

The Role of Clusters in Creative and Cultural Industries

Helena Nikolić

University of Zagreb, Faculty of Economics and Business, Croatia

Filip Mikuša

University of Zagreb, Faculty of Economics and Business, Croatia

Abstract

Clusters are geographical concentrations of related companies, institutions and organisations that cooperate and compete in a specific sector to stimulate innovation, productivity and economic growth. Clusters in culture are important because they increase creativity and innovation among related companies, reduce costs and increase productivity, which strengthens regional economies and attracts investment. They also play a key role in preserving cultural heritage and identity, promoting local traditions and cultural heritage in a globalised world. In addition, clusters enable better cooperation and exchange of knowledge between different cultural actors, which leads to the development of new cultural and tourist offers. The article analyses the importance of clusters in the development of creative and cultural industries. Creative clusters are specific because of their instability and tendency to change, which affects their reputation and brands. The main advantage of these clusters is the preference for quality over quantity, which leads to greater innovation and success. Through the integration of companies, clusters increase specialisation, reduce costs and increase productivity, which strengthens regions and attracts investment. Also, clusters play a key role in preserving cultural treasures and identities, promoting local traditions and cultural heritage in a globalised world.

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Introduction

Creativity, similarly to innovation, implies an entrepreneurial and transformative process that results in the creation of something new - more revolutionary ideas - from existing elements while accepting potential risks and unpredictable activities (Jones et al., 2015). In principle, all those economic activities that intertwine human creativity, intellectual property, knowledge, and technologies make up creative industries. In other words, they form a creative economy (Tremblay, 2011). It is a complex cycle of design, creation and distribution of goods and services in which creativity and intellectual capital represent the initial input (Comunian et al., 2010). Although there are controversies about the scope of creative industries, they certainly encompass a heterogeneous area that is related to various creative, technology-intensive actions and service activities (Mietzner et al., 2013).

On the other hand, the terms creative and cultural industry are often discussed. The question arises whether they are synonyms or whether there are distinguishing criteria between them (Ferrándiz, 2011). The culture industry is most often used to stigmatise mass entertainment culture, while the creative industry is considered "fine art" (Sigthorsson et al., 2013). However, regardless of the details, the fact is that the basis of cultural industries is creativity. Therefore, it can and should be considered a subtype of creative industries (Wolman et al., 2015). Interest in the creative sector is undoubtedly growing nowadays. The challenges are equally great for theorists and researchers as well as for active participants precisely because of the flexibility and modularity of market structures. The interest grows progressively with the fact that precisely these diversified structures (independent artists, small companies, large conglomerates, etc.) connect and cooperate, going beyond the concept of creative centres. In other words, modern cultural systems are more like creative social networks or clusters.

Clusters represent a modern method of connecting and networking competing but cooperative companies that act synergistically based on geographic positioning in a nearby area (Dubrovina et al., 2023). However, clusters are emerging in various areas, ranging from tourism (Moric, 2013) to defence (Jurčić et al., 2020), supporting regional development (e.g. Pejić Bach et al., 2023; Xinhong et al., 2023). It is precisely this spatial proximity that is necessary to achieve the cluster's purposefulness, which is to create a spillover effect. Long-term common goals drive companies, and the interaction of a large number of participants is a necessary prerequisite. The so-called critical mass consists of specialised suppliers from related industries and other scientific organisations, trade associations and government institutions (Spencer et al., 2010). Based on the cluster, they create a positive and stimulating environment and achieve higher productivity than it would be possible to attain through independent actions. Today's creative economic societies have recognised the importance of clusters. Based on them, it is possible to direct and advance economic trends, achieve regional, national, and global recognition and create preconditions for sustainable competitiveness.

Disruption of harmony between benefits achieved by clusters and cultural-creative comparative advantages is the result of globalisation. Namely, today's world is globalised to such an extent that it is impossible to ignore the obliteration of national cultures under the influence of the import of global mass culture. Consumerism and identification with global unity represent a serious threat to the traditional and cultural heritage of all countries. Therefore, many countries have realised that they can preserve their identity and promote it in the world only through a systematic public policy aimed at preserving national cultural treasures. Accordingly, the connection of culture, creativity and clusters is essential.

The structure of the paper is as follows. The introduction emphasises the growing importance of clusters in the development of creative and cultural industries, highlighting their unique characteristics and challenges. The second chapter discusses the role of creativity and innovation within clusters. It shows how firms within clusters increase their creativity, reduce costs, and increase productivity, strengthening regional economies and attracting new investment. The third chapter analyses the role of clusters in the preservation of cultural heritage in a globalised world, helping in branding and attracting tourism. The article then explores the global perspective of creative and cultural clusters, including initiatives such as the European Union's "Creative Europe" program and UNESCO's Creative Cities Network. The last chapter deals with the development of creative and cultural clusters in Croatia, emphasising the need for better utilisation of EU funds in order to realise their full potential.

Clusters as creators of creative and cultural centres

It can be said with certainty that the representation of clusters is increasing, and their role in the development of creative and cultural industries is very interesting. This form of cluster is specific because the assets of creative clusters are not always clearly visible. Also, creative clusters are unstable. In other words, they are subject to change, which affects their reputation and brands. Another challenge is the fact that most of their infrastructure is located outside the company. The main distinguishing criterion in relation to other clusters is the preference for quality over quantity. What does that mean? The essence of creative clusters is to become as high-quality and innovative as possible, not to become as large and thus as influential as possible. Therefore, the strategic approach to such clusters is visibly different from the usual one.

The creativity of either a group of people or related business actors is the starting point. Aware of the built network, companies intensify their creativity and innovation and become more successful. The integration of companies into a cluster intensifies specialisation and business activities while lowering costs. Ultimately, that leads to higher productivity, and as a result, regions become stronger and attract new investments. The advantage is positioning in those geographical locations that promote mutual interaction and cooperation. Centres of human mobility are built through such a way of mutual interaction (Jones et al., 2015). In such an environment, small and medium-sized enterprises profit the most. They are protected from the uncertain and unpredictable demand for creative products (Gong et al., 2017), but on the other hand, they gain the opportunity to become carriers of economic activity. Namely, the cooperation of smaller business entities leads to an increase in intellectual capital, which is a key resource of the creative sector. Their stability, resistance to external shocks and a faster and more efficient reaction to the changing environment ensure this. An example of such a "shock" is the crisis caused by the pandemic, where many creative clusters adapted very quickly to the digital environment.

The role of the cluster is also reflected in the preservation of cultural treasures. This is a particularly dominant feature in a globalised world where the aim is to remove all forms of trade and social barriers in order to create a unique global culture. Therefore, there is an enormous risk of the disappearance of local traditions and cultural heritage. However, the loss of cultural identity is prevented precisely by building clusters. Also, clusters help in branding, creating a cultural offer, and upgrading a diversified specific supply to a wide mass of potential consumers. It is precisely the cultural dimension that can lead to the intensification of other, apparently unrelated business activities. For example, from the aspect of tourism, promoting one's cultural heritage and its specificities leads to the creation of tourist offers for a country or region. Tourists create a greater interest in a cultural identity that is different from their

own. That is why many countries, regions and cities invest great efforts in building their cultural and creative centres in order to create potential and comparative advantage in a globalised world (Nižić et al., 2019). It is undeniable that the creation of clusters in the creative and cultural industries has many non-economic benefits. For example, it sets standards, encourages the construction of necessary infrastructure, creates and intensifies business (creative) activities, discloses creative and cultural information about the market, protects natural and social resources and manages the environment through a cultural prism.

Creative and cultural clusters on a global level

The influence of national policies and international organisations on the creation of creative and cultural clusters

Since clusters are best suited to contemporary business challenges, every country needs cluster development policies as an integral part of economic policies. They are either of an individual character or contained within regional policies. Of course, they basically stem from international frameworks. For example, the European Union provides its members with a political framework, guidelines, and assistance from supporting institutions (Ketels et al., 2012).

However, the intensity of implementation varies between countries as it is adapted to local conditions and national cultural specifics. The leadership policy is based on encouraging indigenous growth instead of attracting foreign investment. Through financial incentives and support for small and medium-sized enterprises, governments become intermediaries between enterprises and infrastructures of creativity and knowledge.

In any case, international organisations and integrations are a starting point, a conceptual example, a role model and a guide for clustering and emphasising the preservation of cultural identity and creative potential. International institutional cooperation, especially within the bodies of the United Nations and the World Trade Organization, is essential to advance international action and ensure the full potential of the economic and development benefits of the creative economy (UNCTAD, 2022). The UN General Assembly declared 2021 as the International Year of the Creative Economy for Sustainable Development should raise awareness of the importance of creative industries in achieving economic progress for the entire country (United Nations, 2019). Similarly, other international organisations provide guidelines for the development of creative and cultural industries and promote good examples from practice.

For example, the European Commission has defined the "Creative Europe" program, within which it intends to support the cultural and audio-visual sectors in the period from 2021 to 2027 (Vos, 2022). It allocated 2.44 billion euros for the preservation, development, and promotion of Europe's cultural wealth, which exudes diversity. Also, the goal of the program is to increase competitiveness and improve the economic potential of the cultural and creative sectors (European Commission, 2021).

World trends in the development of creative clusters

Today's market is very dynamic and turbulent thanks to globalisation. Technological advances, the development of different ways of doing business and the creation of new consumer habits have also shaped new views on the economy. The era of traditional and objective industries has disappeared, and creativity and the cultural dimension have gained importance. Therefore, in the concept of regional clusters, a new combination of local traditions and global trends can be sensed. That implies the

rejuvenation of traditional industries by introducing novelties intertwined with economic, social, and cultural characteristics. An example of the introduction of the strategy of "new combinations" can be seen in the Danish case of creativity, where they implemented a cultural component in the production of furniture and created a kind of cult of Scandinavian furniture and living (Sancho, 2016). Other examples are British cities (such as Manchester) dominated by heavy industry accompanied by the Industrial Revolution (Chapain et al., 2020). Nevertheless, they built a completely new paradigm of popular art and invested in the development of creative clusters.

Globalisation has also contributed to the creation of a network of global, regional clusters that form specific creative global value chains. A major role in this chain is played by multinational corporations that transfer creativity, knowledge and innovations to local clusters characterised by specialisation through the spillover effect. Regardless of which industry branch it is and how far the clusters are geographically, cooperation with creative clusters is necessary. Since the concentration and proximity of a large number of creative entities lead to a spillover effect in many parts of the world, the growth of creative industries is actually a product of externalities of already existing agglomerations (Ismalina, 2012).

Therefore, it is logical that clusters are most often formed within or near large city centres due to more available content and cultural and creative consumption, which are important aspects of life in the cities. In addition, the appearance of building a competitive advantage through the image of creative cities is becoming more and more frequent. We are talking about urban centres that exude various cultural activities as integral parts of their economic and social status.

Since the main resources for the development of creative industries are people and intellectual capital, it is logical that cities with a long tradition in which old industries are shutting down, such as those in Europe, turn more and more to cultural development. The diversity of the creative offer implies a multitude of cultural contents in the form of exhibitions, concerts, festivals, and other performances. Cities like Bayreuth, Edinburgh or Salzburg are very good examples.

One of the best examples of creative cities is certainly London, where the creative sector ranks second in size (UNESCO, 2021a). One of the most famous networks of creative cities is UNESCO's (Figure 1). To be able to become part of this network, cities must meet the required conditions, and UNESCO especially encourages cities that are not major but have significant historical and cultural value to join the network. The Network of almost 300 cities around the world covers seven creative fields: Crafts and Folk Arts, Media Arts, Film, Design, Gastronomy, Literature and Music.

It is also necessary to mention the negative impact of the coronavirus pandemic. It is the creative sector that has been strongly affected by measures, restrictions, and closures, especially activities that depend on the presence of the audience. According to UNESCO (2021a) estimates, the gross value added by the creative and cultural industries in 2020 at the global level was US\$750 billion lower. Also, losses in the income of the creative sector ranged between 20 and 40%.

Another important consequence of the pandemic crisis is accelerated digitisation. Digital technologies were used in completely new ways, encouraging innovation in the production, distribution, and consumption of digital content. UNESCO has recognised the importance of raising awareness of the need to invest in creativity, protect the status of artists and ensure a fair digital transition. These will be the guidelines for the further development of the creative and cultural industries.

Figure 1
UNESCO network of creative cities



Source: UNESCO (2021b)

Cluster development in the field of creative and cultural industries in Croatia

Croatian Competitiveness Cluster of Creative and Cultural Industries

Croatia recognised the importance of clusters thanks to the European Union (EU). That is, during the accession negotiations, the role of clusters as desirable drivers of the Croatian economy was noticed and emphasised. Nevertheless, the first serious developments in the form of the creation of a concrete cluster development policy appeared after Croatia entered the EU. Until then, everything was based on apparent theoretical understanding. There was a lack of practical knowledge, trust, and information about the benefits they could bring. In addition, there was no systematic approach to building clusters, nor were the strategies aligned with existing domestic policies. EU policy encouraged the Ministry of Economy to establish the Croatian Competitiveness Cluster for each industrial sector that can contribute to economic development.

One of them is the Croatian Competitiveness Cluster of Creative and Cultural Industries (HKKKKI), which has been operating since 2013 and has 15 members (HKKKKI, 2014). During almost the first decade of its existence, it has grown to 113 members, of which 38 are from the economic sector, 33 from the public administration area, 34 from the civil sector (mainly associations), and 14 from the scientific and research area (Kreativni gradovi, 2021). HKKKKI is divided into twelve sectors. These are architecture, audio-visual arts (film, video), heritage (museums, libraries, archives), design (fashion and graphic design, interior design, product design), music, performing arts (theatre, ballet, dance), books (publishing), media (TV, radio, print media and internet), advertising and marketing communications, applied arts (glass, ceramics, jewellery and other applied arts and crafts), computer games and new media, visual arts (painting, sculpture, graphics, photography, new media) (Rašić Bakarić et al., 2015). Its main task is to help network representatives of industry, state, and academic-scientific institutions and to provide support for their cooperation. Therefore, by definition, it does not have the characteristics of a cluster in terms of its area of activity but represents only one link that can be an integral part of a cluster. However, this only

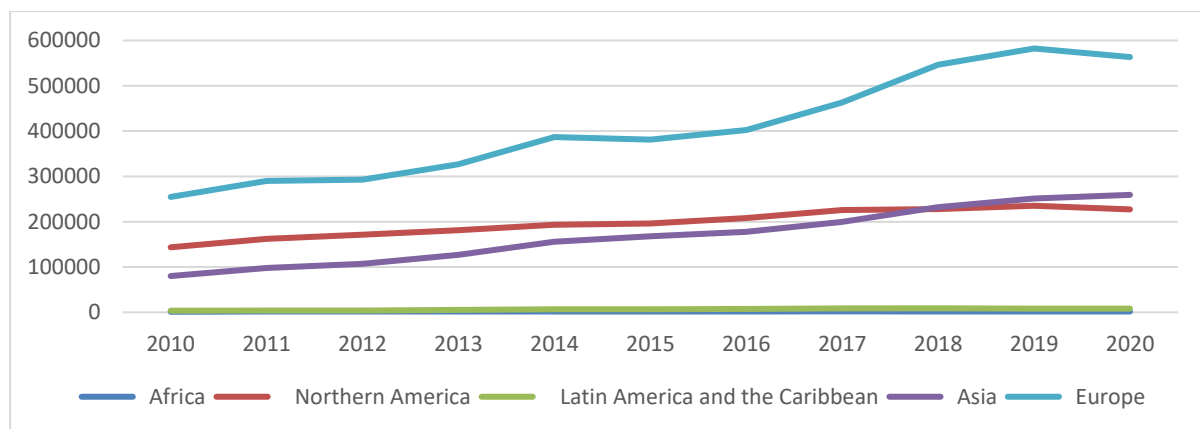
confirms how the concept of the cluster has been relativised in the literature and that, especially in the policy framework, it is used as a synonym for any way of connection. The main activities carried out by HKKKKI are manifested in supporting research and development processes, innovation, and entrepreneurship in the creative and cultural sectors. In addition, through its activities, the Cluster aims to facilitate financing methods and strengthen infrastructure support in the sector. It is equally important to highlight the role that HKKKKI plays in the development of human resources and in accelerating the spillover effect on other industries and society. HKKKKI organises numerous panel discussions on the topic of creative and cultural industries and participates in international and domestic projects and conferences (e.g., in the Creative Treasury symposium). It also emphasises the strategic approach of creating guidelines for development.

Potential for cluster development in the field of creative and cultural industries in Croatia

The European Union has certainly supported the advisory, guiding, and financial development of Croatia's creative and cultural capital. Of course, without potential in the form of rich cultural heritage and tradition, this would not be possible. However, it helped in finding models that are aimed at developing the economy and connecting all potentially important stakeholders of all 45 activities belonging to the sector of creative and cultural industries (Rašić Bakarić et al., 2015).

Figure 2

Creative services exports of selected groups of economies, 2010-2020 (Million US\$)



Source: UNCTADSTAT (2022)

The potential is evident based on global competitiveness, which can be estimated from the data on the export of creative services (Figure 2). Europe is an unrivalled leading exporter of creative and cultural content with exponential growth. Croatia, which has established itself as a cultural and creative centre by building a successful creative and cultural story, certainly contributed to this value.

Great economic potential is also visible in historical statistical data. For example, the gross added value of the creative and cultural industries in 2019 was 3,1% of the GDP of the Republic of Croatia, which is much more than the wood, chemical, textile, or pharmaceutical industries (EIZ, 2022). Out of all creative activities, the sub-sectors of publishing and electronic media contributed the most to the creation of such value. For comparison with European statistics, creative and cultural industries made up 4.4% of European GDP in 2019 (EY Consulting, 2021). Among other important indicators, the

number of employees in creative and cultural industries should be singled out. According to the data in 2021, 3,6% of the total number of Croatian employees were employed in that sector (EIZ, 2022). A small difference is also visible in the European data. Namely, it is the 3rd industry in terms of employment in the EU (after catering and construction). More precisely, there were 7.4 million people in cultural employment across the EU in 2021, 3,7% of total employment (Eurostat, 2022). In addition, the number of business entities in the creative and cultural industries made up 7,9% of the total number of entities in 2018, while the share of these industries in the total income of Croatia was 3,5% (EIZ, 2022).

Based on the data presented, it is evident that the creative and cultural industries are the leading sectors for economic growth and job creation, even currently, while their full potential is far from being achieved. But what is evident is that the creation of clusters encourages the increase of intellectual capital and the creation of new jobs and professions, which attracts young and highly educated people. In the Croatian context, this can reduce unemployment and the ever-present phenomenon of brain drain and stimulate regional and local development. Clusters will also contribute to achieving greater dynamism in all creative and cultural activities. Despite the notion that this sector depends on the public financing system, the growth of the number of companies also indicates the enormous entrepreneurial potential of these industries. The primacy is on strengthening the so-called culture of creation and creative economy, which will be a good foundation for building cooperation with other activities and sectors then. Of course, there are disadvantages in the context of a fragmented economic structure with a predominant number of small businesses and an above-average number of self-employed. However, this is where clusters will play an important role.

Moreover, Croatia did not fully use the financial injection offered by the European fund "Creative Europe". Namely, for the period 2014 - 2020, only 9.1% of the allocated funds were used (the average in the EU is 19.4%), which ranked Croatia at the very bottom in terms of utilisation (Jobst, 2020). Therefore, in the coming period, Croatia should certainly work on the utilisation of funds and the synergistic action of political leaders and private initiatives. Therefore, Croatia is in a crucial and challenging phase of development. Although there may be a lack of political will, many driving initiatives in the field of creative economy have been created in the last few years. One of them is the Osijek Creative Treasury. Notwithstanding, it is a symposium; it fully imitates everything that every cluster should have - connection and cooperation at all levels, from representatives of faculties, rulers, institutions, entrepreneurs, creative workers and all the way to amateurs, students, volunteers, and all interested parties. It has primacy, and its activities are based on popularising the role of creative and cultural industries since 2015. The mission is based on creativity as the centre of culture and the treasury as an abundance of resources whose adequate management creates added value (Tomašević, 2015). The idea is to start creative entrepreneurship and critical thinking through the systematic education of young people and the association of all potential stakeholders from the field of creative industries and to put the city of Osijek and the whole of eastern Croatia on the map of creative centres (Jobst, 2018).

Conclusion

Creative industries are ubiquitous in the modern economy. Diversification of the creative sector provides a wide range of business opportunities. Regardless of the different classifications, it is characterised by the possession of intellectual capital as its main resource that offers creativity and comparative advantage. The dynamism

and unpredictability of fluctuating demand force the entrepreneurs of the creative industries to act together through networking to create a common social capital. That capital is greater when networks are based on mutual trust and common culture. Through connection, that is, clustering, their fundamental characteristic - creativity - comes to the fore, making it easier for them to achieve and preserve their competitive advantage. Additionally, clusters are those geographical concentrations that create the strongest horizontal and vertical connections between individuals, companies, and institutions. This bond of simultaneous cooperation and competition at the same time is paradoxical but extremely interesting.

Clusters have adapted to creative and cultural industries and led to their growth, development, and higher productivity. Therefore, we are talking about creative clusters with specific characteristics in which innovation and quality take precedence over size. The scope for intensifying competitiveness lies in easier access to resources, especially sources of financing, modern infrastructure, and the exchange of know-how. The key to successful business activity is specialisation, which is also easier to achieve through clusters. The result is the development of cultural cities, interconnected creative centres, and the prosperity of the national economy. Competent institutions have recognised the function of clusters in the service of regional development, and this strategic approach has become the leitmotif of national and international policies. Croatia, as a member state of the European Union, participates in the implementation of such initiatives. The creation of the Croatian Cluster of Competitiveness of Creative and Cultural Industries marked the first serious step in that process. Strategic guidelines for the development of creative and cultural industries, as well as project studies for mapping creative and cultural industries, were also adopted. These documents represent the foundation for building a focused development of the cluster. However, like many formally designed strategies, this one has not been fully implemented either. Moreover, Croatia still does not have a built-in system that measures the statistical indicators of the creative sector and intensively monitors its development. Although there seems to be no institutional will to implement certain recommendations, in practice, there are several cluster initiatives worthy of attention. One of them is the Osijek Creative Treasury, which aims to popularise the role of creative and cultural industries and encourage the development of eastern Croatia.

Future research should focus on detailed mapping and analysis of existing creative clusters in Croatia in order to determine their strengths and weaknesses. It is also necessary to investigate how institutional support and better utilisation of EU funds can further stimulate the development of creative industries. Finally, it is important to study the impact of creative clusters on regional development and how they can contribute to reducing unemployment and retaining young talents in the country.

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About the authors

Helena Nikolić was born December 27th, 1987, in Zagreb, Croatia, where she finished elementary school and gymnasium. She graduated from the Faculty of Economics and Business of the University of Zagreb. She received her PhD on "Determinants of export activities of Croatian companies in the Eastern European countries" in July 2015. Helena holds the position of Assistant Professor at the Faculty of Economics and Business Zagreb, Department of Trade and International Business. Previously, she worked at the Croatian Bank for Reconstruction and Development in the Export Credit Insurance Department for two years. The author can be contacted at hnikolic@efzg.hr

Filip Mikuša was born in 1996 in Zagreb, where he finished gymnasium. He completed his undergraduate professional studies in Business Economics at the Faculty of Economics in Zagreb. He focused his interest on Trade operations. In 2020, he graduated in clarinet from the Academy of Music and obtained the title of Master of Music. The author can be contacted at fmikusa@net.efzg.hr