table discussions and the results of surveys. Linz used the temporary events (Cultural Capital, European year of creativity and innovation) effectively to establish lasting support structures for the creative industry sector. But it takes long time and a lot of promotion efforts, as the survey of Prof. Krailer show, only 42% of the businesses were aware of the initiative.
- Linz has an interesting concept to involve private engagement by particular subsidy contracts with new entrepreneurs regarding the rents in the start-up centres. Instead of spending a lot of money in having new facilities built, Linz use existing facilities belonging to the private sector and they just pay for the part that is used by the businesses (during the period they use it). Additionally, the management costs are kept at a minimum.
- There is strong public involvement for high-tech centres but the City make full use of existing national/regional schemes and they “catalyse” the implementation at local level.
- The model of the Chambers of Commerce is very interesting. The chamber has a quite strong position, where many strands of supporting tools flow together (as a kind of one stop shop model). All stakeholders are involved, including those related to labour force (trade unions...). This is very specific of Austria.

Sources:

- KEA EUROPEAN AFFAIRS, The Culture of Creativity in Europe – A study prepared for the European Commission (Directorate General for Education and Culture), Brussels, 2006.

URBACT II

URBACT is a European exchange and learning programme promoting sustainable urban development.

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