

Strategic Review on Indonesia Development Plan for Creative Economy

Agus Achmad Suhendra

Telkom University, Jl. Telekomunikasi Terusan Buah Batu Bandung 40257, Indonesia

Abstract

Creative economy is the new age of economy in the world including Indonesia. In 2013 Indonesia creative economy indicated significant growth than previous years, but unfortunately in the next 3 years after (2014-2016), Indonesia creative economy indicated continuously decreasing. To solve the problem and to develop national creative economy sectors for next 8 years (2017-2025), Indonesia Government through interrelated ministries is preparing a new master plan for national creative economy development. Master plan will be issued as the president's regulation and must be the national reference on creative economy development programs for all provinces and ministries. The problem facing now, how is the feasibility and the effectiveness of the master plan to address the all strategic issues on Indonesia creative economy development. Based on the conclusive research by mix method research, I conclude, that the Indonesia master plan for creative economy development mostly feasible and effective to address the all main strategic issues on creative economy development in Indonesia except for the industrial portfolio strategy of creative economy sectors. Indonesia government should prioritize and invest on the selected digital creative industry sectors, especially on movies, music and applications without leaving the main cultural creative industry sectors. They are culinary, fashion and crafts.

Keywords: Creative Economy, Creative Industry, Master Plan, Strategy

1. Introduction

Global industry has been revolutionary changing from agriculture age in 18th century to conceptual age in 21st century (Pink, D.H. 2005). Conceptual age is identical with creative economy era, whereas the core of economy is creative industry.

1.1 Creative Economy Development in the World

Creative economy is popularized by John Howkins since 2001 after he found the facts that intellectual property based products dominated export products from Unites States achieving US\$ 414 billion at 1997 (Howkins, 2013), and afterwards creative economy became the new age of economy and growing fast in every corner in the world, especially in United Kingdom, Japan, China, India and South Korea. Creative economy is one of the most rapidly growing sectors of economy in the world, not just in terms of contribution to GDP but also for employment rate and export income. World trade in creative goods and services totaled record US\$ 624 billion in 2011, up from US\$ 559,5 billion in 2010 (UNCTD, 2013). In 2013, cultural and creative industries as the core of creative economy worldwide generated US\$ 2,250 billion and employed 29.5 million people with top 10 revenues coming from television, visual arts, newspapers and magazines, advertising, architecture, books, performing arts, gaming, movies, music, radio. Creative economy dominated by Asia Pacific with US\$ 743 billion revenue and 12.7 million creative jobs followed by Europe with US\$ 709 billion revenue and 7.7 million creative jobs and North America with US\$ 620 billion revenue and 4.7 million creative jobs (Lhermitte, Perrin, Blanc, 2015). Creative economy worldwide also was indicated by growing faster on digital creative industries. This phenomenon is the consequences of digital life style which happening around the globe (Suhendra, 2017). It is caused by internet user penetration worldwide achieving 50%. There are 3.773 million internet users from 7,476 billion total of population in the world (Kemp, 2017).

1.2. Creative Economy Development in Indonesia

Based on the National Center Bureau of Statistics in 2013, creative economy contributed IDR 642 trillion or 4.11% of the total national GDP, with a growth rate of 5.76%, slightly (0.02%) above the national growth rate. It is seventh largest contributor of the top 10 economic sectors in Indonesia. Creative economy is the fourth largest sector in employment after the agriculture, livestock, forestry, and fisheries, which absorb 33.6% of the workforce. In 2013, when the national employment decreased by 1%, the employment of creative economic sectors still increased by 0.62%. Amount of creative business units in 2013 was 5.4 million, or 9.7% of the total business units in Indonesia. Number of business units in the creative sector is the third largest economy after the agriculture, livestock, forestry, and fisheries (31 million) and the trade, hotel and restaurant (10 million). Potentially creative economy in Indonesia should be continuously growing and more competitive, because Indonesia has 3 leveraging factors to realize that condition. Firstly Indonesia has big younger age group called "demography bonus" in its population (Bappenas, 2011) and creative economy is identical with young creative talents. Secondly Indonesia has many cultural assets, and culture is a driver and enabler of creative economy

(UNCTD, 2013). Finally political factors, Indonesia government has decided, that creative economy is one of the priority economic sectors in national economic development plan (Bappenas, 2015). Evidently the economic situation was difference with the expectation. Creative economy indicated becoming slow growth and less competitiveness globally in the period of 2014-2016. Surveyed data by the World Economic Forum (WEF) on Global Competitiveness Report and World Intellectual Property Organization (WIPO) on Global Innovation Index represented the condition.

Tabel 1. Indonesia Rank for Global Competitiveness, Innovativeness and Creative Outputs

Global Rank	2014	2015	2016
WEF Global Competitiveness Index (GCI)	34	37	41
WIPO Global Innovation Index (GII)	87	97	88
WIPO Creative Outputs and Services	65	95	64

WEF (2016) highlighted the main problems facing by Indonesia on global competitiveness related with innovation, infrastructure and technology, institution, business sophistication and labor market efficiency. According to WIPO (2016) problems facing by Indonesia on global innovativeness related with innovation inputs, consist of institution, human capital and research, business sophistication, market sophistication and infrastructure.

1.3. Research Questions

To solve the problem and to develop national creative economy, Indonesia government through interrelated ministries is preparing a new national master plan for creative economy development. Master plan will be issued as the president's regulation and must be the national reference on creative economy development programs for all provinces and ministries. The problem facing now, how is the feasibility and the effectiveness of the master plan to address the all strategic issues on Indonesia creative economy development. The answer of the question is objective of the research.

2. Literature Review

Research problem related with any theoretical concepts, covering nature of creative economy and creative industries and approaches on the national creative economy development.

2.1 Creative Economy and Creative Industries

John Howkins (2001) is the first person who uses the term of creative economy, where he defined the creative economy as the transactions of creative products that have an economic good or service that results from creativity and has economic value. Today the most often cited definition of the creative industry coming from the UK Department of Culture, Media and Sport (DCMS), where they defined the creative industry as those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property (DCMS, 1998). Creative economy is a big set of interrelated activities in the industrial ecosystem where creative industries as the core of activities. Creative economy is the synthesis of the evolution from previous concepts, started from arts, cultural industry, cultural industries, creative industries and finally creative economy (O'Connor, 2010). Many scholars and institutions categorized creative industries or creative economy in difference taxonomy, but overall covering 15 sub-sectors: advertising, architecture, arts and antiques, handicrafts art, design, mode, film, interactive games, music, performing arts, publishing, photography, software, TV and radio.

2.2. Approaches of the National Creative Economy Development

Many scholars and experts have introduced their concepts on the national development of creative economy. I summarized there are 7 approaches on this matter.

2.2.1. National Competitiveness Approach

It is adopted from Competitive Advantage for Nations framework by Michael Porter (1990), the framework is adopted widely in many creative economy development books, for instance, Creative Economy Report by UNCTD (2008, 2010, 2013), The Global Competitiveness Report by WEF (2016) and The Global Innovation Index by WIPO (2016). Creative Economy Report by UNCTD has been adopting the framework since 2008. According to UNCTD (2008, 2010, 2013), creative economy development must cover factor input conditions, context for firm strategy and rivalry, related and supporting industries and demand conditions. WEF (2016) highlighted 12 pillars to develop global competitiveness of particular industry, covering institutions, infrastructure, macroeconomic environments, health and primary education, higher education and training, goods market efficiency, financial market development, technological readiness, market size, business sophistication and innovation. WIPO (2016) proposed 5 innovation inputs to develop the global innovativeness development, covering institutions, human capital and research, infrastructure, market sophistication and business sophistication.

2.2.2. *Industrial Ecosystem Approach*

It is proposed also by UNCTD (2008, 2010). They suggest that for developing creative industries must cover the all related element on the value chain processes, consist of supply, demand and nurturance environment, including archiving/preserving and education/training. It means that for developing creative industries must use ecosystem perspective. Creative industries ecosystem covers creative value chains, nurturance environment, archiving and market (Parekraf, 2014). In the next development of the concept, some experts and creative councils define the industrial ecosystem approach in term of districts, network and business incubation as the creative clusters development, (Foord, 2008, Conboy & Nation, 2014, TCNSLC, 2012). It is aimed to develop the conditions of creative clusters to form among people, firms and industries.

2.2.3. *Industrial Portfolio Approach*

Creative industry is the fragmented industry, a lot of model on the classification of creative industries. There are more than 15 industries in the creative industry category: advertising, architecture, arts and antiques, handicrafts art, design, mode, film, interactive games, music, performing arts, publishing, photography, software, TV and radio. Every industry has different potential revenue and industrial attractiveness level. Creative industry worldwide is dominated by ten creative products. They are television, visual arts, newspapers and magazines, advertising, architecture, books, performing arts, gaming, movies, music, radio (Lhermitte, Perrin, Blanc, 2015). Industrial competitiveness of every country also has different position, and it stimulated every country to choose different creative products and services as their competitiveness. United States identical with TV, performing arts and movies, South Korea focuses on TV and music, China with architecture, performing arts and movies, India with movies and books, Japan with gaming, architecture and newspapers (Lhermitte, Perrin, Blanc, 2015). Differences of industrial attractiveness and competitive position had stimulated many countries to choose the best strategies for their owned creative industries. Singapore is one of the best countries in implementing industrial portfolio strategy on their creative industries. Singapore concentrated on 3 main strategies: Renaissance City 2.0 for art industries, Design Singapore for design industries and Media 21 for media industries (ERC, 2002). Today the world is entering digital era and has stimulated digital economy system (Suhendra, 2017), penetration of internet users is about 50% worldwide (Kemp, 2017), so in the future digital creative products will be the focus of the creative industry development. Some developed countries had been focusing earlier on the digital creative products. Now audio visual and new media industries are dominated by some developed countries (Lhermitte, Perrin, Blanc, 2015).

2.2.4. *Creative Places Approach*

The idea of creative economy is widely used in urban economies. It led to the concept of a creative city. This term defines a city where varied cultural activities are an integral part of the city's economic and social functioning. These cities often are created on a strong social and cultural infrastructure. They have relatively high level of employment in the creative sectors and try to be attractive to inward investment due to its good cultural infrastructure (Levikaite, 2011). Landry (2002) is the first person to introduce creative places approach on creative economy development framework with his book "The Creative City: A Tool Kit for Urban Innovators". In his book he highlighted city-centered development on creative economy. The concept had stimulated UNESCO (2004) to form Creative City Networks to endorse development of creative economy all over the world. Today Creative City Network has 116 members from 54 countries. They covers 7 creative sectors, consist of media arts, film, design, craft and folk arts, gastronomy, literature and music.

2.2.5. *Creative Core Approach*

The essence of creative economy is the way how people make money from ideas, so people is the core in creative economy. WIPO (2014) argued some issues on the importance of creative people in developing creative economy. They stressed that the human factor is the fundamental driver of innovation, the heart of innovation and the engine of innovation. Creative core approach tends to focus on human resource development or creative people development. One scholar focusing on his interest in creative core on creative economy development is Richard Florida (2002) with his best seller book "The Rise of The Creative Class". Florida (2002) was stimulated his idea by the fact that the growth of creative economy in the United States was strongly related with the growth of creative class and super creative core population in their cities. 1990 total population of creative class and super creative core in US was 10.0% and 2.4% up to 30.1% and 11.7% in 1999. Lhermitte, Perrin and Blanc (2015) also mentioned that top 10 city ranking on creative economy in the world (New York, London, Paris, San Francisco, Singapore, Sydney, Los Angeles, Berlin, Tokyo and Barcelona) determined by the total global talent in the city. Those cities are identical with the centres of global talents.

2.2.6. *National Collaborative Approach*

Creative industry is the fragmented industry, covering more than 15 sub sectors. Substantially creative industries are divided into two categories: cultural base creative industries and digital creative industries with 2 kinds of output, those are products and services. Those industrial characteristics cause many ministries and government agencies involving in developing of creative industries and it is the basic reason national collaborative approach is needed in developing of creative industries or creative economy. Singapore is one of the best examples in

implementing national collaborative approach in their creative economy development program (ERC, 2002). United Kingdom has been implementing national collaborative approach earlier in their strategy for developing creative economy for becoming the creative nation (Conboy & Nation, 2014)

2.2.7. National Problem Based Approach

International agencies on creative economy development mostly recommend the development of creative economy of nations by specified industrial problem of the nations. WIPO (2016) recommend based on indexing of 5 inputs of innovation. WEF (2016) recommend development program referring to index of 12 pillars on global competitiveness of nations. UNCTD (2008,2010,2013) use 4 factors on developing creative economy and EYM Limited from UK also recommend the program based on the specific problem on creative economy of the nations (Lhermitte, Perrin, Blanc, 2015).

Based on literature review above, I formulated a conceptual framework to solve the research problem as represented by figure 1 below



Figure 1 Conceptual Framework

3. Research Methodology

For achieving research objectives, I used conclusive research type with the mixed method research. Primary Data was gathered by survey through in depth interview and Focus Group Discussion (FGD) with some key informants. They are Directors of Creative Economy Development and expert staffs from interrelated ministries on creative economy development functions. Consist of Indonesia Creative Economy Agency, Coordinator Ministry of Economy Republic Indonesia and Indonesia National Planning and Development Agency. Secondary data was gathered by content analysis on the document of Indonesia Master Plan of Creative Economy Development. Content analysis covers underlying conceptual analysis and appropriateness and adequateness of the programs.

4. Results and Discussion

Research results some findings

4.1 National Competitiveness Analysis

Indonesia Master Plan for Creative Economy Development 2017-2025, afterwards abbreviated by IMPCED 2017-2025 has represented the using of national competitiveness framework as mentioned by Porter (1990) and accommodated the using of some similar models recommended by UNCTD (2008,2010,2013), WEF (2016) and WIPO (2016). Those frameworks are indicated in Chapter 2 about creative economy development on the article 4 clause 4-6 on development mission, article 5 on development objectives, article 7 on development goals and in attachment on policy directions and strategies.

4.2 Industrial Ecosystem Analysis

IMPCED 2017-2025 has accommodated the recommendation by UNCTD (2008,2010), Parekraf (2014), Foord (2008), Conboy & Nation (2014) and TCNSLC (2012) to use industrial ecosystem framework in formulating creative economy development programs. The framework is indicated in chapter 2 about creative economy development at article 6 clause 1 and 2 on the ecosystem development to produce professional creative people and creative entrepreneurs, article 7 clause 3 on Acceleration to create ecosystem and in the attachment 2.4 on the creative clusters development.

4.3 Industrial Portfolio Analysis

IMPCED 2017-2025 treats all creative industry sub sectors as the priority. It is conflicting with any portfolio strategies in strategic management theories and The 4 Disciplines of Execution by Mc Chesney, Covey and

Huling (2012). It is conflicting also with recommendation from any creative economy experts and world agency, like Lhermitte, Perrin & Blanc (2015), Kemp (2017) and ERC (2002). Factually, Indonesia creative industries indicated different level of industrial attractiveness and competitive position, so logically, it is not appropriate if treated by the same strategy.

4.4. Creative Place Analysis

Landy (2002), UNESCO (2004) and Levikaite (2011) recommend the importance of creative places especially creative cities in developing conducive ecosystem of creative economy in the nation, and IMPCED 2017-2025 has accommodated the recommendation in the chapter 2 about creative economy development article 4 clause 3 on the making and developing creative places, article 7 clause 5b on creative places development goals and in the attachment 1.2 on the creative cities development strategies.

4.5 Creative Core Analysis

Howkins (2001) highlighted that the core of creative economy is the ideas of creative people, and the fact has stimulated some creative economy development experts and global agency to recommend creative core concept as the essence of creative economy development (WIPO, 2014, Florida, 2002 and Lhermitte, Perrin & Blanc, 2015). IMPCED 2017-2025 has concerned in developing creative people as the core of creative economy development. It is represented in the chapter 2 about creative economy development article 4 clause 2a stated that the first mission of creative economy development is producing and improving capability of creative people, article 7 clause 5a on the target of availability qualified creative education and training, and in the attachment 1.1 on creative people development strategies.

4.6 National Collaborative Analysis

Creative economy is identical with many industries. There are more than 15 sub sectors in creative industries. Many ministries and governmental agencies involving in this matter and it is the reason why ERC (2002) and Conboy & Nation (2014) argue that creative economy development must be designed and implemented through national collaborative approach. IMPCED 2017-2025 indicated be designed and will be implemented by national collaborative approach. It is represented in the chapter 1, stated that the plan is formulated by quadruple helix approach, chapter 3 about the mechanism of master plan implementation involving the all stakeholders related and in the attachment on the job description of the implementation stated ministries and government agencies as the PIC for each program.

4.7 National Problem Analysis

Problem based approach is widely used by many international agencies on creative economy development (WIPO, 2016, WEF, 2016, UNCTD, 2008, 2010, 2013) and IMPCED 2017-2025 has accommodated also the recommendation from those international agencies. The main problems of Indonesia creative economy has been addressed in the IMPCED's programs.

5. Conclusion and Recommendation

1. Substantially, Indonesia Master Plan for Creative Development 2017-2025 has largely appropriated with the all creative economy development frameworks, but it had not clear yet the using of industrial portfolio approach on the creative economy development.
2. Indonesia Master Plan for Creative Economy Development 2017-2025 relatively feasible and effective in addressing the all strategic issues on creative economy development in Indonesia.
3. It is needed to state and formulate in Indonesia Master Plan for Creative Economy Development 2017-2025 clustering on creative industries priority and their portfolio strategies.
4. It is needed also to sharpen on some editorial formulations of the mission, goals, objectives, policies and strategic initiatives.
5. The seven approaches on creative economy development as I formulated in this research can be implemented as the general framework analysis in reviewing the national creative economy development in every country in the world.

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