



**IN
SITU** place-based **innovation** of
cultural and creative industries
in **non-urban** areas

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Matrix of those subsectors of CCI with more potential for further development

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Executive Summary

This report (Deliverable 2.4) assesses the potential for growth¹ and innovation² within specific subsectors of Cultural and Creative Industries (CCIs) in six non-urban areas across Europe, aiming to enhance their financial sustainability, community engagement, and alignment with digital strategies. This analysis is part of Work Package 2 of the IN SITU project, which is focused on identifying factors driving innovation and transformation within CCIs in rural and peripheral regions. The six European regions with IN SITU Labs selected for this study, representing diverse geographic and cultural landscapes, were: the Azores (Portugal), the West Region (Iceland), the Western Coastal Periphery (Ireland), the West Coast and Baltic Sea Archipelago (Finland), Valmiera County (Latvia), and Šibenik-Knin County (Croatia).

The **key objective** of this report is to identify the CCI subsectors with the highest potential for innovation in each region and examine the growth drivers that enable their sustainable development. To achieve this, the report undertakes a comprehensive assessment of the CCI subsectors active in each region, evaluating their ability to contribute to local economies and societal well-being through innovative practices.

Specific objectives include:

- **To identify innovation drivers in CCI subsector growth:** The analysis explores how specific CCI subsectors in each region contribute to both economic and non-economic dimensions of regional well-being.
- **To assess financial sustainability and participative practices:** The report examines the strategies and resources that support the long-term sustainability of CCI subsectors, particularly regarding community engagement and participative models.

¹ *Growth* refers to the capacity of a sector or subsector within the cultural and creative industries (CCIs) to expand its economic footprint. This expansion can include increasing market reach, audience size, and overall economic value. Growth potential typically focuses on the scalability of initiatives, capacity to meet demand, and strategic alignment with market trends (extracted from the IN SITU *Concept Guide* [D7.2] – Pinto et al., 2024).

² *Innovation* is defined as the introduction of a new or significantly improved product, service, or process that is distinct from what previously existed within an organisation or industry. This concept extends to product, process, and service innovations, as well as organisational and business model innovations. Innovation can vary in degree from incremental (small improvements) to radical (groundbreaking changes in the industry). The term also highlights the differentiation between invention (original idea) and innovation (realisation and market application of that idea) (extracted from the IN SITU *Concept Guide* [D7.2] – Pinto et al., 2024).

- **To develop a Growth–Development Matrix:** This matrix serves as a strategic tool to classify subsectors based on their growth and innovation potential³, offering a visual overview to support decision-making and policy recommendations.

The creation of the **Growth–Development Matrix** (introduced in this report) is based on frameworks from strategic business modelling, specifically drawing on concepts from Slywotzky, Morrison, and Andelman’s *The Profit Zone* (1997), which emphasises growth potential, and Osterwalder and Pigneur’s *Business Model Generation* (2010), which provides insights on sustainability⁴, enabling a detailed categorisation of CCI subsectors according to their development potential in non-urban European regions. This tool highlights high-potential CCI subsectors and serves as a practical guide to understanding the unique characteristics and needs of CCIs in non-urban settings regarding their sustainable innovation and growth. The matrix is designed to address core themes such as financial sustainability, participative and community-based processes, and innovative digital strategies that support outreach and engagement with younger demographics. The focus on sustainable development across these subsectors aligns with the broader goals of the EU in promoting socioeconomic growth, community cohesion, and environmental resilience in rural regions.

The classification of sectors and subsectors agreed upon by the IN SITU project partners organises the creative and cultural industries into three primary sectors: **Creative Industries**, **Cultural Industries**, and **Craft Industries** (Rainey and Collins, 2023). This framework is designed to categorise the relevant subsectors within each main sector, facilitating analysis and understanding of their particular dynamics and needs.

- Within the **Creative Industries**, activities encompass software development and publishing, information technology, media and advertising, architecture and design, professional and technical services, as well as scientific and technical research. These subsectors are marked by a focus on digital innovation, specialised design, and communication services.
- The **Cultural Industries** include sectors such as book, magazine, and newspaper publishing; audiovisual and music production; and radio and television activities. Additionally, cultural education, performing arts, management of arts facilities, museums, and other cultural and

³ *Innovation potential* is defined as the capacity of a region to generate, adopt, and disseminate new ideas, processes, products, or services that significantly improve performance, competitiveness, and adaptability. This potential is driven by various factors, including human resources, technological capabilities, financial investments, organisational strengths, and the institutional environment (extracted from Aldazabal et al., 2024b [IN SITU D2.3]).

⁴ *Sustainability* encompasses environmental, economic, social, and cultural dimensions, advocating for long-term support of communities, environments, and economies. In rural areas, sustainability discussions often integrate traditional practices with contemporary environmental needs, like climate resilience and cultural preservation. Cultural sustainability specifically refers to maintaining cultural practices and recognising culture as a pillar of sustainable development alongside social, environmental, and economic factors (extracted from the IN SITU *Concept Guide* [D7.2] – Pinto et al., 2024).

recreational spaces are included, all oriented toward heritage preservation and artistic education.

- Lastly, the **Craft Industries** encompass traditional manufacturing activities, including textiles, apparel, footwear, glass, ceramics, wood products, stationery, and furniture. This sector centres on artisanal production and the preservation of traditional techniques, also covering jewellery, musical instruments, and toy-making.

This classification supports a detailed analysis of the key subsectors driving the creative economy in various regions, offering insights into their specific dynamics and development requirements.

The **Growth–Development Matrix** organises CCI subsectors into **four** main **categories**:

- **High Innovation, High Growth:** Substantial potential for innovation with demonstrated capacity for sustainable growth, indicating strong positioning for future development.
- **High Innovation, Low Growth:** High innovative capacity but limited current growth, suggesting potential areas for support to realise untapped potential.
- **Low Innovation, High Growth:** Significant growth capacity with opportunities for innovation enhancement to sustain future competitiveness.
- **Low Innovation, Low Growth:** Limited growth and innovation, indicating areas that may require targeted interventions to unlock their full potential.

Across the six IN SITU Lab regions, this report identifies various subsectors within the CCIs that exhibit significant potential for sustainable development. The analysis reveals that subsectors such as textile crafts, digital gaming, and heritage tourism consistently display high innovation potential and community integration. The study also underscores the critical role of community-based initiatives and participative processes in enhancing the resilience and relevance of CCIs in rural areas.

Specific **regional insights** from the analysis include:

- **Azores (Portugal):** The region demonstrates potential within heritage-focused tourism and artisanal crafts. Digital skill enhancements and regional funding mechanisms could bolster the region’s innovation capacity.
- **West Region (Iceland):** The region has ample access to modern technologies and exhibits strong traditions in cultural heritage sectors. Compared to other regions in Iceland, the West Region stands out with a structured and unique approach to its cultural policy, having a five-year action plan system, reviewed annually, which prioritises funding for CCIs over other sectors.
- **Western Coastal Periphery (Ireland):** The region’s vibrant cultural scene, with an emphasis on traditional arts, encounters challenges related to infrastructure and youth retention. Enhanced infrastructure and opportunities for youth could foster a more sustainable innovation ecosystem.

- **West Coast and Baltic Sea Archipelago (Finland):** This region benefits from a well-integrated cultural and creative ecosystem with strong intersectoral collaboration, although discrepancies in innovation performance within the region suggest the need for balanced support across the area.
- **Valmiera County (Latvia):** Notable for dynamic creative agents and strong community engagement, the region's CCI subsectors could benefit from improved financial frameworks and policy alignment to enhance their innovation potential. The region would also benefit from technology-focused skill development to strengthen its competitive edge.
- **Šibenik-Knin County (Croatia):** Rich in historical and cultural heritage, this region has considerable potential within tourism-related CCI areas. A strategic focus on infrastructure investment could unlock further growth and sustainability for local CCIs.

A general analysis highlights several **strategic priorities** to enhance the innovation potential of CCIs in non-urban Europe more generally:

- **Investment in infrastructure and R&D:** Many regions require increased infrastructure and R&D investments to foster innovation, bridging gaps with more developed areas and fostering dynamic innovation ecosystems.
- **Strengthening financial mechanisms:** Financial sustainability is a common challenge. Establishing stronger financial support frameworks, including grants and investment funds, is essential for the resilience of CCI subsectors.
- **Encouraging intersectoral collaboration:** While some regions benefit from established collaborative networks, this soft infrastructure is often absent or underdeveloped. Promoting such collaboration can drive effective innovation and foster a more dynamic creative ecosystem.
- **Addressing skills and knowledge gaps:** Developing targeted training and educational programs to fill skills gaps can significantly boost innovation potential.
- **Leveraging regional cultural assets:** Each region possesses distinctive cultural assets through which regions can differentiate their CCIs and foster niche markets to stimulate economic development and growth.
- **Promoting talent retention and engagement:** Retaining local talent is essential, particularly in regions experiencing youth emigration. Creating opportunities for young people within the CCI sectors can engage them meaningfully, sustain innovation, and can help ensure long-term viability.

This report demonstrates that while CCIs in non-urban regions face particular challenges, they also hold considerable potential to drive innovation and contribute to local socioeconomic growth. The **Growth–Development Matrix** offers a practical framework for identifying high-potential subsectors and supporting tailored policy recommendations and strategic interventions. Finally, this report



provides actionable insights for fostering resilient, innovative, and community-oriented CCI in Europe's peripheral regions.

1. Introduction

In recent years, Cultural and Creative Industries (CCIs) have become recognised as key drivers of socioeconomic development across Europe. Traditionally, CCIs have been strongly associated with urban environments, where infrastructure, resources, and dense networks of cultural actors create fertile ground for innovation and economic growth. However, there is growing recognition of the potential for CCIs to act as catalysts for transformation and resilience in non-urban areas, where they contribute to the preservation of cultural heritage, local identity, and community cohesion.

Non-urban areas present unique opportunities and challenges for CCIs. Rural and peripheral regions often possess rich cultural assets and traditions that have been cultivated over centuries, offering unique value within today's experience-driven and identity-centred economy. However, these regions frequently lack the infrastructural and institutional support needed for CCIs to thrive, including access to funding, digital connectivity, and market reach. Additionally, rural cultural policies are frequently designed by and for urban centres, resulting in an approach that does not fully account for the distinctive needs and capacities of non-urban CCIs. As a result, the growth and impact of CCIs in these areas remain underdeveloped, despite their potential to contribute significantly to social innovation, sustainable development, and community well-being.

The IN SITU project responds to this gap by examining how CCIs in non-urban areas can leverage their particular attributes to drive innovation and development within their communities. Through a multi-layered approach that encompasses local economic dynamics, cross-sector collaboration, and community engagement, the project seeks to better understand and enhance the resilience and adaptability of CCIs in rural regions. A particular emphasis is placed on sustainable business practices, participatory processes, and digitalisation strategies that can extend the reach and impact of CCIs to broader audiences, including younger generations who increasingly engage with culture through digital platforms.

1.1. Sequence and interconnectedness of Work Package 2 (and other) reports

This report, developed as part of Work Package 2 of the IN SITU project, focuses on identifying and evaluating those CCI subsectors with the greatest potential for sustainable development and growth in non-urban contexts. It aims to provide a comprehensive analysis of key factors that influence growth and innovation, while also offering insights into the broader role that CCIs can play in supporting the socioeconomic resilience of Europe's rural regions. By addressing these dimensions, the report contributes to a more nuanced understanding of how CCIs operate in non-urban settings and highlights the specific needs and opportunities that can help shape effective policies and support mechanisms tailored to these regions.

In a nutshell, this report offers an input to understanding the distinct ecosystems of CCIs in Europe's non-urban areas and aims to pave the way for strategic interventions that enhance their contributions

to sustainable regional development and cultural vitality in their communities, regions, and across Europe. Key definitions used to frame this research are presented in Table 1.

Table 1 - Key definitions

Potential for growth	<p>Refers to the capacity of a sector or subsector within the cultural and creative industries (CCIs) to expand its economic footprint. This expansion can include increasing market reach, audience size, and overall economic value. Growth potential typically focuses on the scalability of initiatives, capacity to meet demand, and strategic alignment with market trends (extracted from Pinto et al., 2024, the IN SITU <i>Concept Guide</i> [D7.2 v. 2]).</p>
Innovation	<p>Defined as the introduction of a new or significantly improved product, service, or process that is distinct from what previously existed within an organisation or industry. This concept extends to product, process, and service innovations, as well as organisational and business model innovations. Innovation can vary in degree from incremental (small improvements) to radical (groundbreaking changes in the industry). The term also highlights the differentiation between invention (original idea) and innovation (realisation and market application of that idea) (extracted from Pinto et al., 2024, the IN SITU <i>Concept Guide</i> [D7.2 v. 2]).</p>
Innovation potential	<p>Defined as the capacity of a region to generate, adopt, and disseminate new ideas, processes, products, or services that significantly improve performance, competitiveness, and adaptability. This potential is driven by various factors, including human resources, technological capabilities, financial investments, organisational strengths, and the institutional environment (extracted from Aldazabal et al., 2024b [IN SITU D2.3]).</p>
Sustainability	<p>Encompasses environmental, economic, social, and cultural dimensions, advocating for long-term support of communities, environments, and economies. In rural areas, sustainability discussions often integrate traditional practices with contemporary environmental needs, like climate resilience and cultural preservation. Cultural sustainability specifically refers to maintaining cultural practices and recognising culture as a pillar of sustainable development alongside social, environmental, and economic factors (extracted from Pinto et al., 2024, the IN SITU <i>Concept Guide</i> [D7.2, v. 2]).</p>

Source: IN SITU reports – D2.3 (Aldazabal et al., 2024b) and D7.2 (Pinto et al., 2024).

Focusing on the sequence and existing connections among the various deliverables within IN SITU's Work Package 2, each report contributes sequentially to establishing a framework for assessing, diagnosing, and enhancing the innovative capacity of CCIs. This progression seeks, through carefully crafted analytical tools and applied strategies, not only to identify the drivers of innovation but also to design specific interventions that address the unique conditions and opportunities in each region studied. From an initial analysis of the factors stimulating innovation to a final roadmap guiding competitiveness in these sectors, Work Package 2 provides a solid foundation for informing the sustainable development of CCIs in non-urban environments.

The first report (Aldazabal et al., 2024a - D2.1) identified the specific drivers of innovation in CCIs located in peripheral regions. Using a mixed approach that combines qualitative and quantitative analysis, the unique characteristics of CCIs in these environments were explored, highlighting how factors like geographical proximity, social capital, and cultural heritage can enhance innovation. This initial analysis established a conceptual framework for understanding how CCIs in non-urban areas, despite limited infrastructure and financial resources, can contribute to local well-being and sustainability, distinguishing themselves from urban practices and generating positive impacts in related fields such as cultural tourism and social cohesion.

Based on the drivers identified in that report, the subsequent report (Aldazabal et al., 2024b - D2.2) developed a diagnostic tool to evaluate the innovation potential of CCIs in these areas. Drawing on the model by Troyas and Gómez de la Iglesia (2019), this tool captures local capacities, skills, and resources that drive innovation in non-urban CCIs, enabling detailed self-assessment without requiring advanced technical knowledge. In addition to identifying areas for improvement, the tool quantifies innovation progress and facilitates comparisons across different regions. This tool became a key instrument for implementation in the IN SITU Labs, serving as the basis for subsequent diagnostic and analytical work within Work Package 2.

The next report (Aldazabal et al., 2024c - D2.3) applied this diagnostic tool in the IN SITU Labs, providing an empirical assessment of the innovation potential of CCIs in each specific region. Through a three-level analytical approach (macro, meso, and micro), the innovative capacity of CCIs was examined, highlighting both the strengths and specific challenges within each area. At the macro level, the Regional Innovation Scoreboard (RIS) was used to position each region within the European context; the meso level focused on sectoral value chains; and the micro level explored the innovation potential of individual agents. These results offered a comprehensive view of the innovation ecosystem within CCIs, providing a foundation for future strategic recommendations.

With the data obtained in that report (and other research conducted within IN SITU), the current report develops a Growth–Development Matrix that classifies CCI subsectors based on their potential for growth and long-term sustainability. This matrix strategically visualises those subsectors that combine high innovation potential with growth prospects, facilitating the identification of priority

areas for policy support and financial resources. The Growth–Development Matrix thus becomes an essential tool for guiding investments towards the most viable subsectors, promoting a place-based development approach that can maximise impact in non-urban settings.

Looking forward, the final report in this Work Package (to be completed in 2025) synthesises the findings of the previous steps into a strategic roadmap that will identify specific actions and key areas for promoting the competitiveness of the most innovative CCI subsectors in these regions. This roadmap incorporates strategies for strengthening organisational capacities, technological adaptation, and market expansion, all aimed at ensuring the economic and social sustainability of CCIs in non-urban areas. With this report, a long-term action plan will be formalised, consolidating a robust and resilient innovation ecosystem that promotes enduring cultural and economic development in the regions studied within the IN SITU project.

It is also important to recognise the contributions of the research reports developed outside of Work Package 2 that have enriched the development of the current report. In particular, Rainey and Collins, (2023) [D3.1] provided essential regional insights through local mapping processes and sectoral analyses, helping to contextualise and identify key CCI subsectors with growth potential. Additionally, Kegler, Heinicke, and Walther (2024) [D5.2], which focused on the state of cultural policies for CCIs in non-urban areas, offered valuable information on the policy landscape affecting CCIs, which aids in understanding the broader policy framework that supports CCI sustainability in non-urban contexts.

Furthermore, the research conducted within Work Package 1 by the IN SITU team at Utrecht University and the synthesis study prepared for this report, “What are the Opportunities for Diversification in Non-Urban Regions: The IN SITU Labs Case Study” (Annex A), in particular have contributed insights on diversification strategies, emphasising the importance of existing local capabilities and occupational connections.

These external contributions collectively strengthen D2.4’s analysis, enhancing its depth and applicability within the broader IN SITU project framework.

1.2. Objective and limitation of this report

The aim of this report is to determine which subsectors within the Cultural and Creative Industries have more innovation potential and which are the drivers of further development in the six non-urban regions of Europe that constitute the IN SITU Labs. Although the research team does not have sufficiently robust quantitative and qualitative data from its previous research, reported in Aldazabal et al. (2024c) [D2.3], the primary report from which information is drawn for the development of the current report), to conclusively identify which specific subsectors have the greatest potential for development at the Lab level, general considerations have been drawn based on an integrated view of the six regions. These considerations aim to identify common key factors and general growth opportunities, taking into account the shared characteristics of the CCIs in these areas.

2. Methodology

The methodology developed for this report is based on a qualitative and descriptive approach designed to capture the specific context and innovation dynamics within CCIs in six non-urban European regions. As an exploratory analysis of environments with particular cultural and socioeconomic characteristics, the methodology aims to understand and classify CCI subsectors with growth potential through a combination of document review, comparative analysis, and the construction of a strategic development matrix.

2.1. Definition of regions and categorisation of CCI subsectors

The six non-urban regions within the IN SITU project—Azores (Portugal), the West Region (Iceland), the Western Coastal Periphery (Ireland), the West Coast and Baltic Sea Archipelago (Finland), Valmiera County (Latvia), and Šibenik-Knin County (Croatia) —reflect the need to represent a geographic and cultural diversity within the IN SITU project. These areas enable a comparative analysis of CCIs in non-urban contexts with common structural challenges, such as limited access to digital infrastructure and financing.

The selection of CCI subsectors is based on their relevance to regional development in each area, using criteria such as cultural roots, social value, and potential connections with other sectors, such as tourism or education. This approach allows the identification of subsectors with the greatest impact opportunities in terms of innovation and sustainability. The IN SITU Consortium has established a classification of sectors and subsectors to frame the realities of each region (based on Rainey and Collins, 2023):

- Within the **Creative Industries**, activities include software development and publishing, information technology, media and advertising, architecture and design, professional and technical services, as well as scientific and technical research. These subsectors are characterised by a focus on digital innovation, specialised design, and communication services.
- The **Cultural Industries** cover sectors such as book, magazine, and newspaper publishing; audiovisual and music production; and radio and television activities. Additionally, they include cultural education, performing arts, management of arts facilities, museums, and other cultural and recreational spaces, all oriented towards heritage preservation and artistic education.
- Lastly, the **Craft Industries** encompass traditional manufacturing activities, including textiles, apparel, footwear, glass, ceramics, wood products, stationery, and furniture. This sector centres on artisanal production and the preservation of traditional techniques, also covering jewellery, musical instruments, and toy-making.

2.2. Document review and comparative analysis

The initial methodological approach is based on a review of previous documents and reports, including Aldazabal et al. (2024a) [D2.1] on drivers of innovation of CCI located in non-urban areas; Aldazabal et al. (2024c) [D2.3] on the innovation potential of CCI located in the IN SITU Lab areas; Rainey and Collins (2023) [D3.1], which provided essential regional insights through local mapping processes and sectoral analyses; and Kegler, Heinicke, and Walther (2024) [D5.2] on the state of cultural policies for CCI in non-urban areas, which provided a contextual framework for innovation capacity and limitations in these regions. The Utrecht University synthesis report, "What are the Opportunities for Diversification in Non-Urban Regions: The IN SITU Labs Case Study" (Annex A) also contributed insights on diversification strategies, emphasising the importance of existing local capabilities and occupational connections.

These documents serve as a foundation to identify key development factors, such as cross-sectoral collaboration and digitalisation, which are essential for analysing CCI potential. These external contributions collectively strengthen D2.4's analysis, enhancing its depth and applicability within the broader IN SITU project framework. Through a comparative analysis of these reports, common patterns and differences were identified in innovation drivers and the integration of CCI with other sectors. This comparative process supports the selection of subsectors and guides the interpretation of results by situating each region within a broader European regional development framework.

Based on this, the **Growth–Development Matrix** was created, suggesting possible courses of action for the three main sectors: cultural, creative, and craft. This matrix does not intend to offer definitive answers about which sectors will lead growth, but rather to provide a strategic guide for identifying areas with potential based on the synergies observed between the regions. In this way, opportunities are highlighted to strengthen innovation through cross-sectoral collaboration, the adoption of digital technologies, and the development of participatory processes that integrate local communities.

Finally, this report presents a **set of recommendations** aimed at improving the **financial sustainability** of the CCI and fostering **community engagement**, particularly among younger audiences. The recommendations seek to promote a collaborative environment that drives innovation and helps ensure sustainable growth for the cultural, creative, and craft sectors in the future.

3. Global evaluation of CCI in the IN SITU Labs

The creative and cultural industries (CCI) across the six European regions studied—Azores (Portugal), the West Region (Iceland), the West Coast and Baltic Sea Archipelago (Finland), Valmiera County (Latvia), the Western Coastal Periphery (Ireland), and Šibenik-Knin County (Croatia)—present a diverse landscape regarding innovation potential, growth, and socioeconomic contributions. Although

each region is shaped by its unique historical, cultural, and economic context, there are common challenges and opportunities influencing the broader development of CCIs in non-urban settings.

Cultural and creative industries have emerged as playing a critical role in socioeconomic development and resilience in rural and peripheral areas, particularly in those areas where traditional industries have declined or face significant challenges.⁵ Across all six IN SITU Lab regions, CCIs have demonstrated significant capacity to adapt to local conditions by capitalising on cultural heritage, artisanal crafts, and emerging creative sectors. For instance, in the **Azores**, creative industries are closely linked to local identity, with initiatives that promote traditional festivals and local culture driving both tourism and community engagement). The **West Coast and Baltic Sea Archipelago** in Finland has integrated cultural tourism and environmental sustainability, fostering collaboration between creative practitioners and environmental agencies.

However, as the IN SITU report *Drivers of Innovation of CCIs Located in Non-urban Areas* (Aldazabal et al., 2024a [D2.1]) previously highlighted, a critical limitation in some of non-urban regions is the lack of sufficient financial resources and access to digital infrastructure, which constrain the scalability of CCI initiatives. As a result, many CCI initiatives in these regions operate on a small scale, with little capacity to engage in international markets or attract broader audiences.

Additionally, in these regions the CCIs ecosystem tends to be fragmented.⁶ In most cases, CCIs are composed of small enterprises or independent practitioners who operate with limited support from public institutions or financial backers. Fragmentation leads to difficulties in collaboration, both within the sector and across other industries, such as tourism or technology. Nonetheless, cross-sectoral collaborations are emerging as a key strategy for overcoming these barriers. In **Valmiera County**, Latvia, for example, traditional crafts are being incorporated into the tourism sector, creating opportunities for local artisans to showcase and sell their work to a wider audience (Rainey and Collins, 2023 [D3.1]). Similarly, in **Šibenik-Knin County**, Croatia, the integration of digital platforms into cultural tourism is enabling local creative enterprises to expand their market reach beyond the region.

The potential for technological innovation within the CCIs of these regions largely depends on the extent to which they can harness digital technologies and collaborative networks. Regions that have embraced digitalisation, such as **Šibenik-Knin County** and parts of the **Baltic Sea Archipelago**, have seen considerable growth in their cultural sectors (Aldazabal et al., 2024c [D2.3]). In contrast, the lack

⁵ These insights are informed by the IN SITU report, *Innovation Potential of CCIs located in the IN SITU Labs* (Deliverable 2.3; Aldazabal et al., 2024b), an internal project deliverable that is classified as sensitive and not intended for public distribution. When information from this internal report is included in the present report, the source is cited as Aldazabal et al., 2024b [D2.3].

⁶ The information presented here originates from the IN SITU report, *Local Mapping Processes and Findings* (Deliverable 3.1; Rainey and Collins, 2023), an internal project deliverable classified as sensitive and not intended for public distribution. When information from this internal report is included in the present report, the source is cited as Rainey and Collins, 2023 [D3.1].

of digital infrastructure in regions such as **Valmiera County** limits the ability of local CCIs to engage with broader audiences or integrate into global digital markets.

In all regions, the retention of young creative talent is also a significant challenge, with many opting to migrate to larger urban areas for greater opportunities. Consequently, an important concern affecting all six regions is the limited participation of younger generations in local creative industries. Attracting and retaining young talent is essential for ensuring the long-term sustainability of the CCIs sector (Aldazabal et al., 2024c [D2.3]). In some regions, such as the **Western Coastal Periphery** of Ireland, efforts have been made to create youth-focused programmes, but overall, the engagement of young people remains low. This trend is particularly concerning in regions like Iceland's **West Region**, where a significant portion of the youth population leaves for larger urban centres.

4. Role of cross-sectoral collaboration and digitalisation

Despite these challenges, there are significant opportunities for innovation through cross-sectoral collaboration, particularly between CCIs and other sectors such as tourism, education, and environmental sustainability. Regions like **Šibenik-Knin County**, Croatia, and the **Azores**, Portugal, have successfully leveraged their cultural heritage and environmental assets to create sustainable tourism initiatives that support local CCIs (Aldazabal et al., 2024c [D2.3]). In **Šibenik-Knin County**, for instance, digital platforms that promote local crafts and cultural tourism have begun to attract wider audiences, offering a model for how other regions might integrate digital tools to enhance the visibility and economic potential of their CCIs. For example, in **Valmiera County**, initiatives such as the Boiler-House development serve as a creative venue for cultural events, strengthening community engagement and preserving heritage. Additionally, Valmiera's circular economy projects emphasise sustainability through recycling and repurposing, engaging the community in ecological activities.

However, digitalisation remains a key area where non-urban CCIs are lagging. The IN SITU report *Drivers of Innovation of CCIs Located in Non-urban Areas* (Aldazabal et al., 2024a [D2.1]) underscores the critical role that access to digital infrastructure plays in enabling CCIs to reach broader markets and audiences. Regions such as the **Western Coastal Periphery** of Ireland and Finland's **Baltic Sea Archipelago** have shown progress in this regard, but there are still significant gaps in digital connectivity, particularly in the more remote areas, such as areas of the **Azores**, Portugal. This lack of infrastructure limits the ability of CCI enterprises and organisations to innovate, collaborate, and participate in global markets, hindering their overall sustainability and growth potential.

5. The importance of place-based cultural policy

A major limitation across the regions is the lack of targeted cultural policies that specifically address the unique challenges faced by non-urban CCIs. According to the IN SITU report *State of Cultural Policies for CCIs in Non-urban Areas* (Kegler et al., 2024 [D5.2]), cultural policy in the European Union is often framed through an urban-centric lens, where the needs of metropolitan areas are prioritised over rural or remote regions. This urban orientation has resulted in cultural policies that do not fully consider the specific circumstances of non-urban regions, such as limited access to digital infrastructure, geographic isolation, and demographic challenges like youth migration.

That IN SITU report advocates for a place-based approach to cultural policy in non-urban regions. This approach recognises the unique cultural and socioeconomic contexts of each region and emphasises the importance of tailoring policies to local needs and strengths. For example, in Finland's Rauma and Eurajoki municipalities (in the **Baltic Sea Archipelago** region), local cultural policy has successfully integrated CCIs into broader regional development strategies, fostering a supportive environment for innovation (Kegler et al., 2024 [D5.2]). In contrast, other regions, such as Iceland's **West Region**, have not yet fully developed coherent policy frameworks that link CCIs with other sectors, leaving them more vulnerable to external shocks and economic downturns (D5.2).

By developing multi-level policy frameworks that incorporate both national and local perspectives, regions can better support the growth and sustainability of CCIs. This includes recognising the role that CCIs play in social cohesion, cultural identity, and regional development. CCIs in non-urban regions are often undervalued as agents of social innovation, despite their potential to contribute to regional resilience and transformation (Kegler et al., 2024 [D5.2]). In areas like **Valmeira County**, Latvia, and **Šibenik-Knin County**, Croatia, where artisanal and cultural traditions are deeply embedded in the local identity, there is a clear opportunity to strengthen these sectors through more robust policy support that recognises their economic and social value (D5.2).

6. General recommendations for strengthening CCIs in non-urban regions

The potential of CCIs in non-urban regions can be fully realised only through more inclusive and targeted policy frameworks that address the unique challenges and opportunities of these areas. Opportunities drawn from previous IN SITU reports⁷ suggest several key actions:

- a. **Enhancing digital infrastructure:** Improved connectivity is essential for enabling CCIs to innovate, collaborate, and reach wider markets. Investments in high-speed internet access

⁷ In particular, Aldazabal et al. (2024c), D2.3 (sensitive); and Kegler et al. (2024), D5.2 (public).

and digital training programmes are critical to unlocking the innovation potential of these industries.

- b. Developing cross-sectoral partnerships:** Encouraging collaboration between CCI and sectors such as tourism, education, and the environment can create new opportunities for innovation and economic growth. Regions like **Šibenik-Knin County**, Croatia, have demonstrated the benefits of such partnerships.
- c. Tailoring cultural policy to local contexts:** A place-based approach to cultural policy is essential for recognising the unique assets and needs of non-urban regions. Policies should focus on supporting grassroots initiatives and integrating CCIs into broader regional development strategies (Kegler et al., 2024 [D5.2]).
- d. Long-term financial support:** Short-term projects are insufficient to sustain the ongoing operations and growth of CCIs in non-urban areas. National and regional governments need to provide stable, long-term funding mechanisms to ensure the financial sustainability of these industries (Kegler et al., 2024 [D5.2]).

By addressing these challenges and capitalising on the strengths of each region, CCIs in non-urban areas will have a greater potential to contribute significantly to both local economies and the broader European creative landscape.

7. Identification of key factors driving innovation in each region

The analysis of Cultural and Creative Industries (CCIs) across six non-urban European regions—Azores (Portugal), West Region (Iceland), West Coast and Baltic Sea Archipelago (Finland), Valmiera County (Latvia), Western Coastal Periphery (Ireland), and Šibenik-Knin County (Croatia)—reveals that the innovation potential of CCIs is influenced by a variety of both region-specific and common factors. These factors play a critical role in shaping the ability of local CCIs to innovate, adapt to modern challenges, and integrate into global creative economies. The IN SITU internal reports *Innovation Potential of CCIs Located in the IN SITU Labs* (Aldazabal et al., 2024c [D2.3]) and *Local Mapping Processes and Findings* (Rainey and Collins, 2023), and the IN SITU public reports *Drivers of innovation of CCIs Located in Non-urban Areas* (Aldazabal et al., 2024a [D2.1]) and *State of Cultural Policies for CCIs in Non-urban Areas* (Kegler et al., 2024 [D5.2]) provide crucial insights into the forces that drive innovation across these diverse non-urban territories. These reports informed the current work and highlights from the reports are synthesised here.

7.1. Cultural heritage and local identity

A key factor driving innovation in several regions is the rich cultural heritage and strong sense of local and regional identity. Regions such as the **Azores** and **Šibenik-Knin County** have a long history of cultural traditions, crafts, and artistic expressions that serve as the foundation for innovative projects

in CCIs. The preservation of cultural heritage, particularly through initiatives such as cultural festivals, traditional crafts, and locally themed tourism, creates opportunities for local CCIs to innovate by blending tradition with modern approaches and technology (Kegler et al., 2024 [D5.2]). In the **Azores** and **Baltic Sea Archipelago**, for example, their unique cultural identity has fostered the development of creative projects that promote both local traditions and contemporary creative expressions, driving tourism and regional engagement.

Similarly, in **Valmiera County**, the craft sector plays a significant role in driving innovation by merging traditional skills with modern design and marketing strategies. Previous cultural mapping research within IN SITU highlighted how local crafts, especially in **Valmiera County**, Latvia, and **Šibenik-Knin County**, Croatia, are leveraging heritage while integrating modern digital tools and platforms to expand market reach (Rainey and Collins, 2023 [D3.1]). The intersection of local culture and innovation creates a competitive advantage, particularly in markets that value authenticity and heritage-driven products.

7.2. Cross-sector collaboration and synergy

Collaboration between different sectors is a critical factor in promoting innovation across these non-urban regions. Cross-sectoral partnerships, particularly those bringing together tourism, environmental conservation, and the creative industries, have played a major role in developing sustainable and innovative CCI projects (Aldazabal et al., 2024c [D2.3]). For example, in **the West Coast and Baltic Sea Archipelago**, Finland, cultural tourism is deeply integrated with environmental sustainability, where local CCI initiatives collaborate with environmental agencies to create eco-friendly cultural routes (Rainey and Collins, 2023 [D3.1]).

This cross-sectoral collaboration is also evident in Iceland's **West Region**, where local CCIs work alongside the tourism and heritage sectors to enhance the attractiveness of the region for both locals and visitors. By embedding CCIs within wider socioeconomic strategies, these regions are able to build resilience and diversify their economic base. The collaboration not only supports innovation but also enhances regional visibility, making these areas attractive to tourists and investors alike (Kegler et al., 2024 [D5.2]).

7.3. Digitalisation and access to technology

Digitalisation remains a critical factor in driving CCI innovation across non-urban regions, although access to digital tools and infrastructure is uneven. In regions such as **Šibenik-Knin County**, the integration of digital platforms into the cultural and creative sectors has opened up new markets and opportunities for local creatives (Kegler et al., 2024 [D5.2]). This region has begun to harness the potential of digital tools to promote cultural heritage through virtual tours, cultural websites, and online creative collaborations, driving both local and international engagement.

However, the regions of **Valmiera County** face some barriers due to poor digital infrastructure. Many rural and peripheral regions still struggle with limited internet speeds, inadequate access to modern digital technologies, and a lack of digital literacy among CCI stakeholders (Aldazabal et al., 2024a [D2.1]). Addressing these infrastructural challenges is crucial for enabling the full potential of CCIs to innovate, expand their reach, and engage with global markets.

There is a need for targeted digitalisation policies at both the regional and EU levels to overcome these barriers (Kegler et al., 2024 [D5.2]). By improving digital infrastructure and providing training in digital skills, non-urban CCIs can not only innovate locally but also expand their influence globally (D5.2). This is especially important for attracting younger audiences and creators, as discussed in subsequent sections on youth engagement.

7.4. Access to funding and financial sustainability

A recurrent challenge identified across all six regions, as highlighted in focus groups conducted in each of the IN SITU Labs (Aldazabal et al., 2024c [D2.3]), is the limited access to funding and financial resources, which directly impacts the capacity for innovation. Many CCI stakeholders in non-urban regions are small enterprises or independent creatives who often lack the resources to scale their projects (D2.3). The availability of funding, whether through public grants (national, regional, local), private investment, or EU programmes, is critical to fostering innovation. In regions like Ireland's **Western Coastal Periphery** and the **West Coast and Baltic Sea Archipelago** in Finland, local CCIs often rely on sporadic public funding tied to heritage or tourism projects, which may not be sufficient to support long-term innovation (Rainey and Collins, 2023 [D3.1]). In the case of the Finnish region, CCIs attempt to fundraise several financial resources (from public funding, private grant-givers, and companies) to secure the budgets for the events or programmes of the cultural organisations.

The IN SITU report *State of Cultural Policies for CCIs in Non-urban Areas* (Kegler et al., 2024 [D5.2]) highlights the importance of developing more flexible and sustainable financial models, including access to EU funds tailored to non-urban CCIs. Additionally, the development of public–private partnerships and crowd-funding platforms can offer alternative avenues for funding creative projects. In Finland's **West Coast and Baltic Sea Archipelago**, for instance, collaborative funding models have been explored to support innovative CCI projects that align with regional development goals (D5.2).

7.5. Community engagement and social innovation

Community involvement is a significant driver of innovation (Aldazabal et al., 2024a [D2.1]), especially in regions where CCIs are deeply embedded in local traditions and social structures. CCIs in non-urban areas often act as vehicles for social innovation by fostering community-led initiatives (D5.2). In regions like Latvia's **Valmiera County**, Iceland's **West Region**, and Finland's **Baltic Sea Archipelago**, local cultural actors work closely with municipalities to develop projects that not only preserve local

and environmental heritage but also address social issues such as migration, demographic change, and economic revitalisation (Kegler et al., 2024 [D5.2]).

In these regions, community-driven creative projects have proven to be powerful tools for building social cohesion and enhancing regional resilience. By engaging local populations in the creative process, CCIs can contribute to the revitalisation of rural areas, offering both economic and social benefits (Kegler et al., 2024 [D5.2]).

8. Innovation potential across the value chain phases by subsector

Exploring the innovation potential across the value chain phases by subsector provides a comprehensive understanding of where innovation occurs within the Cultural and Creative Industries (CCIs) and how it aligns with different stages of the creative process. Originally, we considered using the 14 links proposed by the KULTURSYSTEMA tool (<https://kultursistema.com/en/>), which breaks down the value chain of the CCIs into distinct activities. However, after much additional discussion and reflection, for this analysis, we chose to group these links according to the Creation Phase, Production Phase, and Distribution and Execution Phase, which reflects the natural progression of a creative project from the conception of an idea to its distribution and preservation. This perspective allows us to better understand the innovation potential and challenges at different stages of the process, facilitating more targeted interventions and policy support.

The logic behind the new categorisation is grounded in the typical lifecycle of creative projects: an idea is conceived, developed, produced, and finally distributed or presented to the public. This cycle applies broadly across CCIs, from performing arts to video games, making it a useful framework for analysis. Grouping the links proposed by KULTURSYSTEMA by these phases helps identify where barriers or opportunities exist—whether in innovation, financing, or policy intervention. It provides a clearer picture of the interrelated activities within each phase and enables a more systematic evaluation of where support is needed to maximise growth and sustainability.

By using this approach, we can pinpoint four specific stages—Creation, Production, Distribution and Exhibition, and Preservation and Evaluation—where innovation is emerging or where there are gaps in the value chain. The Creation group covers activities such as training, experimentation, and financing, which are critical for the initial development of ideas. The Production group includes management, prototyping, and industrial reproduction, while the Distribution and Exhibition group focuses on bringing cultural products to audiences, and the Preservation and Evaluation group ensures the long-term sustainability of cultural outputs.

By aligning subsectors with distinct phases of the creative process, that is, creation, production, distribution, and preservation, we can determine at which stage innovations are most impactful and

identify opportunities for cross-sector collaboration. We outline below how the phases of the creative process intersect with the identified subsectors and regions, highlighting the innovation potential in each phase.

8.1. Creation phase: Innovation in training, conceptualisation, and financing

In the Creation phase the potential for innovation is strongest in subsectors that depend on advanced creative skills and the use of digital technologies to conceive new ideas.

- **Azores (Portugal):** In this region, traditional crafts and creative industries linked to tourism have demonstrated a strong capacity to integrate local identity and traditions with innovation. Cultural initiatives such as festivals and artistic projects are deeply tied to heritage, driving experimentation and conceptualisation of new creative projects based on local culture.
- **West Region (Iceland):** In this region, creative industries face the challenge of retaining young talent, but the initiatives that have persisted tend to be innovative in creation. Experimentation with community cultural projects and the use of digital technologies, such as augmented reality for festivals or exhibitions, are examples of how the creation phase in this region can be highly innovative.
- **Western Coastal Periphery (Ireland):** Artistic creation linked to rural tourism has been a key sector for innovation. Here, CCIs have combined artistic creation with local narratives, leading to the development of collaborative artistic projects that connect creation with the landscape and environment.
- **West Coast and Baltic Sea Archipelago (Finland):** Innovation in the creation phase is driven by the integration of environmental heritage into the CCIs. Local creators collaborate with conservation agencies to merge culture and sustainability, developing projects that explore new forms of creative expression while respecting local characteristics.
- **Valmiera County (Latvia):** The traditional craft sector in this region shows innovation through the incorporation of digital technologies in the creation of traditional products. Artisans are combining traditional techniques with contemporary design, leading to the creation of products that meet modern demands while respecting traditions. The craft sector in Valmiera County is highly diverse, encompassing a broad range of enterprises—from small, artisan-based crafts to one of Europe’s leading manufacturers in the glass fibre industry. The glass fibre sector has deep historical roots in Valmiera County, and today it serves as a key driver of innovation, focusing on new technological advancements and the development of innovative materials. However, the challenge lies in classifying this industry within the creative or crafts sector, as it has not traditionally regarded itself as part of the creative industries.
- **Šibenik-Knin County (Croatia):** In the creation phase, innovation is observed in the integration of digital platforms to attract tourists and foster local creativity. Festivals and cultural activities have become platforms for experimenting with new forms of cultural and artistic expression.

8.2. Production phase: Innovation in administration, management, and production

In the Production phase, innovation focuses on how creative resources are managed and how ideas are materialised. Here, the use of new technologies and efficient resource management play a fundamental role.

- **Azores (Portugal):** In this region, the production of traditional cultural products has shown an innovative approach through the digitisation of traditional techniques and the use of platforms to market products to a global audience.
- **West Region (Iceland):** The production of digital content, such as interactive media and audiovisual projects, is driven by the need to overcome geographical isolation. Innovation in this phase is seen in the sector's ability to use remote production tools, such as digital editing.
- **Western Coastal Periphery (Ireland):** In the production phase, the music, film and performing arts subsectors benefit from innovation through cross-sector collaboration. Music events, festivals and film production has leveraged the region's landscape.
- **West Coast and Baltic Sea Archipelago (Finland):** Innovation in production is led by the use of new technologies in audiovisual and multimedia production, particularly in the creation of cultural projects that integrate environmental sustainability and CCIs. Collaborative initiatives between creatives and environmental experts allow production phases to experiment with new resource management models.
- **Valmiera County (Latvia):** The production of crafts has begun to incorporate digital tools for management and prototyping, allowing local products to be produced more efficiently and reach international markets.
- **Šibenik-Knin County (Croatia):** Innovation in the production phase is driven by the integration of digital platforms in the production of cultural events, as well as in the creation of artistic and cultural content that can be distributed through digital media.

8.3. Distribution and exhibition phase: Innovation in marketing and exhibition

In the Distribution and Exhibition phase, innovation focuses on how creative products are marketed and reach audiences, as well as the strategies used to exhibit cultural creations.

- **Azores (Portugal):** Cultural and tourism products in the **Azores** are using digital platforms to expand their distribution. In this phase, innovation lies in the ability of local industries to reach broader audiences through e-commerce platforms and digital strategies.
- **West Region (Iceland):** Innovation in the distribution of audiovisual content has been key, with the use of digital platforms that allow creators to reach international audiences. This is particularly relevant in a geographically isolated region like Iceland.
- **Western Coastal Periphery (Ireland):** Festivals and cultural events in this region have utilised social media and other digital platforms to increase visibility and attract both local and

international audiences. Online exhibition of these events is an innovative strategy that maximises participation.

- **West Coast and Baltic Sea Archipelago (Finland):** The integration of sustainability into distribution strategies has allowed cultural products and events to be marketed both locally and internationally, highlighting innovation in the distribution of sustainable cultural products. This refers to the importance of how sustainability principles are incorporated into the way cultural products and events are promoted and shared. Besides this, a great focus of attention is given to creating situations where the public (audience, visitors) could see, interact with, and learn about the cultural heritage, both tangible and intangible (which is sometimes hidden or forgotten, like heritage crafts).
- **Valmiera County (Latvia):** Local artisans are using digital platforms to distribute their products, allowing them to reach new markets outside the region. Innovation lies in the ability to use online marketing tools.
- **Šibenik-Knin County (Croatia):** Innovation in the distribution phase includes the use of digital platforms to promote cultural events and allow remote participation (e.g., live streaming of events; interactive webinars, workshops, or talks; virtual tours of exhibitions or historical sites; digital participation in festivals; on-demand access to cultural content) The digital distribution of cultural content has significantly expanded the audiences for these products.

8.4. Preservation and evaluation phase: Innovation in documentation, archiving, and conservation

In the Preservation and Evaluation phase, innovation focuses on how cultural products are documented, conserved, and evaluated over time, ensuring their sustainability and relevance for future generations. Digitisation and cross-sector collaboration are essential to improving archiving and conservation methods.

- **Azores (Portugal):** The preservation of cultural heritage, particularly related to local traditions, has been supported by innovation in digitisation techniques and the creation of digital archives. Initiatives that combine tangible and intangible heritage with digital technologies, such as augmented reality (AR), have allowed the islands' cultural legacy to become more accessible to both international and local audiences.
- **West Region (Iceland):** The preservation of local culture and heritage in Iceland, particularly in geographically isolated areas, has been boosted by innovative projects integrating digital tools. The creation of digital archives and the documentation of local traditions through multimedia technologies have facilitated the conservation of local culture for future generations. Some of the initiatives already ongoing are Museum of Icelandic Sorcery and Witchcraft (partially in Westfjords), and several sagas in Sagnagrunnur and the Icelandic Saga Database.

- **Western Coastal Periphery (Ireland):** Innovation in cultural preservation in this region is driven by collaboration with local educational institutions and museums, which have adopted digital technologies to preserve and document local traditions and history. Digital conservation has enabled the creation of archives that are accessible to researchers and the general public, ensuring that cultural heritage remains alive and relevant.
- **West Coast and Baltic Sea Archipelago (Finland):** This region has demonstrated a strong capacity to integrate environmental sustainability into cultural heritage preservation. Collaboration between CCIs and environmental organisations has led to research on enactment and promotion of the built cultural and environmental heritage in cultural and creative projects, and is reflected in the exhibition and programming agenda of the museums and similar cultural organisations.
- **Valmiera County (Latvia):** Innovation in the preservation phase focuses on archiving traditional craft techniques. In Latvia, collaboration between local artisans and cultural institutions has led to the digitisation of artisanal production processes, ensuring the preservation of traditional knowledge that might have otherwise disappeared. The integration of digital technologies ensures these archives are accessible internationally.
- **Šibenik-Knin County (Croatia):** In Šibenik-Knin County, cultural heritage preservation has been driven by the digital documentation of cultural sites and the creation of interactive platforms that allow visitors to experience heritage in immersive ways. Moreover, the creation of virtual museums has facilitated the conservation and accessibility of cultural heritage, particularly helping to engage younger audiences. The term *virtual museums* refers both to fully digital experiences and to virtual components offered by physical heritage sites and museums.

8.5. Summary of innovation potential in each phase of the creative process

The intersection of the phases of the creative process and the innovation potential in each subsector of the Cultural and Creative Industries (CCIs) in non-urban regions reveals the following key patterns:

- **Creation phase:** The most innovation occurs in conceptualisation and experimentation, particularly in the fusion of traditional techniques with contemporary approaches and digital technologies, as seen in crafts and festivals in **Valmiera County** (Latvia) and the **Azores** (Portugal). Initiatives exploring local identity are key to innovation in this phase.
- **Production phase:** Innovation in the production phase is closely linked to the efficient management of resources and the use of digital platforms to expand the reach of cultural products. This is evident in the production of cultural events in **Šibenik-Knin County** (Croatia) and the creation of audiovisual content in **West Region** (Iceland), where geographical barriers have been overcome through digital technologies.
- **Distribution and exhibition phase:** Digital distribution is one of the most significant factors driving innovation in this phase. Sub-sectors such as music, video games, and crafts have

utilised digital platforms to reach international audiences from remote regions like Finland's **West Coast and Baltic Sea Archipelago** and Ireland's **Western Coastal Periphery**.

- **Preservation and evaluation phase:** Regions have adopted innovations such as digital archiving and the creation of virtual museums to ensure the preservation of their cultural heritage. This approach is particularly noticeable in regions like **Šibenik-Knin County** and **Valmiera County**, where the digital documentation of techniques and cultural sites is ensuring the long-term sustainability of regional cultural assets to inform and be integrated into cultural and creative initiatives.

9. Exploring diversification opportunities in cultural and creative occupations for non-urban European regions

This section presents the most significant findings from Utrecht University's research on diversification opportunities in non-urban European regions (Annex A), particularly highlighting the role of local capabilities and connections between occupations. Throughout this report, references to this work are integrated to provide additional context and reinforce the analysis presented here.

In the last decade, the role of local capabilities in regions and how these lay the foundation for developing new activities has been emphasised. According to Evolutionary Economic Geography, regions tend to diversify into activities closely related to those they already produce, leveraging local resources such as similar knowledge, skills, and institutions. However, this also limits diversification possibilities, as unrelated activities require a complete transformation of local capabilities and entail greater risks.

This research presented in Annex A seeks to understand the diversification possibilities for European non-urban regions, focusing on cultural and creative activities, measured through workers in cultural and creative occupations (CCOs). Network analysis was applied to explore diversification opportunities, linking occupations that coexist in the same region and calculating eigenvector centrality to assess the importance of each occupation within the network.

The results show that CCOs in non-urban regions offer multiple possibilities for diversification into different activities, connecting with occupations ranging from managers and professionals to administrative support workers. Occupations with the highest eigenvector centrality, such as artisans, telecommunications and broadcasting technicians, artistic and cultural professionals, librarians, and other teaching professionals, hold the greatest potential to promote new specialisation paths in these regions.

Analysing the six specific Lab regions within the IN SITU project, relatedness density (RD) was calculated to identify which CCOs have the highest proximity to the local production structure and,

therefore, the greatest probability of future specialisation. The regions of Croatia and Iceland present high RD indicators in most CCOs, indicating a high likelihood of diversification into these occupations. The Finnish region shows high RD in several CCOs, offering lower-cost and more probable diversification opportunities. On the other hand, the regions of Ireland and Latvia have lower RD in CCOs, suggesting greater challenges for specialising in these occupations. The Portuguese region of the Azores shows the lowest RD, indicating that CCOs are poorly related to its occupational structure and that diversification would require greater public policy efforts.

In conclusion, cultural and creative occupations offer significant opportunities for diversification in European non-urban regions, especially when aligned with existing local capabilities. Diversification strategies will be more successful if they focus on related activities and leverage local strengths, minimising associated costs and risks.

10. Specific analysis of innovation potential by subsector: Cultural Industries sector

The **Cultural Industries** include sectors such as book, magazine, and newspaper publishing; audiovisual and music production; and radio and television activities. Additionally, cultural education, performing arts, management of arts facilities, museums, and other cultural and recreational spaces are included, all oriented toward heritage preservation and artistic education.

The Cultural Industries sector across the six European regions—the Azores (Portugal), the West Region (Iceland), the Western Coastal Periphery (Ireland), the West Coast and Baltic Sea Archipelago (Finland), Valmiera County (Latvia), and Šibenik-Knin County (Croatia)—holds immense potential for innovation. The sector is built on rich local traditions and cultural heritage, which provide a foundation for creating new opportunities for economic growth and social engagement. Within this broader context, several subsectors stand out for their innovation potential: museums, cultural heritage, festivals, and cultural education. Each of these subsectors contributes uniquely to regional development, driven by different factors, including digital integration, cross-sector collaboration, and creative storytelling.

10.1. Museums

10.1.1. Innovation potential

Museums in non-urban regions play a pivotal role in preserving local culture and history, but they are also well-positioned to drive innovation. Museums are important in rural and peripheral regions as key institutions for cultural education and tourism (Aldazabal et al., 2024c [D2.3]). In regions like the **Azores** and **Šibenik-Knin County**, museums have the potential to become dynamic hubs of cultural activity by incorporating digital technologies that enhance visitor experiences, such as interactive displays, virtual reality (VR) exhibitions, and online access to collections. These innovations not only

attract more visitors but also help museums reach wider audiences beyond their immediate geographical boundaries.

The integration of digital platforms into museum practices is seen in Finland's **West Coast and Baltic Sea Archipelago**, where digitalisation has facilitated online exhibitions and virtual tours, making the museum experience accessible to both local and international audiences. These developments have been crucial in sustaining the sector during periods of low tourism, such as during the COVID-19 pandemic (Kegler et al., 2024 [D5.2]).

10.1.2. Drivers of development

A major driver of development for museums in non-urban areas is the integration of digital technologies, which allows them to engage new audiences and enhance cultural storytelling. Access to digital tools and training for museum staff is critical to fostering innovation in this sector (Aldazabal et al., 2024a [D2.1]).

Another important driver is collaboration across sectors. In many of these regions, museums are increasingly collaborating with local tourism boards, environmental agencies, and creative industries to develop new cultural products and services. For example, in **Šibenik-Knin County**, museums are working with local artisans to create exhibitions that showcase both historical artefacts and contemporary crafts, blending the past with modern creative expressions (Rainey and Collins, 2023 [D3.1]). This approach not only enriches the visitor experience but also supports local craftspeople by providing them with platforms to display their work.

10.1.3. Sustainability solutions

Museums in these regions are exploring new digital platforms that appeal to younger, more tech-savvy audiences. Furthermore, museums are increasingly positioning themselves as part of the broader cultural tourism ecosystem, offering experiences that go beyond traditional exhibits to include workshops, guided tours, and cultural events. In regions like the **Baltic Sea Archipelago**, Finland, and **Western Coastal Periphery**, Ireland, museums have become key stops on cultural routes that attract both local and international visitors, creating new revenue streams and ensuring financial sustainability (Kegler et al., 2024 [D5.2]). In the **Baltic Sea Archipelago**, sometimes they are the starting points for regional routes: local museums are serving as knowledge and experience hubs for tourists and provide them with further guidance on exploring more cultural attractions at more distant rural locations.

10.2. Cultural heritage

10.2.1. Innovation potential

Cultural heritage is a cornerstone of innovation in the six regions, particularly as it relates to the preservation and promotion of local traditions, landmarks, and crafts. Heritage-driven initiatives often

have a strong economic impact, especially in regions where tourism plays a significant role (Aldazabal et al., 2024c [D2.3]). In **Valmiera County**, for instance, the integration of local heritage into tourism has boosted both visitor numbers and local economies, with heritage sites becoming focal points for cultural storytelling.

In **Šibenik-Knin County**, the preservation and promotion of UNESCO World Heritage sites has driven efforts to incorporate modern technologies such as augmented reality (AR) into heritage tours, offering interactive experiences that blend history with digital innovation. Additionally, the craft sector, which is tightly linked to cultural heritage in regions like **Šibenik-Knin County** and **Valmiera County**, has embraced new marketing strategies and e-commerce platforms to promote local artisanal products on a global scale (Rainey and Collins, 2023 [D3.1]).

10.2.2. Drivers of development

One of the key drivers of innovation in the cultural heritage sector is the ability to connect heritage with modern storytelling techniques. By integrating digital tools such as AR, museums and heritage sites can offer immersive experiences that attract younger audiences and provide new educational opportunities. This is especially true in the **West Coast and Baltic Sea Archipelago**, Finland, and **Šibenik-Knin County**, Croatia, where heritage projects are exploring new ways to engage tourists and locals alike through digital applications and interactive displays. In the **West Region** of Iceland, The Settlement Center in Borgarnes is applying theatre-based expertise to bring Icelandic sagas to life through display routes coupled with immersive storytelling audio-guides.

Moreover, cross-sector collaboration between heritage sites, local artisans, and the tourism industry has proven crucial in enhancing the visibility of cultural heritage. In Ireland's **Western Coastal Periphery**, for example, heritage sites are working closely with local creative practitioners to develop multimedia content that brings historical narratives to life (Rainey and Collins, 2023 [D3.1]).

10.2.3. Sustainability solutions

For cultural heritage projects to remain sustainable, there is a growing need to explore public–private partnerships that can provide the financial backing necessary to maintain and innovate heritage sites. Towards this end, leveraging EU funding and other financial instruments to support long-term sustainability is very important (Aldazabal et al., 2024c [D2.3]). Additionally, the creation of digital platforms that promote local heritage to a global audience has opened up new avenues for revenue generation. Regions like **Valmiera County**, Latvia, and **Šibenik-Knin County**, Croatia have started to market their heritage through global tourism platforms, attracting visitors interested in authentic cultural experiences. A notable case involves the sustainability solutions for the UNESCO World Heritage sites on the **West Coast and Baltic Sea Archipelago** of Finland, which join research, exhibition, and promotion of these sites with promotion in the context of sustainable tourism agendas, and efforts to profile these sites as foci of international artists' works through, for example, the Rauma Art Residence.

10.3. Festivals

10.3.1. Innovation potential

Festivals represent a dynamic subsector within the cultural landscape of non-urban regions, offering significant opportunities for innovation by blending tradition with contemporary culture. These festivals provide an invaluable space for local artists and artisans to collaborate, innovate, and gain exposure. They also attract visitors, contributing to local economies by stimulating demand for hospitality, crafts, and other creative products.

Festivals are evolving by incorporating digital technologies such as live streaming, social media promotion, and online ticketing systems to expand their reach beyond the immediate geographic audience (Aldazabal et al., 2024a [D2.1]). In the **West Region** of Iceland, festivals have embraced these tools to reach broader audiences, including international tourists, increasing both visibility and revenue generation. This use of technology not only extends the festival experience to remote attendees but also creates lasting digital content that can be repurposed for future marketing efforts.

10.3.2. Drivers of development

One of the key drivers of festival innovation is collaboration with other creative sectors. In regions such as **Šibenik-Knin County**, Croatia, festivals often collaborate with local artisans and craft producers to feature their work, creating a synergy between traditional crafts and live cultural performances. Additionally, local governments and cultural institutions often play a supportive role by providing funding and logistical support, which can be observed in the **West Coast and Baltic Sea Archipelago**, Finland, where regional authorities work closely with festival organisers to promote events and attract visitors and tourists to the distant rural areas, and use built cultural heritage as sites for contemporary arts, as part of a broader cultural tourism strategy (Rainey and Collins, 2023 [D3.1]).

Another significant driver is the integration of digital platforms. The growing use of social media for marketing and audience engagement has allowed festivals to reach younger, more tech-savvy audiences. This is particularly evident in regions like **Valmiera County**, Latvia, where local festivals have created digital archives and interactive online content that engage audiences long after an event ends.

10.3.3. Sustainability solutions

For festivals to remain sustainable in non-urban areas, financial support from public and private sectors is essential. Festivals can secure sustainability by diversifying revenue streams, including government grants, corporate sponsorships, and ticket sales (Aldazabal et al., 2024c [D2.3]). Many regions are exploring public–private partnerships to ensure that festivals have the necessary resources to innovate and grow.

Additionally, festivals that align themselves with broader cultural tourism strategies often find sustainable paths for growth. By positioning themselves as key events in the local tourism calendar,

festivals in regions like Ireland’s **Western Coastal Periphery** have successfully attracted local residents as well as national and international tourists, which supports local businesses and cultural institutions (Kegler et al., 2024 [D5.2]).

10.4. Cultural education

10.4.1. Innovation potential

Cultural education, particularly through community-led initiatives and educational programmes, holds significant potential for innovation in non-urban regions. The role of cultural education is essential in fostering a new generation of creative professionals by providing access to cultural resources and skills development (Rainey and Collins, 2023 [D3.1]). In regions such as the **Azores** and **Valmiera County**, cultural education programmes have been instrumental in preserving local crafts and traditions, while also introducing contemporary creative skills to young learners. In the **West Coast and Baltic Sea Archipelago**, museums and festivals act as sites of public education for resident communities in the spheres of tangible and intangible cultural heritage as well as contemporary arts (e.g., the Maption Festival of Digital Art Mapping, an IN SITU case study, held a workshop programme for school children in 2024).

Digital tools and e-learning platforms have also played a pivotal role in expanding access to cultural education. In **Šibenik-Knin County**, for instance, cultural education initiatives are leveraging digital platforms to provide virtual workshops and training in heritage preservation and creative entrepreneurship. These programmes not only preserve local traditions but also prepare participants to contribute to the regional creative economy by equipping them with digital skills that are increasingly in demand.

10.4.2. Drivers of development

The primary driver of innovation in cultural education is the integration of technology into learning. As observed in the **West Coast and Baltic Sea Archipelago**, digital platforms enable students and community members to engage with cultural education programmes regardless of geographic constraints (Rainey and Collins, 2023 [D3.1]). E-learning modules and virtual workshops are becoming popular methods of reaching wider audiences and creating more flexible learning opportunities. These digital solutions have proven particularly valuable during periods of limited physical interaction, such as during the COVID-19 pandemic, when many educational activities moved online.

Additionally, cross-sector collaboration between cultural institutions and schools has proven crucial for the success of cultural education initiatives. In regions like the **West Coast and Baltic Sea Archipelago**, Finland, and **Western Coastal Periphery**, Ireland, schools and museums often partner to provide interactive learning experiences that bring local history and culture into the classroom (Kegler et al., 2024 [D5.2]).

10.4.3. Sustainability solutions

The integration of digital learning platforms is also a key sustainability solution. By reducing costs associated with physical infrastructure and travel, e-learning programmes can provide cultural education to a broader audience while maintaining a low financial footprint. In **Valmiera County**, Latvia, for example, online platforms are increasingly being used to teach traditional crafts, ensuring that the skills are preserved and passed down to younger generations (Rainey and Collins, 2023 [D3.1]).

The cultural sector in the six non-urban European regions shows considerable innovation potential across subsectors such as museums, cultural heritage, festivals, and cultural education. The integration of digital tools, cross-sector collaboration, and community engagement serve as critical drivers for development across these subsectors. However, to fully realise this potential, it is essential that stakeholders in these regions continue to invest in digital infrastructure, sustainable funding models, and cross-sector partnerships. By doing so, the cultural sector in non-urban areas can evolve into a vibrant hub of creativity, cultural preservation, and economic growth.

In relation to Utrecht University's analysis of the diversification potential of non-urban regions (Annex A), it is important to highlight the importance of leveraging local capabilities and professional relationships to minimise risk and maximise growth opportunities. This analysis highlights that diversification in non-urban regions benefits from leveraging local cultural heritage and related capabilities. In the Cultural Industries sector, which encompasses publishing, audiovisual media, and performing arts, this principle suggests that regions with strong cultural heritage may more easily expand into heritage tourism, museum activities, or arts programming. The network analysis also underscores the potential for these regions to innovate within traditional cultural frameworks by aligning with local narratives and identities.

11. Specific analysis of innovation potential by subsector: Creative Industries sector

Within the **Creative Industries**, activities encompass software development and publishing, information technology, media and advertising, architecture and design, professional and technical services, as well as scientific and technical research. These subsectors are marked by a focus on digital innovation, specialised design, and communication services.

The Creative Industries sector in the six European regions analysed—the Azores (Portugal), the West Region (Iceland), the Western Coastal Periphery (Ireland), the West Coast and Baltic Sea Archipelago (Finland), Valmiera County (Latvia), and Šibenik-Knin County (Croatia)—shows significant potential for innovation, especially in subfields like graphic design, interactive media, video games, and music. These subfields represent areas where creative expression meets technological advancements, allowing for the creation of new cultural products that can be marketed both locally and globally.

However, the degree of development varies across regions, influenced by factors such as digital infrastructure, funding, and market access.

11.1. Graphic design

11.1.1. Innovation potential

Graphic design, as an essential part of the creative economy, has significant innovation potential across these regions. For example, graphic designers often work with local businesses to create branding materials, which play a crucial role in promoting tourism and local products.

In rural and non-urban areas, graphic design is closely tied to the promotion of local identity and heritage (Aldazabal et al., 2024c [D2.3]). In regions like the **Azores**, graphic design is utilised not only in tourism promotion but also in packaging for local products such as wines, cheeses, and artisanal goods. This integration of creative design into local economic activities enhances the visibility of products and services from non-urban regions, providing a modern and competitive edge.

11.1.2. Drivers of development

The development of graphic design in these regions is largely driven by emerging technologies and the increasing availability of digital tools. Access to affordable design software and online platforms has democratised the field, allowing more individuals and small businesses to engage in creative production (Aldazabal et al., 2024a [D2.1]). The use of digital platforms such as Adobe Creative Cloud and Canva has enabled graphic designers to create high-quality content without needing significant financial investment in infrastructure.

Another key innovation driver is collaboration with local industries. In **Valmiera County**, for instance, graphic designers are increasingly working with local craft producers to create branding and marketing materials that enhance the visibility of their products (Rainey and Collins, 2023 [D3.1]). This collaboration not only promotes the creative economy but also strengthens other sectors by providing them with a modern, creative outlook that can appeal to both local and international markets.

11.1.3. Sustainability solutions

To ensure the long-term sustainability of graphic design in these regions, platforms for collaborative funding have been suggested. Moreover, networks of international creators offer graphic designers the opportunity to collaborate on larger, more ambitious projects. In regions like **Šibenik-Knin County**, local graphic designers are increasingly participating in international design competitions and collaborations, giving them greater direct exposure to global trends and markets.

11.2. Interactive media

11.2.1. Innovation potential

Interactive media, which includes websites, apps, and digital storytelling platforms, is a rapidly growing subsector in non-urban regions. Interactive media play an important role in bridging the gap between traditional cultural practices and modern technological innovations (Aldazabal et al., 2024c [D2.3]). In the **Azores**, for example, local creatives are using interactive media to showcase the region's natural beauty and cultural heritage through apps and digital tours that allow users to experience the islands virtually.

Interactive media has also proven to be a powerful tool for education and tourism promotion. In Ireland's **Western Coastal Periphery**, creative entrepreneurs have developed interactive platforms that allow visitors to explore historical sites and landmarks through augmented reality (AR). These platforms not only enhance the tourist experience but also serve as a means of preserving local history and culture.

11.2.2. Drivers of development

The development of interactive media in these regions is primarily driven by emerging technologies such as augmented reality (AR), virtual reality (VR), and mobile applications. Interactive media has transformed tourism in non-urban regions by offering new ways for tourists to engage with cultural and natural heritage (Rainey and Collins, 2023 [D3.1]). Additionally, the increased availability of high-speed internet and mobile connectivity has made it easier for creators in rural areas to develop and distribute interactive media products.

Another important innovation driver is collaboration between the technology and creative sectors. In regions like Finland's **West Coast and Baltic Sea Archipelago**, local creatives are working with tech companies to develop new interactive experiences that combine digital storytelling with environmental education (Rainey and Collins, 2023 [D3.1]). These partnerships not only enhance the creative potential of interactive media but also provide new revenue streams for both sectors.

11.2.3. Sustainability solutions

To ensure the sustainability of interactive media projects, international networks of creators have emerged as a key solution. By participating in global digital media communities, creators from non-urban regions can collaborate with peers, learn new techniques, and gain access to international markets.

Additionally, the use of collaborative funding platforms has provided some creators with the financial resources needed to develop innovative interactive media projects. Platforms like Patreon and Kickstarter allow creators to build a community of supporters who contribute financially to their projects in exchange for early access or exclusive content.

11.3. Video games

11.3.1. Innovation potential

The video game industry has rapidly emerged as one of the most dynamic and innovative subsectors within the creative sector, especially in non-urban regions where digital platforms enable creators to reach global audiences. In regions such as Finland's **Baltic Sea Archipelago** and Ireland's **Western Coastal Periphery**, video games are being used as a medium for storytelling, cultural preservation, and education (Rainey and Collins, 2023 [D3.1]). In particular, games that draw on local myths, folklore, and historical narratives have become a popular way to share regional heritage with a broader audience. This has contributed to the growing potential for the video game industry to be a significant economic driver, combining creativity with digital technologies to deliver immersive experiences that resonate with global audiences.

11.3.2. Drivers of development

The primary drivers of innovation in the video game industry in non-urban regions include the rapid advancement of digital technologies and the increasing accessibility of game development tools. The proliferation of accessible game engines, such as Unity and Unreal Engine, has lowered barriers to entry for creators in rural and peripheral regions (Aldazabal et al., 2024a [D2.1]). Additionally, the rise of online platforms such as Steam and the Apple App Store has made it easier for independent game developers to distribute their products globally without needing traditional publishing routes.

Collaboration between sectors has also driven innovation within the video game industry. In regions like Croatia's **Šibenik-Knin County**, collaborations between educational institutions, local governments, and tech companies have resulted in the creation of training programmes aimed at developing local talent for the video game industry (Rainey and Collins, 2023 [D3.1]). These initiatives are helping to build a skilled workforce in regions where creative industries have historically been underdeveloped.

11.3.3. Sustainability solutions

One of the most promising sustainability solutions for the video game industry in non-urban areas is the rise of crowdfunding platforms, which have enabled game developers to secure funding directly from their audience. Platforms such as Kickstarter and Indiegogo allow developers to showcase their ideas to a global audience and gather financial support, providing an alternative to traditional publishing models that may be less accessible to rural creators.

Moreover, the establishment of international networks of game developers has facilitated the exchange of knowledge, resources, and collaboration opportunities between creators in non-urban regions and their counterparts in larger creative hubs. These networks, supported by digital communication platforms, provide local developers with access to a broader pool of talent and expertise, helping to ensure that they can remain competitive in the global market.

11.4. Music

11.4.1. Innovation potential

The music industry in non-urban regions is another creative subsector with high potential for innovation, driven by advancements in digital platforms, streaming technologies, and the rise of independent music production. Music in rural and peripheral regions has always played a critical role in cultural identity and expression (Aldazabal et al., 2024a [D2.1]). Now, with the widespread availability of digital distribution platforms such as Spotify, SoundCloud, and Bandcamp, independent musicians in non-urban areas can easily share their work with global audiences.

In regions such as the **Azores** and Iceland's **West Region**, local musicians are leveraging these platforms to gain international recognition, even without the support of major record labels. These regions have seen an increase in music festivals and live performances, with musicians collaborating with other creative professionals to enhance their productions. Furthermore, digital tools such as DAWs (Digital Audio Workstations) have allowed musicians to produce high-quality recordings without needing access to expensive studio spaces, democratising music production in rural areas.

11.4.2. Drivers of development

The main drivers of development in the music subsector include technological advances in music-making and producing, and the global reach of digital distribution platforms. The accessibility of home recording equipment and music production software has enabled musicians to produce and distribute music from virtually any location, eliminating the need to be based in major cities (Aldazabal et al., 2024a [D2.1]). This has opened up new possibilities for rural musicians, allowing them to build fan bases and generate income through digital sales, streaming, and live performance streams.

Cross-sector collaboration has also been instrumental in the development of the music industry in the six regions examined. In Ireland's **Western Coastal Periphery**, for instance, musicians often collaborate with local film producers, artists, and tourism boards to create multimedia projects that promote both their music and the region as a cultural destination.

11.4.3. Sustainability solutions

One of the key sustainability solutions for the music industry is the creation of alternative revenue streams. With traditional record sales declining, musicians are increasingly relying on crowdfunding, merchandise sales, and direct fan support through platforms like Patreon. These models allow musicians to maintain creative control while generating a steady income stream.

Additionally, the development of local music festivals and live performance circuits has become an essential sustainability strategy in many non-urban regions. These events not only provide a platform for local talent but also attract visitors, contributing to the local economy in various ways (Rainey and Collins, 2023 [D3.1]). By positioning music as a key element of the region's cultural identity, these festivals and performances create lasting connections between local musicians and their communities.

The creative sector across the six non-urban regions presents a vast array of opportunities for innovation, with subsectors such as graphic design, interactive media, video games, and music driving much of the creative output. The primary drivers of innovation include the integration of emerging technologies, cross-sector collaboration, and a rapid response to market trends. Furthermore, the development of digital platforms and international networks of creators has allowed non-urban regions to overcome geographic isolation and engage with global audiences.

To ensure the sustainability of the creative sector, regions must continue to invest in crowdfunding platforms, collaborative networks, and alternative revenue models. By doing so, the creative industries in non-urban areas can thrive, offering unique cultural products that contribute not only to local economies but also to the broader global creative landscape.

In relation to Utrecht University's analysis of the diversification potential of non-urban regions (Annex A), it is important to highlight the importance of leveraging local capabilities and professional relationships to minimise risk and maximise growth opportunities. According to Utrecht's findings on diversification in non-urban regions, regions are more likely to diversify successfully into activities closely related to their existing capabilities. In the case of the Creative Industries, which include sectors such as IT, software development, and professional services, this proximity principle suggests that building on existing digital and technological skills within the region can enhance the success of new ventures. This insight underlines the need for targeted support in digital innovation and upskilling in related areas.

12. Specific analysis of innovation potential by subsector: Craft sector

Lastly, the **Craft Industries** encompass traditional manufacturing activities, including textiles, apparel, footwear, glass, ceramics, wood products, stationery, and furniture. This sector centres on artisanal production and the preservation of traditional techniques, also covering jewellery, musical instruments, and toy-making.

The Craft Industries sector plays a vital role in the cultural and creative industries of non-urban regions, contributing to local economies, cultural preservation, and sustainable practices. The craft sector in these regions, particularly in **Valmiera County** (Latvia), **Šibenik-Knin County** (Croatia), and the **Azores** (Portugal), has shown significant potential for innovation, blending traditional techniques with modern design and technology. This section examines three key craft subsectors with high potential for innovation: textile crafts, ceramics, and furniture making, while also exploring the main drivers of their development and sustainability solutions.

12.1. Textile crafts

12.1.1. Innovation potential

Textile crafts, including weaving, knitting, felting, and embroidery, represent a significant subsector within the broader craft industry in non-urban regions. In regions like Portugal's **Azores**, textile artisans are merging traditional patterns and techniques with contemporary aesthetics, attracting a global audience that values authenticity and craftsmanship. In the case of the **West Coast and Baltic Sea Archipelago** in Finland, lace-making stands out as a prominent activity within the textile sector, deeply embedded in the region's cultural and economic fabric.

The rise of sustainable fashion and eco-conscious consumerism has further enhanced the innovation potential of textile crafts. Increasingly, artisans in regions such as **Šibenik-Knin County**, Croatia, and Ireland's **Western Coastal Periphery** are producing textiles using sustainable materials, natural dyes, and eco-friendly production methods. This focus on sustainability has resonated with global consumers who are looking for products that align with ethical and environmental values.

12.1.2. Drivers of development

The development of the textile craft subsector is driven by the growing demand for personalised and sustainable products. Consumers are increasingly seeking out products that are unique, locally made, and have a minimal environmental footprint (Aldazabal et al., 2024a [D2.1]). This trend aligns well with the strengths of non-urban textile artisans, who often produce small-batch, handmade goods that can be easily customised to meet individual preferences.

Another important driver is the preservation of cultural heritage. Textile crafts are often deeply intertwined with regional identities, and many artisans in non-urban areas are focused on preserving traditional techniques and motifs while adapting them to modern tastes (Rainey and Collins, 2023 [D3.1]). In **Valmiera County**, Latvia, and the **West Coast and Baltic Sea Archipelago**, Finland, for example, local textile producers are working closely with cultural institutions to document and promote traditional weaving techniques, ensuring their survival for future generations. In the case of the West Coast and Baltic Sea Archipelago in Finland, lace-making stands out as a prominent activity within the textile sector, deeply embedded in the region's cultural and economic fabric.

12.1.3. Sustainability solutions

To ensure the sustainability of the textile craft subsector, artisans are increasingly turning to e-commerce platforms to reach a global market. These digital platforms allow artisans to bypass traditional retail channels, ensuring that they retain more control over pricing and customer relationships.

Another key sustainability solution is the certification of artisanal quality, which provides consumers with assurance about the authenticity and craftsmanship of the products they purchase. In regions like **Šibenik-Knin County**, Croatia, and the **Azores**, Portugal, there are emerging initiatives to develop

certification labels for locally produced textiles, ensuring that they meet certain quality and sustainability standards. This not only enhances the reputation of local crafts but also allows artisans to command higher prices in international markets.

12.2. Ceramics

12.2.1. Innovation potential

Ceramics is another subsector with considerable innovation potential in non-urban regions. Artisanal ceramics, including pottery and sculptural work, has seen a resurgence in demand as part of a societal broader movement towards handcrafted, sustainable products. In regions such as Finland's **West Coast and Baltic Sea Archipelago** and Ireland's **Western Coastal Periphery**, ceramic artists are combining traditional techniques with modern design, producing functional and decorative pieces that appeal to both local and international buyers (Rainey and Collins, 2023 [D3.1]).

The versatility of ceramics as a medium allows artisans to experiment with different forms, glazes, and firing techniques. In **Valmiera County**, Latvia, and **Šibenik-Knin County**, Croatia, for example, ceramics are being used not only for traditional pottery but also for contemporary art installations and public art projects. This adaptability makes ceramics a key driver of innovation within the craft sector, offering a varied array of opportunities for creative expression and commercial success.

12.2.2. Drivers of development

A major driver of development in the ceramics subsector is the integration of modern design with traditional techniques. Many ceramic artisans in non-urban areas are experimenting with new forms, colours, and textures, while still drawing on the rich history of local ceramic traditions (Aldazabal et al., 2024a [D2.1]). This approach allows artisans to appeal to modern tastes without losing the cultural significance of their work.

Additionally, the rise of sustainable living has driven demand for locally produced, handcrafted ceramics. Consumers are increasingly seeking out durable, environmentally friendly alternatives to mass-produced goods, and ceramics fits well into this trend. Artisans in the **Azores**, Portugal, and the **West Coast and Baltic Sea Archipelago**, Finland, are focusing on using local materials and environmentally friendly production processes to meet the growing demand for sustainable products.

12.2.3. Sustainability solutions

To maintain the sustainability of the ceramics subsector, artisans are adopting e-commerce strategies similar to those used in the textile industry. Online platforms allow ceramicists to reach new markets, particularly international buyers who are willing to pay a premium for handcrafted, artisanal goods. Additionally, some regions are exploring artisan co-operatives, where ceramicists share resources such as kilns, workshops, and marketing platforms, reducing costs and increasing their competitive edge in the market (Rainey and Collins, 2023 [D3.1]).

Another important sustainability solution is the development of local artisan networks, which allow ceramicists to collaborate on projects, share best practices, and promote their work collectively. These networks, supported by local governments and cultural institutions, help to strengthen the ceramics subsector by building a sense of community and shared purpose among artisans.

12.3. Furniture making

12.3.1. Innovation potential

Furniture making is a subsector of the craft industry with a rich tradition in non-urban regions. Artisans in regions such as **Western Coastal Periphery**, Ireland, **Šibenik-Knin County**, Croatia, and **Valmiera County**, Latvia, are well-known for their craftsmanship, producing both traditional and contemporary furniture pieces that reflect local design sensibilities. Artisans are increasingly using locally sourced, eco-friendly materials such as reclaimed wood and natural fibres, appealing to consumers who prioritise sustainability in their purchases (Rainey and Collins, 2023 [D3.1]).

Additionally, the trend towards bespoke furniture has created opportunities for artisans to offer personalised design services. In regions like **Valmiera County**, Latvia, and **Western Coastal Periphery**, Ireland, furniture makers are working closely with clients to create custom pieces that meet specific needs and preferences. This personalisation not only adds value to the product but also helps artisans build lasting relationships with their customers.

12.3.2. Drivers of development

One of the key drivers of innovation in the furniture-making subsector is the rising demand for sustainable, handcrafted goods. Consumers are increasingly looking for products that are both environmentally friendly and unique, and furniture artisans in non-urban regions are well-positioned to meet this demand. Furniture makers in regions such as **Western Coastal Periphery**, Ireland, and **Valmiera County**, Latvia, have started using sustainable materials like reclaimed wood and locally sourced timber, which not only align with environmental trends but also enhance the value of the products they create (Aldazabal et al., 2024a [D2.1]). Additionally, the use of traditional woodworking techniques, combined with modern design elements, offers a unique blend that appeals to both local and international markets.

Customisation and personalisation are also major drivers of development in the furniture-making subsector. Artisans are increasingly offering bespoke design services, allowing customers to have furniture pieces tailored to their specific needs and preferences (Rainey and Collins, 2023 [D3.1]). This level of personalisation creates a strong connection between the artisan and the customer, adding emotional and monetary value to the product.

12.3.3. Sustainability solutions

To ensure the sustainability of the furniture-making subsector, artisans are exploring several key strategies. E-commerce platforms have become essential for reaching new markets, allowing furniture makers in rural areas to sell directly to consumers across the globe. Online platforms such as Etsy and local e-commerce sites provide furniture makers with a cost-effective way to showcase their products to a wider audience, bypassing traditional retail channels and ensuring higher margins for the artisans themselves.

Another important sustainability solution is the creation of artisan collectives or cooperatives. These collectives allow furniture makers to pool resources, share knowledge, and collaborate on larger projects that would be difficult to undertake individually. In **Western Coastal Periphery**, Ireland, and the **West Coast and Baltic Sea Archipelago**, Finland, for example, furniture artisans are forming cooperatives that help reduce production costs, increase marketing reach, and strengthen their presence in the local and international markets (Rainey and Collins, 2023 [D3.1]).

Furthermore, certification of artisanal quality is becoming an increasingly important strategy for ensuring the long-term viability of the furniture-making sector. Certification labels that verify the use of sustainable materials and traditional techniques can help differentiate handcrafted furniture from mass-produced alternatives. In regions like **Valmiera County**, Latvia, and the **Azores**, Portugal, there are ongoing efforts to establish certification systems that recognise the quality and authenticity of locally produced furniture, providing artisans with a competitive advantage in the global market.

The craft sector in non-urban European regions demonstrates immense potential for innovation, particularly within the subsectors of textile crafts, ceramics, and furniture making. These subsectors are driven by factors such as the increasing demand for personalised, sustainable products; the preservation of cultural heritage; and the ability to blend traditional techniques with modern design. As artisans in regions like **Valmiera County**, Latvia, **Western Coastal Periphery**, Ireland, and **Šibenik-Knin County**, Croatia, continue to integrate digital tools, embrace e-commerce, and form cooperative networks, the craft sector is well-positioned to thrive in both local and international markets.

In line with Utrecht University's findings, regions rich in artisanal skills or traditional crafts have strong potential for diversification within the Craft Industries sector by building on existing manual and design capabilities. The synthesis report presented in Annex A suggests that this sector can benefit from incremental diversification, where artisanal expertise is adapted to contemporary markets through sustainable practices and eco-friendly branding, enhancing the market appeal while preserving local craftsmanship.

To sustain this growth, it is essential that local governments and cultural institutions continue to invest in digital platforms, support artisan certification schemes, and foster collaborations between the craft sector and other industries, such as tourism and design. By doing so, the craft sector can contribute

to the economic development of non-urban regions and also play a vital role in preserving cultural heritage and promoting sustainable practices in the global marketplace.

13. Growth–Development Matrix

The Growth–Development Matrix serves as a tool to visually represent the subsectors within the Cultural and Creative Industries (CCIs) that show the greatest potential for both growth and sustainable development across the six non-urban European regions in this study: the Azores (Portugal), the West Region (Iceland), the Western Coastal Periphery (Ireland), the West Coast and Baltic Sea Archipelago (Finland), Valmiera County (Latvia), and Šibenik-Knin County (Croatia). By applying this matrix, stakeholders can identify which CCI subsectors are best positioned to drive long-term economic, cultural, and social value in these regions.

13.1. Growth–Development Matrix methodology

The design of the matrix focuses on two key dimensions: growth potential and sustainability, each evaluated according to a set of specific criteria. *Growth potential* refers to the ability of a subsector to expand in terms of economic value, audience reach, and market presence, while *sustainability* considers factors such as environmental impact, cultural preservation, and long-term viability.

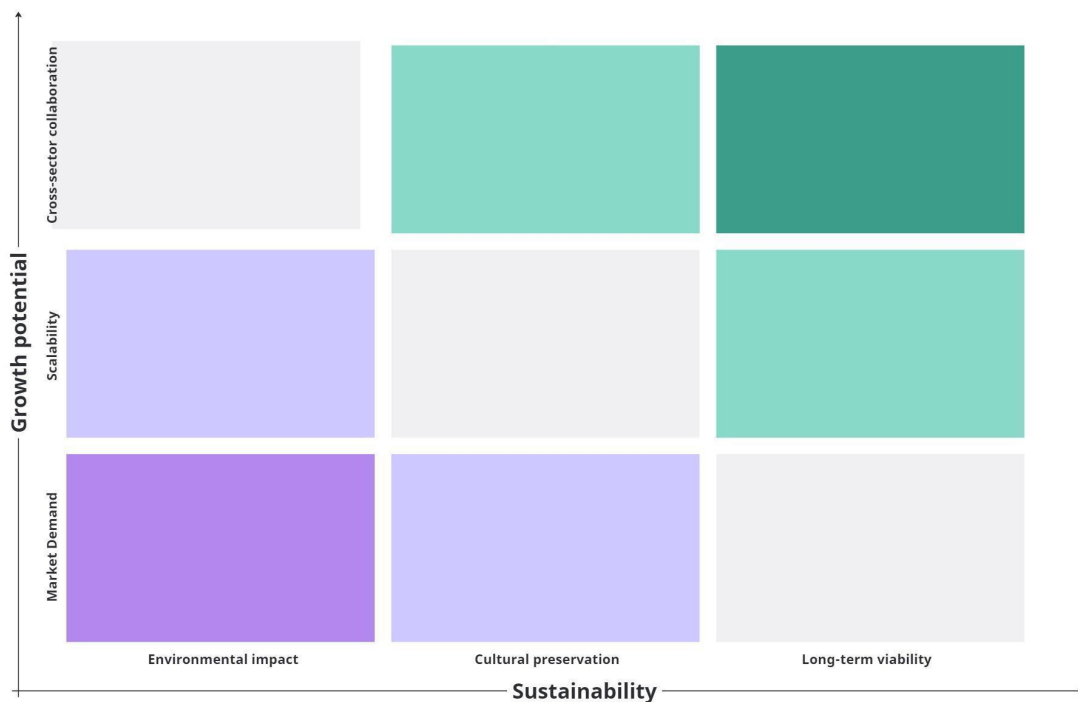


Figure 1 - Growth–Development Matrix

Source: Own elaboration (MIK)

The growth-sustainability matrix, as a strategic analysis tool, is inspired by the frameworks proposed by Slywotzky et al. (1997) and Osterwalder and Pigneur (2010), who emphasise the importance of categorising sectors based on their growth potential and sustainability. Both sets of authors highlight in their respective works the utility of such matrices to simplify decision-making and guide strategy formulation by identifying key areas for investment and development. The matrix is structured around two fundamental axes, *Growth Potential* and *Sustainability*:

- **Growth potential:** This axis is constructed by considering each subsector’s capacity to expand its activities, increase its impact, and generate economic value within a Cultural and Creative Industries (CCIs) context. Based on Slywotzky et al. (1997), growth is employed not only as an indicator of economic viability but also as a reflection of each subsector’s adaptability to reach new markets and benefit from structural changes, such as digitalisation or cross-sector collaboration.
- **Sustainability:** This axis measures the subsector’s ability to sustain its development in the long term without compromising local cultural or economic resources, drawing on a framework from Osterwalder and Pigneur (2010). Here, *sustainability* is understood broadly, encompassing both financial viability and social and cultural impact within the community.

13.1.1. Selection of Matrix axes and constructs

13.1.1.1. *Growth Potential axis*

For growth, the constructs can be understood in a progressive order that follows a logic of expansion and consolidation:

- **Market demand as a starting point:** Demand is fundamental because it justifies the existence and growth of the subsector, an approach that Osterwalder and Pigneur (2010) consider as the core of any business model, as it ensures the relevance and viability of the initial offering. Without initial or projected demand, there is no incentive for scalability or collaboration with other sectors. Slywotzky et al. (1997) reinforce this perspective, suggesting that demand analysis allows the identification of essential profitability opportunities to justify the subsector’s expansion. Therefore, market demand acts as the “initial” construct in the growth cycle, establishing economic viability in the initial phase.
- **Scalability as demand expansion:** Once demand is confirmed, scalability becomes the next step, facilitating the expansion of the subsector’s capacity to capture a larger market or generate greater economic impact. Osterwalder and Pigneur (2010) highlight the importance of scalability in business model growth, as it allows an initiative to respond efficiently to demand without compromising financial sustainability. Similarly, Slywotzky et al. (1997) point out that scalable growth maximises reach without proportionally increasing costs, establishing a solid phase of strategic expansion.

- **Intersectoral collaboration as a scalability enhancer:** Once the subsector has achieved a scalable phase and consolidated demand, intersectoral collaboration enables expanded resources and reach, as emphasised by Creswell (2014) and Osterwalder and Pigneur (2010) in their research on collaborative strategies. Creswell (2014) underscores how integrating diverse actors strengthens sustainability and adaptability, resulting in strategic alliances that maximise impact. Collaboration, therefore, operates as a “consolidation tool” that integrates the subsector into broader networks, promoting sustainable and diversified growth over the long term.

13.1.1.2. *Sustainability axis*

Considering the lifecycle of a CCI organisation, the constructs of the sustainability axis become relevant and interrelated according to the subsector’s maturity:

- **Initial stage – Environmental impact:** In the initial or “introduction” phase, establishing practices that minimise environmental impact is essential for building a solid foundation and gaining community acceptance. Creswell (2014) and Patton (2015) highlight that, in the early stages, projects should integrate sustainable and responsible practices to build trust and establish a commitment to the community. Slywotzky et al. (1997) further note that this approach helps mitigate future risks, such as costs arising from environmental conflicts, ensuring that the subsector has an accepted and valued operational foundation from the outset.
- **Growth stage – Cultural preservation:** In the “growth” stage, cultural preservation becomes a fundamental asset, consolidating the identity of the subsector as it expands. According to Patton (2015), the integration of cultural and identity values is key to strengthening a project in its expansion phase, ensuring an authentic connection with the market. Osterwalder and Pigneur (2010) also argue that added cultural value strengthens the positioning of the subsector, acting as a differentiator in the market, while protecting local identity and increasing its appeal.
- **Maturity stage – Long-term viability:** In the “maturity” phase, long-term viability becomes a central goal that allows adaptation and permanence in a changing market. Slywotzky et al. (1997) maintain that the resilience of a business model depends on its ability to adapt to new conditions, a skill that is developed by integrating sustainable practices and preserving cultural capital. Patton (2015) also emphasises that assessment and flexibility are essential elements for models to evolve, ensuring their viability and adaptability, which allows the subsector to remain relevant, innovative, and sustainable over time.

13.1.1.3. Crossings

The relationship between **market demand** and **environmental impact** is fundamental, as meeting increasing demand can have negative effects on the environment. Osterwalder and Pigneur (2010) emphasise that integrating sustainable practices into the business model from the start is essential to avoid these impacts. Additionally, Slywotzky et al. (1997) note that in markets where consumers value sustainability, maintaining a low environmental impact strengthens the subsector's value proposition.

In the link between **market demand** and **cultural preservation**, consumers seek authenticity and connection with heritage. Patton (2015) argues that aligning the offering with the market's cultural values not only satisfies demand but also ensures that the subsector maintains its authenticity. Osterwalder and Pigneur (2010) support this idea, suggesting that such alignment creates a deeper connection with the audience and protects local heritage.

Market **demand directly** influences the subsector's **long-term viability**. According to Slywotzky et al. (1997), constant demand provides a stable economic flow that allows the subsector to adapt to market changes and ensure its long-term relevance. Creswell (2014) emphasises the importance of this ongoing process to maintain the subsector's permanence and sustainability.

Scalability and environmental impact must be managed carefully. Patton (2015) suggests that as business models scale, they should consider the environmental effect to ensure that growth is sustainable. Osterwalder and Pigneur (2010) highlight that responsible scalability maintains the subsector's value and competitiveness in markets that value environmental responsibility.

Regarding **scalability** and **cultural preservation**, there is a risk that expansion may compromise cultural authenticity. Patton (2015) warns that expanding without losing cultural essence is a challenge but essential to maintain the subsector's identity. Osterwalder and Pigneur (2010) argue that preserving this authenticity during growth offers a competitive advantage in markets sensitive to culture and tradition.

The relationship between **scalability** and **long-term viability** is crucial for the resilience of the subsector. Creswell (2014) proposes that adaptive and flexible growth enables the subsector to withstand market fluctuations. Slywotzky et al. (1997) indicate that managing growth while avoiding rigid dependencies maximises adaptability and ensures long-term stability.

Intersectoral collaboration can mitigate **environmental impact** through strategic alliances. Creswell (2014) and Patton (2015) highlight that through collaboration, the subsector gains access to more sustainable resources and technologies, reducing the environmental impact of its operations and promoting responsible development.

At the intersection of **intersectoral collaboration** and **cultural preservation**, Patton (2015) suggests that partnering with educational and technological sectors allows for the digitalisation and protection

of cultural elements, keeping them accessible in the long term. Osterwalder and Pigneur (2010) reinforce that such collaborations increase the visibility and preservation of the subsector's cultural identity.

Finally, **intersectoral collaboration** strengthens **long-term viability** by diversifying income and business models. According to Creswell (2014) and Slywotzky et al. (1997), these alliances enhance the subsector's ability to adapt to trends in other sectors, increasing its flexibility in the face of market changes. This ensures a constant flow of growth and innovation opportunities that consolidate its sustainability.

13.2. Results of the matrix

The results of the Growth–Development Matrix highlight which subsectors within CCIs are best positioned for future development in the six non-urban European regions examined. The following subsections present a breakdown of the matrix findings, with a corresponding illustration (Figure 2) towards the end of this section.

13.2.1. High Growth/High Sustainability Subsectors

Subsectors positioned in the top-right quadrant have the greatest potential for both market expansion and sustainable practices. Key examples include:

- **Textile crafts:** In regions like **Šibenik-Knin County**, Croatia, textile crafts have shown both strong growth potential through global demand for sustainable fashion and high sustainability due to the use of local materials and traditional techniques. This subsector also benefits from cross-sector collaborations with tourism and design (Rainey and Collins, 2023 [D3.1]).
- **Video games:** Digital gaming has emerged as a high-growth sector, particularly in regions like the **West Coast and Baltic Sea Archipelago**, Finland, and **Western Coastal Periphery**, Ireland. With the ability to reach global markets through digital platforms and the use of culturally relevant narratives, the video game industry also scores high in sustainability due to its low environmental impact compared to other sectors.

13.2.2. High Growth/Low Sustainability Subsectors

These subsectors demonstrate strong potential for market expansion but may face challenges related to cultural preservation or environmental sustainability:

- **Interactive media:** This subsector, encompassing digital art and virtual reality (VR) experiences, has strong growth potential due to the global demand for immersive media. However, its reliance on energy-intensive technologies and challenges in preserving local culture may limit its sustainability.
- **Music industry:** The music industry, particularly in **West Region**, Iceland, and **Azores**, Portugal, has seen significant growth due to digital streaming platforms. However, challenges related

to income inequality and the environmental costs of touring and festivals present sustainability concerns.

13.2.3. Low Growth/High Sustainability Subsectors

Subsectors in this quadrant are highly sustainable but face barriers to growth, often due to limited market demand or scaling challenges:

- **Heritage tourism:** In regions like Portugal's **Azores** and Ireland's **Western Coastal Periphery**, heritage tourism is deeply rooted in cultural preservation and sustainable practices. However, a reliance on seasonal visitors and limited scalability pose growth challenges.
- **Ceramics:** Traditional ceramics, while culturally significant and environmentally sustainable, face obstacles in scaling up production for wider markets. The high costs of artisanal production and niche appeal limit its growth potential.

13.2.4. Low Growth/Low Sustainability Subsectors

These subsectors face significant challenges in both growth and sustainability, often requiring strategic interventions to revitalise their potential:

- **Furniture making:** In regions like **Western Coastal Periphery**, Ireland, and **Valmiera County**, Latvia, furniture-making has struggled with low scalability and challenges related to the high cost of sustainable materials. While local demand remains steady, growth beyond the immediate market has been slow (Rainey and Collins, 2023 [D3.1]).
- **Traditional crafts with limited market appeal:** Certain traditional crafts, such as basket weaving or niche artisanal products, face limited demand and sustainability concerns. These subsectors may require modernisation or integration with other sectors (e.g., tourism) to survive.

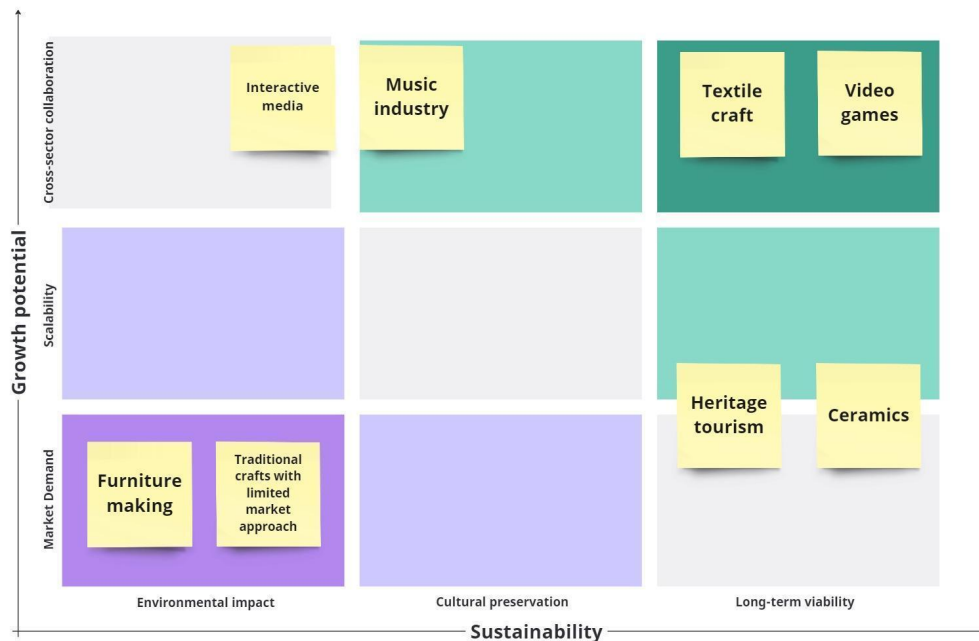


Figure 2 - Results of the Growth–Development Matrix

Source: Own elaboration (MIK)

The Growth–Development Matrix provides a strategic framework to assess which subsectors within the Cultural and Creative Industries (CCIs) are best positioned for future growth and sustainability in non-urban European regions, based on an examination of the situations in the six IN SITU Lab regions. The subsectors with the highest potential, such as textile crafts and video games, showcase a strong ability to expand their market presence while maintaining sustainable practices. These subsectors effectively combine traditional techniques or cultural elements with modern technologies and global consumer trends, making them key drivers of both economic development and cultural preservation in regions like **Valmiera County**, Latvia, the **West Coast and Baltic Sea Archipelago**, Finland, and **Western Coastal Periphery**, Ireland.

Conversely, subsectors like heritage tourism and ceramics demonstrate high sustainability but face challenges in scaling and market expansion. While these industries are vital for maintaining local culture and attracting niche markets, they may require strategic support through digitalisation, collaborative initiatives, and financial incentives to unlock their growth potential. Cross-sector partnerships, particularly with tourism and creative technology industries, are essential for ensuring these crafts remain relevant and economically viable in a rapidly changing global market.

At the lower end of the matrix, subsectors such as furniture making and certain traditional crafts face dual challenges of low growth and sustainability. These areas require targeted interventions, including investment in modern production methods, digital marketing, and collaborations with other creative sectors to enhance their appeal. By using the insights from this matrix, and considering the specificities

of their region, policymakers, local governments, and other stakeholders can focus resources on the subsectors that offer the highest potential for their sustainable development, while also identifying and supporting those that need innovation to thrive in the future.

14. Recommendations for financial sustainability and community participation

Ensuring the financial sustainability and active community participation of Cultural and Creative Industries (CCIs) in non-urban regions is crucial for their long-term success. Non-urban CCIs face significant challenges due to geographical isolation, limited financial resources, and the need for innovative models that promote both economic growth and community engagement. This section outlines strategies aimed at improving financial sustainability through innovative business models, increasing community participation through collaborative processes, and leveraging technology to attract younger audiences.

14.1. Strategies for improving financial sustainability

One of the key challenges for CCIs in non-urban regions is the limited access to traditional financial resources such as grants, loans, and public funding. To address this, it is essential to develop innovative business models that enable CCIs to generate sustainable revenue streams and reduce reliance on external funding. One such model is collaborative financing, which has proven effective in the craft, music, and video game subsectors. Platforms like Kickstarter and Patreon allow creatives to raise funds directly from their audiences, providing upfront capital to develop new projects and secure pre-sales, which in turn increases cash flow and reduces financial risk.

In addition to collaborative financing, public–private partnerships (PPPs) present a valuable opportunity to enhance financial sustainability. These partnerships can leverage both public funding and private investment to support larger-scale CCI initiatives, particularly in sectors like heritage tourism, music festivals, and digital media. For example, in regions such as Ireland’s **Western Coastal Periphery**, PPPs have been used to fund cultural festivals that serve both as tourist attractions and as platforms for local creatives to showcase their work. PPPs often provide the stability needed for long-term planning and help foster a broader sense of shared ownership among local communities, civil society organisations, and private sector stakeholders (Rainey and Collins, 2023 [D3.1]).

Lastly, diversifying income streams is essential to ensure the sustainability of CCIs. Creatives in non-urban regions can increase financial resilience by combining revenues from product sales, grants, and services with additional sources such as merchandising, intellectual property licensing, and educational workshops. In regions like Finland’s **West Coast and Baltic Sea Archipelago**, artists and craftspeople have successfully integrated workshops and educational programmes into their business models, providing additional income while preserving and passing down traditional skills.

14.2. Increasing community participation through collaboration and digital platforms

Community participation is a crucial element of CCIs success, especially in non-urban regions where the connection between the creative industries and local identity is strong. Increasing participation requires fostering collaborative processes that involve local residents in creative and cultural activities. One strategy is to create community co-working spaces or creative hubs where artists, makers, and entrepreneurs can share resources, exchange ideas, and work together on collaborative projects (Rainey and Collins, 2023 [D3.1]). These spaces can serve as focal points for local cultural activity, promoting a sense of ownership among the community and encouraging participation in CCI initiatives.

Another key to boosting community involvement is the development of digital platforms that make it easier for residents to engage with cultural projects. These platforms can include virtual galleries, streaming services for local performances, or apps that allow users to participate in cultural heritage projects from home. In Croatia's **Šibenik-Knin County**, for example, local governments have partnered with digital platforms to enable virtual access to museum collections and cultural events, creating more opportunities for people who cannot attend in person to participate.

Digital tools can also facilitate participatory decision-making, enabling communities to take part in the development of cultural policies or CCI projects. Platforms that allow residents to vote on cultural initiatives or propose ideas for new projects encourage a sense of shared ownership and responsibility for local culture. Such tools have been successfully implemented in Latvia's **Valmiera County**, enabling local residents to have a say in the preservation and promotion of their cultural heritage.

14.3. Attracting younger audiences through technology and digitalisation

Attracting younger audiences to CCIs is essential for ensuring the long-term sustainability and dynamism of the sector. One of the most effective ways to do this is by embracing digitalisation and technology. Younger generations are highly engaged with digital platforms, and CCIs can tap into this by offering virtual experiences, gamification, and interactive digital content that resonates with younger audiences.

A successful strategy has been to use social media to promote CCI activities and engage with young people on platforms they already use, such as Instagram, TikTok, and YouTube. These platforms offer cost-effective ways to reach a global audience, generate excitement for local cultural events, and showcase the work of regional creatives. In regions like Finland's **West Coast and Baltic Sea Archipelago**, music festivals and cultural events have embraced social media to build anticipation, increase ticket sales, and engage with audiences through behind-the-scenes content and interactive livestreams (Rainey and Collins, 2023 [D3.1]).

Additionally, the use of digital storytelling and gamification can help make traditional cultural content more appealing to younger generations. For instance, in **Šibenik-Knin County**, Croatia, heritage sites have developed augmented reality (AR) experiences that allow visitors to interact with historical content in a way that feels like a game. Similarly, virtual tours, digital exhibitions, and e-learning platforms allow young people to engage with cultural heritage and the arts on their own terms, using technology with which they are already familiar.

Finally, the creation of youth-focused cultural programmes that blend technology with local traditions is key to ensuring sustained engagement. In **Western Coastal Periphery**, Ireland, and the **West Coast and Baltic Sea Archipelago**, Finland, youth-focused workshops and hackathons that combine local crafts with technology, such as 3D printing or digital design tools, have successfully attracted younger participants to CCIs. These programmes not only introduce younger generations to local cultural traditions but also equip them with the skills they need to innovate within the sector.

To ensure the financial sustainability and active community participation of CCIs in non-urban regions, it is essential to adopt innovative business models like collaborative financing, public–private partnerships, and diversified income streams. Increasing community participation requires the development of collaborative spaces and digital platforms that empower residents to engage with and shape local cultural initiatives. Finally, attracting younger audiences will depend on embracing digitalisation and technology, providing opportunities for younger generations to interact with local culture in innovative and exciting ways. By adopting these strategies, CCIs in non-urban regions can continue to thrive while fostering community involvement and long-term sustainability.

15. Conclusion

The evaluation of Cultural and Creative Industries (CCIs) in six non-urban European regions highlights significant potential for innovation and growth, particularly in the subsectors of textile crafts, ceramics, furniture making, museums, video games, and music. These key subsectors are not only drivers of local socioeconomic development but also play a critical role in preserving cultural heritage and promoting sustainable practices. However, their success relies on a combination of innovation, community engagement, and supportive public policies.

The findings and analyses presented in this report lay the groundwork for the development of the upcoming report (D2.5 – *Roadmap for competitiveness of most innovative CCIs subsectors*), which will build upon the Growth–Development Matrix to craft a strategic roadmap for advancing the most promising CCI subsectors in non-urban regions.

This forthcoming report will transform the matrix findings into a comprehensive action plan, detailing specific measures to strengthen the competitive advantage of selected CCI subsectors. It will address

key areas such as capacity-building, technological adaptation, and market expansion, ensuring a sustainable and resilient growth path for CCIs in non-urban areas. Together, the current and forthcoming reports establish a cohesive framework that not only guides immediate investment but also fosters a long-term, place-based development approach tailored to the unique needs of these regions.

15.1. Summary of key subsectors and long-term development opportunities

The textile crafts subsector has demonstrated strong potential for growth, especially as global demand for sustainable, handcrafted products continues to rise. In regions such as **Valmiera County**, Latvia, and **Šibenik-Knin County**, Croatia, textile artisans are successfully blending traditional techniques with modern design, attracting international buyers who value authenticity and eco-conscious products. The shift towards sustainable fashion further enhances this sector's long-term viability, with opportunities to expand through e-commerce and international certification programmes.

Similarly, ceramics represents a promising subsector with deep cultural roots. Artisans in regions like the **West Coast and Baltic Sea Archipelago**, Finland, and **Western Coastal Periphery**, Ireland, are capitalising on the growing demand for sustainable home goods and artistic ceramics. However, the challenge of scaling production remains a limiting factor. Investments in shared production spaces and artisan cooperatives could help overcome these barriers, enabling ceramicists to meet higher demand while preserving the integrity of their craft (Rainey and Collins, 2023 [D3.1]).

The furniture-making subsector offers significant opportunities, particularly in the realm of custom-made, eco-friendly furniture. By tapping into the global trend of bespoke, sustainable home furnishings, artisans in regions like **Western Coastal Periphery**, Ireland, and **Valmiera County**, Latvia, are well-positioned to expand. Digital platforms, such as Etsy or dedicated artisanal marketplaces, provide a crucial avenue for growth, allowing furniture makers to reach a wider audience while maintaining the personalised nature of their work.

In the cultural sector, museums and heritage tourism play a critical role in both preserving local culture and attracting tourists. With the integration of digital tools such as virtual tours and augmented reality experiences, museums in regions like **Šibenik-Knin County**, Croatia, and the **Azores**, Portugal, are expanding their reach beyond physical borders. These digital innovations offer museums and heritage sites a sustainable path forward by engaging new, tech-savvy audiences while also preserving cultural knowledge for future generations.

Finally, the video games and music subsectors have demonstrated strong growth potential, especially as digital platforms facilitate global distribution. The video game industry, particularly in the **West Coast and Baltic Sea Archipelago**, Finland, and **Western Coastal Periphery**, Ireland, has shown promise in merging local narratives with interactive media, creating a global market for regionally inspired games. Meanwhile, musicians in the **Azores**, Portugal, and **West Region**, Iceland, have

embraced digital streaming platforms to gain international exposure. However, both subsectors face sustainability challenges, including the environmental impact of large-scale production and performance tours. Further investment in sustainable practices and financial support will be crucial for their long-term development.

15.2. Recommendations on public policies and funding programmes

To fully realise the potential of these key CCI subsectors, public policies and funding programmes must be tailored to the unique needs of non-urban regions. Based on a transversal review of IN SITU research and the analysis conducted for the Growth–Development Matrix, the following recommendations focus on promoting growth, sustainability, and innovation in CCIs:

- **Develop tailored public policies for non-urban CCIs:** National and regional governments should recognise the unique contributions of non-urban CCIs and develop policies that address their specific challenges. This includes providing financial incentives for sustainable production practices, supporting digital infrastructure development, and promoting cross-sector collaboration between CCIs, tourism, technology, education and environmental organisations and agencies. Public policies should also prioritise the preservation of cultural heritage through grants and subsidies that support traditional crafts, heritage tourism, and other culturally significant sectors.
- **Strengthen access to digital platforms and training:** The ability of CCIs to reach global markets is closely tied to digitalisation. Governments and cultural institutions must invest in digital infrastructure to support CCIs in rural regions, providing them with the tools to engage with broader audiences through e-commerce, virtual exhibitions, and digital streaming. Additionally, offering training programmes in digital marketing, e-commerce, and digital storytelling is essential to ensure that artisans, musicians, and creators have the skills needed to navigate the digital landscape.
- **Increase access to public and private funding:** Public funding mechanisms, such as grants, subsidies, and EU funding programmes, should be expanded and tailored to provide greater support for non-urban CCIs, particularly in sectors that require significant capital investment, such as video games and music production. Governments should also promote public–private partnerships (PPPs), which allow private sector investment in creative projects that benefit both local communities and businesses (Rainey and Collins, 2023 [D3.1]). Collaborative financing models, such as crowdfunding platforms, should be supported and promoted as an additional mechanism to traditional financing, enabling creatives to secure funding directly from their audience.
- **Foster community engagement through collaborative initiatives:** Community participation should be a core focus of CCIs development strategies. Governments and cultural organisations must create opportunities for local residents to engage in creative processes through collaborative spaces, creative hubs, and participatory decision-making platforms.

These initiatives not only strengthen the connection between CCIs and local communities but also foster a sense of ownership and pride in local culture.

- **Encourage youth engagement through technology and innovation:** To ensure the future sustainability of CCIs, it is essential to attract younger generations by integrating technology and digital tools into creative practices. This includes promoting youth-focused cultural programmes that blend traditional crafts with modern technology, such as 3D printing, digital design, or gamification (Rainey and Collins, 2023 [D3.1]). Additionally, creating online spaces where young people can participate in cultural projects, learn new skills, and collaborate with peers, and partnering with the educational sector, will help to sustain growth of CCIs in non-urban regions.

The long-term development of CCIs in non-urban regions depends on the ability to balance innovation, sustainability, and cultural preservation. By implementing tailored public policies, increasing access to funding and digital tools, and fostering community and youth engagement, the potential of CCIs can be fully realised. The key subsectors identified in this report, including textile crafts, ceramics, video games, and music, offer unique opportunities for growth, but they will require ongoing support from governments, cultural institutions, and private stakeholders to ensure their continued success in the global creative economy.

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Annex A. What are the opportunities for diversification in non-urban regions: The IN SITU Labs case study

M. Tessarin, on behalf of the IN SITU team at Utrecht University, 2024 (based on work conducted in Work Package 1)

In the last decade, there has been a growing literature discussing the role of the capabilities of regions and how they lay the foundations for developing new activities. Studies based on Evolutionary Economic Geography (Balland et al., 2019; Boschma, 2017; Hidalgo et al., 2018; Neffke et al., 2011) suggest that regions tend to diversify into new activities closely related to those they already produce. Local capabilities can give birth to new activities by providing a pool of local resources, such as similar knowledge, skills, and institutions. The more related a new activity is to existing local activities, the lower the costs and risks of developing it within a region. In this way, pre-existing capacities help shape the future diversification possibilities of regions.

However, at the same time, they also impose limits to what can be achieved in this diversification process. If a region does not possess the capabilities required for a new activity, developing it will be much more challenging and riskier (Balland and Boschma, 2021; Boschma, 2017). Therefore, it is expected that regions will diversify into new activities related to existing local activities to reinforce local capabilities. In turn, an unrelated diversification will demand a complete transformation of local capabilities, accompanied by high transition costs and high risks of failure, and, thus, less likely to happen (Balland and Boschma, 2021; Hidalgo, 2021).

In this synthesis report, we aim to understand the diversification possibilities for European non-urban regions based on a specific target: the cultural and creative activities. For this purpose, we measure this activity through workers in cultural and creative occupations (CCO). Within the scope of the IN SITU project, Deliverable 1.2 (Tessarin et al., 2023) outlined the importance of cultural and creative occupations in European non-urban regions. It showed that cultural and creative workers could be found across various sectors, not just in the cultural and creative industries themselves, in a way that fosters innovation and adds value at different stages of regions' development (Bakhshi et al., 2013; Wojan et al., 2007; OECD, 2022).

In this context, we applied network analysis to explore the diversification opportunities of cultural and creative activities across EU regions. A network offers valuable tools for describing the structure of interactions by connecting two occupations that co-occur in the same region (Hansen et al., 2020; Hausmann and Klinger, 2006; Hidalgo et al., 2007). When two occupations are linked, it suggests that they share characteristics (such as skills, knowledge, and tasks) that contribute to each other's existence. This allows for identifying diversification opportunities based on the positions and connections of occupations within the occupational space.

To evaluate how important one node (or occupation) is within the network, we calculated the eigenvector centrality (also called *eigencentrality*). This measure indicates how relevant a node is, based on how important the node in contact with it is (Hansen et al., 2020; Hausmann and Klinger, 2006). In other words, the eigenvector centrality reveals which nodes are better connected to important nodes in the network. The higher the eigencentrality score, the greater the level of influence within the network (Cicerone et al., 2020). We understand that this measure of centrality is better than others (such as degree centrality, betweenness or closeness centrality) because it shows not only how many connections that node has but also how well-connected the other central nodes linked to it are (Hansen et al., 2020).

Following the same procedures taken in Deliverable 1.2 (Tessarini et al., 2023), we present here the occupation space based on the 130 ISCO occupations for the non-urban EU regions using data from the Labor Force Survey (LFS), from Eurostat. We calculated an average between 2018 and 2019 to avoid sporadic shocks in a specific occupation-year. We followed Hidalgo et al. (2007) and applied a max spanning tree (MST) network, which was visualised using *ggraph* package and *lgl* layout in the R software (Pedersen, 2022).

1. The context for non-urban regions in Europe

In this section, we present the results on cultural and creative occupations for the European Union scenario. In the next section, we introduce the findings on opportunities for occupational diversification by the IN SITU Labs regions.

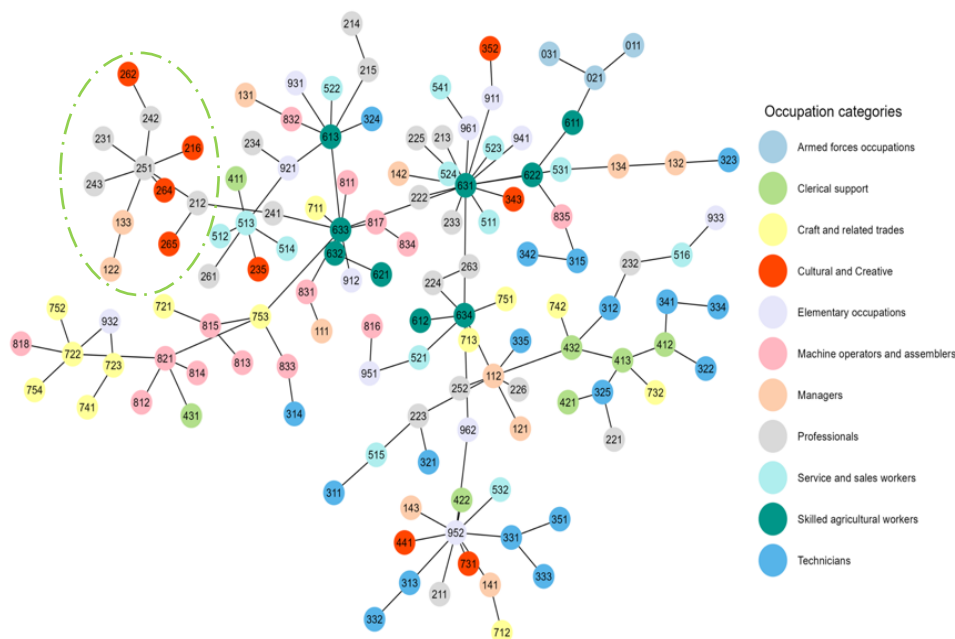


Figure 3 - Occupation space for non-urban regions in the European Union

Source: Authors, based on LFS.

Each node in Figure 3 represents an ISCO 3-digit occupation categorised by colours representing the ISCO major group (at a 1-digit level) to which each 3-digit ISCO minor group belongs. The CCOs are highlighted in red.

Focusing on the creative workers (red dots) in the non-urban occupational network space (Figure 3), we can see that they open many possibilities to diversify into different activities. CCOs are linked to various occupations, from managers and professionals to clerical support and elementary occupations.

The cluster on the top left is the one with the most CCOs (inside the dashed circle). We, therefore, want to highlight it as a potential cluster of diversification opportunities based on CCOs. In this cluster, we have occupations in the ‘Managers and Professionals’ category. By taking advantage of the similarities that the pair of occupations have, diversification could be more accessible towards these occupations.

Based on this network we calculated the eigenvector centrality for the nodes (Figure 4). It becomes evident that the frequency of occupations in non-urban regions is well-distributed among the range. The highest frequency of occupations occurs in the range from 0.35 to 0.6 (we can identify that there are 20 to 30 occupations at five different levels of eigencentality).

The existence of occupations with high eigencentality is positive for diversification, as they can form a dense cluster with several other connected occupations.

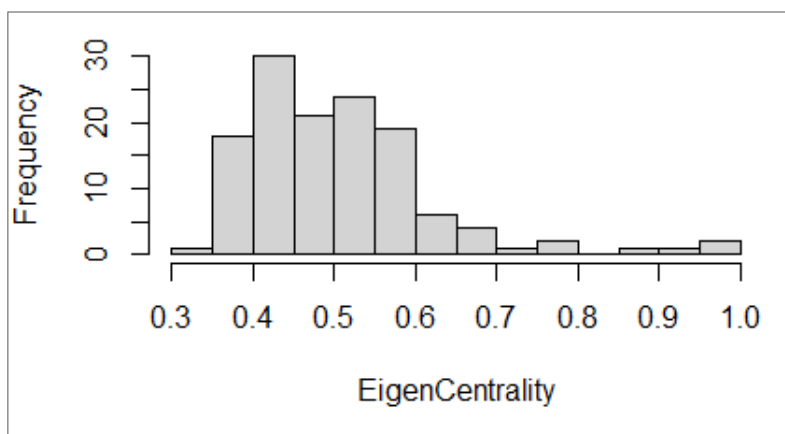


Figure 4 - Eigencentality histogram for occupations in non-urban regions

Source: Authors.

The higher the eigencentality of an occupation, the greater the possibilities for diversification. Thus, even if a CCO is located on the network’s periphery, if it has a higher eigencentality, it still has greater possibilities for diversification than smaller eigencentralities. Therefore, although CCOs are not located at the center of the network in non-urban regions, they have significant potential to influence

diversification in these regions. This can be seen in Figure 5, where we present the eigencentality values specifically for CCOs.

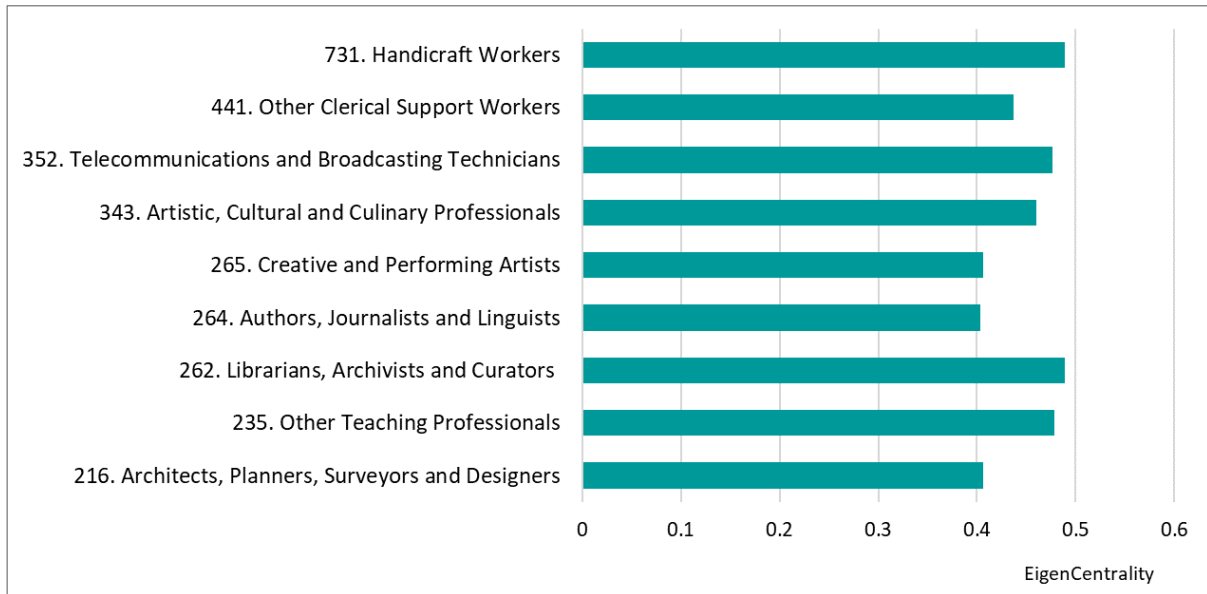


Figure 5 - Eigencentality for CCOs in non-urban regions

Source: Authors' elaborations based on LFS.

On average, eigencentality ranges from 0.4 to 0.5 for CCOs in non-urban regions. Handcraft workers (731), telecommunications and broadcasting technicians (352), artistic, cultural and culinary professionals (343), librarians, archivists and curators (262), and other teaching professionals (235) have the highest eigencentality values. It suggests those CCOs have the highest potential to promote new specialisation paths in non-urban regions.

This is a general scenario for non-urban regions of the EU. In the next section, we focus on the six IN SITU Lab regions.

2. Diversification opportunities for the IN SITU Lab regions

The previous network showed us that there are some safer and less risky diversification opportunities, following the strategy of diversifying into nearby links that the region already has related capacities. Now, we aim to understand what specific potential the regions in which the Labs are located have based on cultural and creative occupations.

To this end, we identify which CCOs have the highest degree of proximity to the local production structure, i.e., which are most likely to become specialised in the region. First, to link occupational relatedness with the economic structure of the regions, we calculated the occupational relatedness density following Hidalgo et al. (2007). Since relatedness density represents the distance between an

occupation and the existing occupational structure in a region, we can indicate the most probable path for diversification based on the existing resources in each region. The values of relatedness density range between 0 and 100, with higher values indicating a higher proportion of related occupations in which the region is already specialised.

In Figure 6 we consolidate the results for the six regions. The webs (or radar) compare the relatedness density (RD) measure between the cultural and creative occupations for each of the Lab regions.

To simplify visualisation, we have only included the codes for the nine CCO categories at the edges of the webs. Table 2 describes the occupations and their respective codes.

Table 2 - ISCO codes for Cultural and Creative Occupations

ISCO-08	Cultural and creative occupations
216	Architects, planners, surveyors and designers
235	Other teaching professionals
262	Librarians, archivists and curators
264	Authors, journalists and linguists
265	Creative and performing artists
343	Artistic, cultural and culinary associate professionals
352	Telecommunications and broadcasting technicians
441	Other clerical support workers
731	Handicraft workers

Source: Authors, based on Eurostat.

The higher the relatedness density of a CCO, the greater the chance that this occupation will become part of specialisation in the region or further increase its specialisation if the region already specialises in this occupation. The occupations written in red highlight the CCOs in which a region is not yet specialised, in a way, they are the most relevant for future diversification opportunities.



Figure 6 - Relatedness density for Cultural and Creative Occupation by IN SITU Lab region

Source: Authors' elaborations. Note: Statistical region codes for IN SITU Lab regions: FI19 - Länsi-Suomi, Finland; HR03 - Jadranska Hrvatska, Croatia; IE04 - Northern and Western, Ireland; IS00 - Ísland, Iceland; LV00 - Latvija, Latvia; and PT20 - Autonomous Region of the Azores, Portugal.

The webs that makeup Figure 6 show that most of the regions investigated have significant relatedness density for Cultural and Creative Occupation (for example, the regions of Finland, Croatia, and Iceland). We also see that most regions are already specialised in various CCOs. The Portugal region (PT20), on the other hand, performs rather poorly, both in the number of specialisations and in the level of the RD of the CCOs.

As for the regions of Croatia and Iceland (HR03 and IS00), they have the highest RD indicators in most of the CCOs. In the Iceland specifically, only CCO 731 (Handicraft workers such as musical instrument, jewelry, potters and glassmakers, workers in wood, textile and leather) has a low RD, one of the two CCOs in which the region is not specialised. For the Croatian region, there are four CCOs in which the region is not yet specialised (216 - Architects, planners, surveyors and designers; 235 - Other teaching professionals; 265 - Creative and performing artists; and 731 - Handicraft workers). Given the high RD of all CCOs in this region, we can say that the diversification path towards these occupations has a high probability of occurring, given that the region has other occupations that require similar characteristics already present there.

In the Finnish region, although not all CCOs have high RD, in four of them (namely 216 - Architects, planners, surveyors and designers; 262 - Librarians, archivists and curators; 264 - Authors, journalists and linguists; and 265 - Creative and performing artists), the RD is relatively high. In one of these occupations, 216, the region is not yet specialised. Therefore, diversification into this occupation is less costly and more likely to occur.

Both the Irish and Latvian regions do not have very high RD in CCOs, nor are they specialised in several CCOs. More specifically, the Irish region is not specialised in four CCOs (216 - Architects, planners, surveyors and designers; 235 - Other teaching professionals; 352 - Telecommunications and broadcasting technicians; and 731 - Handicraft workers) while the Latvian region is not specialised in five of them (216 - Architects, planners, surveyors and designers; 264 - Authors, journalists and linguists; 352 - Telecommunications and broadcasting technicians; 441 - Other clerical support workers; and 731 - Handicraft workers). Since the higher the occupation's score in the kinship density, the closer it is, on average, to the set of existing occupations, this shows that it is more challenging for these regions to specialise in these CCOs.

Portugal (PT20) appears to be the region with the lowest RD among all the CCOs. This suggests that the CCOs are poorly related to the region's occupation structure. We found that the region specialised in only two CCOs (343 - Artistic, cultural and culinary associate professionals; and 352 - Telecommunications and broadcasting technicians). In this way, we can say that diversification towards cultural and creative occupations still requires a lot of public policy effort for the Portuguese region.

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