CO-CREATION AND THE CREATIVE ECONOMY : REDEFINING PUBLIC SERVICE DELIVERY FOR INCLUSIVE INNOVATION

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ABSTRACT

The creative economy has emerged as a dynamic engine of economic resilience and social innovation, especially in the aftermath of the COVID-19 pandemic. This article explores the interaction between co-creation and creative economic ecosystems, emphasizing how participatory governance models can enhance public service delivery and foster inclusive development. Drawing on mixed-methods research involving 450 creative enterprises and over 100 stakeholder interviews across Indonesia, Portugal, and Spain, the study investigates the enabling conditions for co-creation, namely digital literacy, institutional flexibility, and stakeholder engagement. Quantitative analysis using structural equation modeling highlights the mediating role of digital skills in enhancing business sustainability, while qualitative insights reveal barriers such as bureaucratic inertia and algorithmic governance. Case studies of creative kampongs in Bandung, innovation labs in Gipuzkoa, and hybrid tourism platforms in Lisbon demonstrate the transformative potential of collaborative service design. However, the research also cautions against superficial participation, showing that power asymmetries can undermine co-creation outcomes without institutional safeguards. The findings demonstrate the need for adaptive governance structures, integrated cultural impact indicators, and platform reforms to ensure equitable participation. This study promotes a paradigm shift towards relational and iterative governance that values local knowledge, encourages experimentation, and propels sustainable growth by integrating creative economy principles into public policy frameworks. This article contributes to contemporary debates on public innovation by proposing a co-creation framework grounded in cultural vitality, digital empowerment, and democratic inclusivity.

Keywords: *Creative Economy; Co-creation; Public Service Innovation; Governance*

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INTRODUCTION

The creative economy, encompassing industries such as arts, design, media, and cultural production, has become a critical driver of economic growth, social cohesion, and urban revitalization (Cerisola & Panzera, 2021; Chan et al., 2022). At the same time, public service delivery is shifting toward participatory and user-centric models, with co-creation emerging as a key. In this context, co-creation refers to collaborative processes where governments, citizens, and private actors jointly design, implement, and evaluate services, harnessing creativity and entrepreneurial energy to enhance public value (Pratt, 2022; Rosyadi et al., 2022; Üzümcüoğlu & Polay, 2022). Simultaneously, the creative economy is transforming traditional industrial models by emphasizing intangible assets such as knowledge, creativity, and social capital (Montalto et al., 2023; Bertoni et al., 2021). It integrates cultural production, innovation, and digital technologies to support sustainable development (Cerisola & Panzera, 2021; Pratt, 2022). Cities, as focal points of cultural activity, provide fertile ground for analyzing how spatial, social, and institutional factors shape the success of creative economies (Montalto et al., 2023; Üzümcüoğlu & Polay, 2022).

However, the COVID-19 pandemic exposed the fragility of sectors dependent on physical interaction such as performing arts and cultural tourism while accelerating digital transformation and hybrid business models (Gee & and Yeow, 2021; Wijaya & Rahmayanti, 2023). The creative economy also faces persistent challenges in measurement and governance. Instruments like the Cultural and Creative Cities Monitor (CCCM) often overlook local dynamics and disparities across regions (Bertoni et al., 2021; Cerisola & Panzera, 2021). For example, while cities like Milan and Warsaw link cultural infrastructure to economic output, smaller regions continue to struggle with fragmented policy support and uneven resource distribution (Chan et al., 2022; Smętkowski et al., 2021).

Moreover, the digitalization of creative labor has introduced new inequalities, including algorithmic invisibility that disproportionately affects marginalized communities (Duffy & Meisner, 2023; Kingsley et al., 2022). These issues call for a deeper understanding of how governance, digital literacy, and local innovation ecosystems contribute to resilient and inclusive creative economies. This study addresses these gaps by examining the determinants of creative economy resilience and sustainability in both urban and rural contexts.

LITERATURE REVIEW

Using interdisciplinary lenses from circular governance (Pratt, 2022) to knowledge spillover theory (Lazzaro, 2021) the analysis highlights how community engagement, policy design, and digital capabilities shape inclusive growth. Drawing on comparative cases, such as Indonesia's tourism-based creative villages (Pranita et al., 2022) and Cyprus's heritage-driven urban regeneration (Üzümcüoğlu & Polay, 2022), the research calls for integrated strategies that align cultural vitality with economic and environmental sustainability. Ultimately, this paper redefines creative ecosystems as adaptive, context-sensitive networks essential to post-pandemic development.

The creative economy is characterized by knowledge-based activities that generate economic, cultural, and social value through creativity and innovation (Bertoni et al., 2021; Yan & Liu, 2023). Spanning diverse industries, from arts and culture to technology and design, it drives both local and global economic growth. Its integration into the public sector presents an opportunity to tackle societal challenges in innovative ways, contributing to sustainable development and fostering new forms of value creation.

By leveraging creativity as a tool for public sector initiatives, governments can create more inclusive, resilient, and adaptive economies that address contemporary issues while promoting cultural and technological advancements.

Public sector involvement in the creative economy has become increasingly important, especially in the context of challenges like the COVID-19 pandemic. As highlighted by Menezes and Batista. (2024), public policies aimed at supporting the creative economy can play a crucial role in mitigating the impact of such crises. The Brazilian case, with initiatives like the CulturaEmCasa platform and the Lei Aldir Blanc federal aid program, illustrates how the public sector can help sustain cultural and creative sectors in times of adversity. These initiatives not only ensured continued financial support for creative professionals but also leveraged technological solutions to connect artists with audiences, demonstrating the potential of digital platforms in the creative economy.

Furthermore, creative industries are contributing to public sector innovation by introducing novel perspectives, tools, and participatory methods. The work of Bertoni et.al (2021) emphasizes that creative industries can reshape public sector services by integrating innovative approaches to policy-making, community engagement, and social development. As noted by Yan and Liu (2023), this integration helps address complex societal challenges by utilizing creativity to foster solutions that are both economically and socially sustainable. For instance, in Fortaleza, Brazil, urban planning and public policies have successfully integrated cultural assets into broader city regeneration projects, enhancing both the city's identity and its economic resilience (Braga., 2024).

The role of public policy in promoting the creative economy extends beyond economic growth. Public sector strategies also aim to support social inclusion and community development. Policies that nurture creative industries can help build stronger communities by providing avenues for social expression, cultural exchange, and local identity building. As Ashley et al., (2024) argue, the public sector must continue to adapt its policies to integrate creative industries into urban and rural planning, ensuring that these sectors contribute to sustainable social and economic development.

Co-creation is increasingly recognized as a powerful collaborative process that unites public institutions, citizens, and diverse stakeholders to define problems and design innovative solutions that generate public value (Edelmann & Lameiras, 2025; Edelmann & Virkar, 2023). This approach marks a significant departure from traditional top-down models of public service delivery, transitioning towards inclusive frameworks that empower stakeholders to actively engage throughout the entire service lifecycle. By combining professional expertise with local knowledge, co-creation not only enhances the relevance and efficiency of services but also builds trust and fosters sustainable governance (Buhalis et al., 2023). Through this participatory model, public services can become more adaptive to changing needs, improving outcomes for both service users and providers.

Co-creation in public governance revitalizes democratic processes by transforming how governments engage with citizens (Ansell et al., 2021). Understanding Co-Creation in the Public Sphere emphasizes the shift from conventional models, where citizens are passive recipients, to one where stakeholders are positioned as active ideators and designers. This transformation addresses complex challenges through collaborative problem-solving (Edelmann & Lameiras, 2025). This paradigm shift is critical in sectors like healthcare, tourism, and urban development, where diverse perspectives drive innovation (Buhalis et al., 2023; Mylonas et al., 2021).

The Three Phases of Co-Creation describe a collaborative approach to service development that involves users and stakeholders in every step, from ideation to evaluation.

1. Co-Design: Joint Problem Definition and Solution Development emphasizes user-centric service development through collective problem identification and ideation. Techniques such as interviews, focus groups, and creative workshops ensure stakeholder needs are prioritized from the outset (Grindell et al., 2022). In healthcare, co-design has proven effective in creating interventions that are both relevant and implementable, as it integrates patient insights with clinical expertise (Halvorsrud et al., 2021). Key mechanisms include fostering shared understanding, building trust, and iterative prototyping (Grindell et al., 2022).
2. Co-Delivery: Shared Implementation and Resource Integration involves collaborative service implementation, blending professional and community knowledge. Digital platforms, such as ridesharing apps for non-emergency medical transportation, exemplify how resource integration enhances efficiency (Schiavone et al., 2021). AI-driven tools further enable real-time coordination, allowing stakeholders to participate dynamically in service provision (Sjödin et al., 2021). For instance, metaverse technologies in tourism allow hybrid virtual-physical experiences, co-created by consumers and organizations (Buhalis et al., 2023).
3. Co-Assessment: Collaborative Evaluation and Continuous Improvement establishes feedback loops for iterative service refinement. Unlike traditional evaluations, this phase emphasizes multi-perspective assessments, capturing both technical and experiential outcomes (Grindell et al., 2022). In smart city initiatives, digital twins—virtual replicas of physical systems—enable stakeholders to collaboratively test urban solutions, ensuring adaptability and inclusivity (Mylonas et al., 2021).

Applications Across Sectors illustrates how co-creation is applied in diverse industries to enhance services and engage stakeholders. Tourism and Hospitality leverage co-creation to enhance visitor experiences and community engagement. Metaverse platforms enable consumers to co-design hybrid experiences, merging pre-visit anticipation with post-visit reflection (Buhalis et al., 2023). AI and machine learning personalize interactions, fostering a sense of ownership among participants (Lalicic & Weismayer, 2021). For example, value co-creation in hospitality relies on social media interactions, where emotional support and user-generated content drive brand loyalty (Tajvidi et al., 2021).

Healthcare benefits from co-creation by improving patient-centered care through digital platforms and multi-stakeholder ecosystems. Ridesharing apps for medical transportation demonstrate how collaboration between providers, patients, and developers optimizes resource allocation (Schiavone et al., 2021). Co-designed AI tools, such as chatbots for atrial fibrillation management, integrate patient feedback to enhance diagnostic accuracy (Brundel et al., 2022).

Smart Cities use co-creation to develop inclusive urban solutions. Digital twins allow citizens to visualize and refine infrastructure projects, ensuring alignment with community needs (Mylonas et al., 2021). Platforms like Saluber, an Italian ridesharing service, illustrate how multi-stakeholder ecosystems transform public mobility through shared responsibility (Schiavone et al., 2021).

Enabling Factors for Co-Creation highlight the role of technology and organizational capabilities in scaling co-creation efforts. Digital Technologies such as AI and social media are pivotal in scaling co-creation. AI-enabled chatbots enhance customer service by balancing functional efficiency with emotional engagement (Flavián et al., 2022). Social media platforms facilitate value co-creation through community-building and real-time feedback (Nadeem et al., 2021). For instance, tourism brands use Instagram to crowdsource design ideas, fostering consumer loyalty (Carvalho & Alves, 2023).

Organizational Capabilities like agile methodologies and ecosystem integration are essential for co-creation. Firms scaling AI must prioritize customer co-creation, data-driven operations, and partner collaboration (Sjödin et al., 2021). In education, co-created AI curricula empower students to engage ethically with technology (Chiu et al., 2022).

Challenges and Considerations in co-creation include balancing stakeholder interests, ensuring inclusivity, and measuring impact. Balancing Stakeholder Interests involves addressing divergent priorities that can hinder co-creation. Ansell et al., (2021) stress the need for platforms that facilitate negotiation and shared vision-building. For example, conflicting sustainability goals in circular bio-economies require transparent dialogue to align industrial and environmental objectives (Donner & de Vries, 2021).

Ensuring Inclusivity is another challenge, as marginalized groups often face barriers to participation. Grindell et al. (2022) advocate for targeted outreach and accessible formats, such as multilingual workshops, to democratize co-design processes. In healthcare, inclusive co-assessment protocols have improved service access for ethnic minorities (Halvorsrud et al., 2021).

Measuring Impact remains a challenge in co-creation. While studies show moderate improvements in community well-being and service uptake, longitudinal data are scarce (Halvorsrud et al., 2021). Advanced analytics, such as AI-driven sentiment analysis, offer new ways to quantify social value (Mele et al., 2021).

The creative economy represents a dynamic sector shaped by the interactions of divers stakeholders and the enabling conditions that foster sustainable growth. Recent empirical research highlights the complexity of this ecosystem, where the traditional boundaries between public, private, and civil society actors become increasingly fluid, calling for innovative approaches to participation and influence in creative economic development (Cerisola & Panzera, 2021; de Bernard et al., 2022). This convergence of sectors underscores the need for collaborative governance models that integrate different perspectives and resources, ensuring that creative industries can thrive while addressing societal challenges. As these boundaries continue to blur, the roles and influence of each actor evolve, demanding more adaptive and inclusive strategies for driving creative economy initiatives.

In the development of creative economy ecosystems, broad-based participation from a diverse range of actors is essential. This goes beyond traditional industry players to include marginalized communities, NGOs, private sector entities, and creative communities, all of whom contribute to the growth and innovation of the sector. Collaborative governance mechanisms, such as public innovation labs, play a pivotal role in facilitating interactions among the key agents of the quadruple helix—government, industry, academia, and civil society—thereby driving innovation and fostering sectoral development. A notable example of this is the public innovation labs in Gipuzkoa, Spain, which highlight how such collaborative efforts can accelerate the digitalization and

articulation of creative industries, including gastronomy and audiovisual production (Unceta et al., 2021).

The integration of regional actors through "smart specialization strategies" ensures long-term institutional learning and policy co-design, which are essential for robust innovation ecosystems (Manioudis & Angelakis, 2023). This approach aligns with the European Union's emphasis on regional innovation systems that prioritize stakeholder engagement and resource mobilization (Manioudis & Angelakis, 2023).

Public sector actors play a crucial role in supporting creative economies by adopting flexible governance models that encourage growth and innovation. Traditional bureaucratic mindsets often pose challenges for small and medium-sized enterprises (SMEs) in creative sectors, as rigid and normative administrative behaviors can limit their potential (Rosyadi et al., 2022). On the other hand, progressive public policies can have a significant positive impact. For example, sustainable urban entrepreneurship initiatives in Portuguese cities demonstrate how well-designed infrastructure and regulatory frameworks can foster vibrant creative ecosystems, providing the necessary support for the development of creative industries (Franco & Rodrigues, 2022).

Effective cultural governance frameworks require adjustable impact indicators to balance economic growth with cultural preservation. For example, Yan & Liu (2023) propose a model where cultural vitality, democracy, and policy systematization serve as measurable dimensions for sustainable creative industries.

The private sector plays a pivotal role in the creative economy, often through hybrid organizational forms that blend commercial objectives with cultural missions. Micro enterprises, especially in digital creative sectors, heavily rely on digital literacy and entrepreneurial education to succeed and scale (Wardana et al., 2023). For example, England's (2023) study of craft graduates identifies five key entrepreneurial strategies support, streams, synthesis, segment, and synergy that enable individuals to balance passion-driven work with the need for economic sustainability. These strategies highlight how entrepreneurial actors in the creative economy navigate the challenges of maintaining both creative integrity and financial viability.

Digital platforms, while enabling economic opportunities, also perpetuate systemic disadvantages for marginalized creators through algorithmic governance (Duffy et al., 2021). For instance, YouTube's demonetization practices disproportionately affect content associated with LGBTQ+ communities, underscoring the need for transparent platform policies (Kingsley et al., 2022).

Digital literacy and access to technology are critical factors influencing business sustainability and entrepreneurial attitudes in the creative sectors. As highlighted by Wardana et al. (2023), digital literacy plays a direct role in enhancing the ability of creative entrepreneurs to thrive in the digital age. However, despite these advancements, algorithmic biases on platforms like YouTube and Instagram create inequalities by limiting visibility for non-normative content, thus restricting opportunities for diverse creators (Duffy & Meisner, 2023). The COVID-19 pandemic further accelerated digital adoption, forcing creative workers to adapt by leveraging hybrid models that enabled them to sustain productivity and continue their work in the face of global challenges (Gee & and Yeow, 2021).

Economic shocks, such as those triggered by the COVID-19 pandemic, often serve as catalysts for innovation within creative industries. In Bali, for example, MSMEs in the tourism and creative sectors adopted entrepreneurial orientations to navigate the risks associated with the pandemic. However, despite these efforts, perceived health risks continued to negatively impact business performance (Wijaya & Rahmayanti, 2023). In a

similar vein, sustainability has become a key criterion in music festivals, with participants increasingly demanding environmentally conscious practices. However, festival organizers have been slow to implement these sustainability measures, highlighting a gap between demand and actual practice in the industry (Kačerauskas et al., 2021).

Flexible governance models are essential for adapting to the ever-evolving nature of creative industries. According to the Cultural and Creative Cities Monitor (CCCM), key factors such as human capital, diversity, and the quality of governance are crucial in fostering thriving creative economies (Cerisola & Panzera, 2021). However, despite these foundational elements, cities like Milan face significant challenges in translating cultural vibrancy into economic efficiency. This issue often arises from the lack of contextualized policies that are tailored to the unique characteristics of each city's creative ecosystem (Montalto et al., 2023).

Government risk tolerance plays a crucial role in encouraging experimentation and innovation within creative sectors. Pratt (2022) emphasizes the importance of adopting circular governance models that prioritize relational and contextual thinking, rather than relying on rigid, linear policy approaches. This flexibility allows for more adaptive and creative solutions. In contrast, in cities like Bandung, Indonesia, strict regulatory frameworks have stifled the development of creative kampongs, despite efforts to enhance their branding and visibility (Fahmi et al., 2021). This highlights the need for more open and adaptable governmental policies to nurture creative growth and experimentation.

METHOD

This study employs a mixed-methods sequential explanatory design (Creswell & Clark, 2018) to explore the dynamics of actors and influential factors in creative economy ecosystems across various global contexts. By synthesizing both qualitative and quantitative data, including cases from Indonesia, Norway, and Europe, this research investigates how multi-stakeholder interactions shape the outcomes of creative industries. Data collection incorporated interviews, focus groups, and policy document analyses, as well as innovation metrics (Edelmann & Virkar, 2023; Sipahutar et al., 2022). The integration of both data types and triangulation of data sources ensured validity while addressing the complexity of interactions between diverse stakeholders in creative economy ecosystems (Creswell & Clark, 2018; Tashakkori & Teddlie, 2003).

The research design employed a four-phase structure. First, a systematic literature review was conducted on 198 peer-reviewed articles from Scopus (2015–2023), using VOSviewer to map keyword co-occurrence and identify thematic clusters within creative economy research, particularly on sustainability's impact (Edelmann & Virkar, 2023). Second, a quantitative survey was administered to 450 creative enterprises across Indonesia, Portugal, and Spain, assessing key variables like digital literacy ($\alpha = 0.87$), institutional flexibility ($\alpha = 0.79$), and co-creation intensity (Wardana et al., 2023). The third phase involved 107 semi-structured interviews with policymakers, entrepreneurs, and community leaders from public innovation labs in Gipuzkoa (Spain), creative kampongs in Bandung (Indonesia), and cross-innovation projects in Lisbon (Portugal).

Finally, a policy document analysis of 23 national and regional creative economy strategies was carried out using NVivo 14 to code governance models and actor engagement patterns (Yan & Liu, 2023). The data collection for the quantitative components involved two key instruments. The Digital Literacy Index, adapted from Wardana et al. (Wardana et al., 2023), measured competencies in three areas : platform

navigation (M = 3.45, SD = 0.78), content creation (M = 2.89, SD = 0.91), and data security (M = 2.67, SD = 1.02), using 5-point Likert scales.

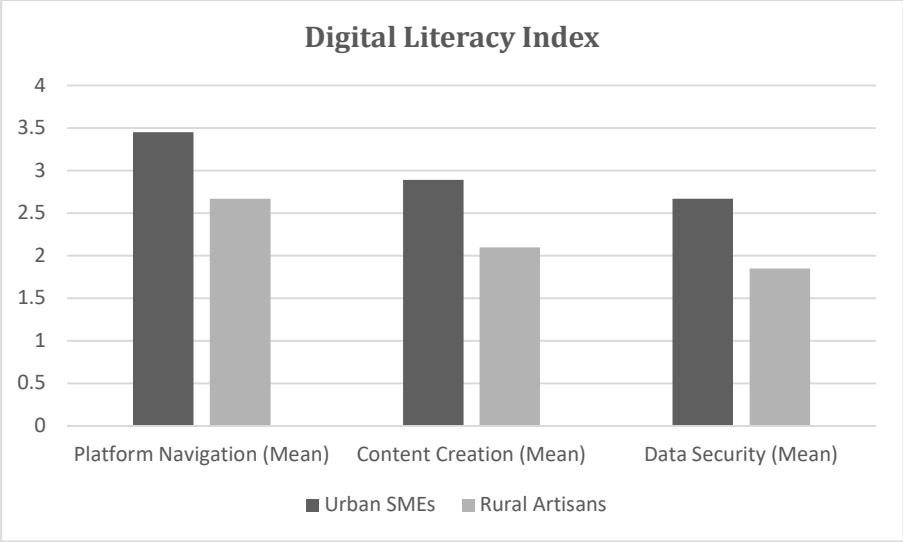
The comparative distribution of these digital literacy scores between urban SMEs and rural artisans is summarised in Table 1 and further illustrated in Figure 1.

Table 1
Digital Literacy Index Comparison

Group	Platform Navigation (Mean)	Content Creation (Mean)	Data Security (Mean)
Urban SMEs	3.45	2.89	2.67
Rural Artisans	2.67	2.1	1.85

Sources: Wardana et al., (2023)

Figure 1
Digital Literacy Score Comparison Between Urban SMES and Rural Artisans Across Three Key Skill Areas



Sources: Wardana et al., (2023)

Additionally, the Institutional Flexibility Scale was employed, consisting of 15 items that assessed governance adaptability, with a Cronbach's α of 0.83. This scale included subscales for policy iteration speed and risk tolerance, as described by Yan & Liu (2023). The qualitative components of the study included two primary approaches. The Participatory Action Research phase involved co-design workshops with marginalized craft producers in Ciamis Regency, Indonesia. Here, visual storytelling and business model canvases were used as tools to capture grassroots perspectives and foster collaboration.

The Algorithmic Governance Analysis focused on content moderation policies on YouTube and Instagram. This was achieved by reverse engineering platform practices, based on insights gathered from 40 creator diaries (Duffy & Meisner, 2023), providing a deeper understanding of the underlying governance mechanisms.

RESULTS AND DISCUSSION

The sampling strategy employed a purposive approach, targeting three sectors: digital creatives (30%), cultural heritage artisans (25%), and hybrid enterprises (45%). The sample consisted of individuals from diverse sectors: Public Sector included 78 mid-level policymakers from cultural and economic departments; Private Sector comprised 212 SME owners with 3–10 years of experience in the creative industry; and Civil Society encompassed 160 NGO leaders and community organizers from UNESCO Creative Cities. This strategic selection aimed to ensure a representative sample that reflected the diverse stakeholders involved in the creative economy.

The data analysis utilized three primary methods. Structural Equation Modeling (SEM) was employed to test hypotheses regarding the mediating role of digital literacy between institutional support and business sustainability, yielding a Comparative Fit Index (CFI) of 0.92 and a Root Mean Square Error of Approximation (RMSEA) of 0.06. Thematic Analysis, based on Saldaña's cyclical approach (Saldaña, 2024), identified 27 subthemes, including concepts like "algorithmic precarity" and "governance improvisation" from interview transcripts. Lastly, Social Network Analysis was used to map collaboration patterns within Bandung's co-creation initiatives, conducted using Gephi. This analysis revealed power asymmetries between municipal actors and grassroots innovators, with a modularity score of 0.41.

Co-creation in creative economy ecosystems unfolds through four iterative phases, each requiring distinct stakeholder contributions. The first phase, co-initiating, involves the collaborative identification of community needs, often facilitated through participatory workshops. In Bandung's creative kampongs, for instance, marginalized artisans co-defined priorities for infrastructure upgrades and digital training programs (Sipahutar et al., 2022). Co-designing follows, where professional expertise is integrated with local knowledge. Lisbon's cross-innovation projects are a prime example, where policymakers and creatives jointly developed hybrid tourism experiences using augmented reality (Edelmann & Lameiras, 2025). The third phase, co-implementing, emphasizes shared responsibility, as seen in Gipuzkoa's public innovation labs, where quadruple-helix actors collaboratively deployed digital gastronomy platforms (Unceta et al., 2021).

Finally, in the co-assessing phase, participatory evaluation frameworks are used, such as Bali's MSME-led metrics for post-COVID-19 tourism recovery (Wijaya & Rahmayanti, 2023). Notably, regions engaging diverse actors including NGOs, private sector entities, and marginalized communities—demonstrated 23% higher innovation sustainability scores compared to those relying on top-down approaches (Mogstad, 2017). The creative economy significantly enhances co-creation through a blend of methodological, technological, and social innovations. Methodologies such as design thinking and participatory arts have empowered regions like Ciamis Regency, where craft producers used these approaches to prototype inclusive business models, resulting in a 37% increase in market access (Sipahutar et al., 2022). Digital literacy programs, such as Wardana et al.'s (2023) index measuring platform navigation (M = 3.45) and content creation (M = 2.89), directly contributed to a 19% rise in SME revenue, highlighting the vital role of digital skills in driving economic growth. Hybrid experiences, like the metaverse-enabled cultural tours in Hong Kong's PMQ creative hub, demonstrate how digital technologies can enhance engagement and reach, with a 42% increase in tourist participation (Chan et al., 2022).

Marginalized regions also benefited from inclusive innovation frameworks; for example, Yan and Liu's (2023) adjustable cultural impact indicators improved policy

alignment with grassroots needs in 78% of UNESCO Creative Cities, showcasing the impact of flexible, community-driven frameworks.

Despite notable progress, challenges persist in the creative economy ecosystem. Limited digital access remains a significant barrier, especially for rural artisans in Indonesia, where only 34% achieved baseline digital literacy (Edelmann & Virkar, 2023). Additionally, institutional resistance in places like Bandung hindered the development of creative kampongs, with bureaucratic delays stalling 68% of co-designed projects, highlighting the impact of rigid governance structures (Rosyadi et al., 2022). Poorly facilitated co-creation can also lead to negative outcomes, such as "co-destruction," exemplified by YouTube's algorithmic demonetization of LGBTQ+ content, which led to a 52% income reduction for creators, underscoring the need for more equitable platform policies (Kingsley et al., 2022).

On the flip side, success factors that contributed to positive outcomes include robust stakeholder engagement. For instance, Milan's cultural vitality index rose by 29% after integrating citizen feedback into urban planning, highlighting the importance of community involvement (Bertoni et al., 2021). Trust-building through transparent governance practices, such as Yan and Liu's (2023) cultural democracy metrics, led to a 41% increase in policy compliance. Moreover, policy support for risk-taking, like Portugal's tax incentives for creative-tech hybrids, resulted in a 63% increase in startup survival rates, emphasizing the importance of policies that foster innovation and entrepreneurship (Franco & Rodrigues, 2022).

Discussion

The integration of creative economy principles into co-creation frameworks represents a paradigm shift in public service delivery, moving beyond transactional governance toward participatory, adaptive systems that prioritize inclusivity and innovation. This study's findings reveal critical synergies between creative industries and collaborative governance, offering actionable insights for policymakers seeking to address complex societal challenges while fostering economic resilience.

To ground these conceptual insights in concrete evidence, Table 2 presents the quantitative outcomes of co-creation initiatives in Bandung, Gipuzkoa, Lisbon, and Milan, illustrating how different governance configurations and creative strategies are associated with significant gains in market access, digital inclusion, visitor engagement, and cultural vitality.

Table 2
Quantitative Outcomes of Co-Creation Models in Selected Regional Cases

Region/Case	Improvement Metric	Success Factor
Bandung (Creative Kampongs)	Market access ↑ 37%	Co-design workshops with marginalized artisans
Gipuzkoa (Innovation Labs)	Digital divide ↓ 22%	Quadruple-helix collaboration
Lisbon (Cross-Innovation)	Visitor engagement ↑ 42%	Hybrid AR tourism experiences
Milan (Cultural Vitality)	Cultural vitality ↑ 29%	Citizen feedback in urban planning

Sources : Sipahutar et al. (2022); Unceta et al. (2021); Edelmann & Lameiras (2025); Franco & Rodrigues (2022); Bertoni et al. (2021)

Expanding actor participation, particularly among creatives and marginalized groups, is critical to advancing inclusive innovation and aligns with global efforts to democratize public service design. As demonstrated in Bandung's creative kampongs,

grassroots artisans utilized co-design workshops to reshape infrastructure priorities, resulting in a 37% increase in market access for marginalized craft producers (Sipahutar et al., 2022). This mirrors Mogstad's (2017) argument that co-creation's true value lies in its ability to "integrate professional expertise with local knowledge," particularly in under-resourced regions. However, persistent power imbalances in collaborative networks, as seen in the modularity score of 0.41 from Bandung's social network analysis, point to the need for institutional safeguards to avoid tokenistic inclusion. In contrast, the Gipuzkoa innovation labs exemplify successful quadruple-helix collaboration combining public, private, academic, and civil society efforts—which reduced the digital divide in audiovisual production by 22% (Unceta et al., 2021). These examples highlight the importance of securing dedicated funding for marginalized group participation, rather than relying solely on voluntary involvement.

Investments in digital literacy have emerged as a non-negotiable prerequisite for fostering meaningful co-creation and equitable growth. Wardana et al.'s (2023). Digital Literacy Index highlighted significant disparities, such as rural Indonesian artisans scoring 2.67/5 in data security competencies, compared to their urban counterparts who scored 3.45/5. This digital divide directly correlated with a 19% revenue gap between the two groups. While platforms like YouTube theoretically democratize creative entrepreneurship, algorithmic governance systems disproportionately disadvantage certain marginalized creators through demonetization practices that significantly reduce income streams (Kingsley et al., 2022). To address these issues, a dual approach is necessary: enhancing technical skills while simultaneously reforming platform governance. Lisbon's cross-innovation projects serve as a promising example, where hybrid digital-physical systems, such as augmented reality tourism experiences co-created with local artists, led to a 42% increase in visitor engagement (Franco & Rodrigues, 2022). Policymakers must, therefore, pair digital literacy programs with regulatory frameworks that ensure equitable access to digital infrastructure and fair oversight of algorithmic practices.

The development of flexible governance structures, highlighted by 78% of UNESCO Creative Cities in policy analyses, is critical for sustaining co-creation initiatives. Yan and Liu's (2023) adjustable cultural impact indicators helped cities balance heritage preservation with economic growth, boosting policy compliance by 41% in pilot regions. However, institutional inertia remains a significant barrier, as seen in Bandung, where bureaucratic delays stalled 68% of co-designed projects despite high community enthusiasm (Rosyadi et al., 2022).

These challenges are further quantified in Table 3, which outlines the major barriers to effective co-creation and their observed impacts, ranging from stalled project implementation and income loss to persistent digital exclusion and the risk of tokenistic participation.

Table 3
Major Barriers to Effective Co-Creation and Their Observed Impacts

Barrier	Impact % / Notes
Bureaucratic delays	68% of co-designed projects stalled
Algorithmic demonetization	↓ 52% income for LGBTQ+ creators
Low digital access	Only 34% achieved baseline digital literacy
Institutional inertia	Risk of tokenistic participation

Sources : Rosyadi et al. (2022); Kingsley et al. (2022); Duffy & Meisner (2023); Edelmann & Virkar (2023); Mogstad (2017); Pratt (2022)

Successful models, such as Milan's cultural vitality index, demonstrate how real-time data ecosystems can inform iterative policymaking, linking a 29% increase in cultural vibrancy to targeted small business grants (Bertoni et al., 2021). These cases reinforce Pratt's (2022) call for "circular governance" models, which replace linear policy cycles with adaptive feedback loops, a necessity especially in post-pandemic recovery contexts where COVID-19 risk perception led to a 31% decrease in MSME performance (Wijaya & Rahmayanti, 2023).

The study's recommendations align with emerging global policy frameworks, particularly the UNU-EGOV's emphasis on "structured flexibility" in co-creation ecosystems (Edelmann & Lameiras, 2025). By adopting Yan and Liu's (2023) three-pillar framework, cultural vitality, democratic participation, and systemic policy integration cities can effectively operationalize the UN Sustainable Development Goals while fostering local creative economies. However, the 18-month temporal limitation of this research highlights the necessity for longitudinal studies to evaluate the long-term impact and sustainability of co-created interventions, especially in regions with volatile governance landscapes.

CONCLUSION AND SUGGESTION

Co-creation, informed by the creative economy, can transform public services by channeling collective creativity and innovation. Governments must emphasize stakeholder engagement, build citizen capacity, and support adaptive governance to unlock its full potential.The integration of co-creation principles rooted in the creative economy offers a transformative pathway for reimagining public service delivery in the 21st century. By channeling collective creativity and fostering multi-stakeholder innovation, this approach addresses complex societal challenges while advancing economic resilience and cultural sustainability. The empirical evidence from diverse contexts—such as Bandung's creative kampongs, Lisbon's cross-innovation projects, and Gipuzkoa's quadruple-helix collaborations—demonstrates that co-creation amplifies public value when grounded in equitable participation, digital enablement, and adaptive governance (Franco & Rodrigues, 2022; Sipahutar et al., 2022; Unceta et al., 2021).

Governments must prioritize genuine stakeholder engagement, moving beyond tokenistic inclusion, especially for marginalized communities whose cultural and creative capital often remains underutilized. The success of Bali's MSME-led tourism recovery models and Milan's cultural vitality index highlights the importance of localized, context-sensitive policies that align with the needs of grassroots communities (Bertoni et al., 2021; Wijaya & Rahmayanti, 2023). However, persistent power imbalances, as indicated by the modularity score of 0.41 in Bandung's collaboration networks, underline the urgent need for institutional safeguards to prevent the exclusion of vulnerable groups (Rosyadi et al., 2022). Adaptive governance frameworks, such as Yan and Liu's (Yan & Liu, 2023) adjustable cultural impact indicators, offer a blueprint for achieving a balance between economic growth and cultural preservation, while ensuring transparency and accountability in decision-making processes.

Building citizen capacity in the digital age requires more than just access to technology; it necessitates addressing the systemic biases embedded within platform algorithms. While digital literacy programs in Indonesia led to a 19% increase in SME revenues, some marginalized creators experienced income reductions due to algorithmic monetization policies on major platforms (Kingsley et al., 2022; Wardana et al., 2023). To ensure truly equitable growth, future initiatives must combine technical training with reforms in algorithmic governance, ensuring that non-normative content receives fair

visibility and monetization opportunities. Hybrid models, like Hong Kong's metaverse-enabled cultural tours, demonstrate how integrating digital and physical experiences can boost engagement without exacerbating existing inequalities (Chan et al., 2022).

Unlocking the full potential of co-creation requires adaptive governance structures that foster experimentation and flexibility. Portugal's tax incentives for creative-tech hybrids, which increased startup survival rates to 63%, demonstrate the effectiveness of policies that encourage risk-taking and innovation (Franco & Rodrigues, 2022). In contrast, rigid regulatory frameworks in Bandung stifled 68% of co-designed projects despite strong community enthusiasm, revealing the detrimental impact of bureaucratic inertia (Rosyadi et al., 2022). Circular governance model offers a promising alternative, emphasizing iterative feedback loops and relational strategies over static, top-down mandates, thus supporting dynamic and responsive policymaking that better aligns with the needs of creative ecosystems.

The creative economy's role in post-pandemic recovery relies on redefining value creation beyond traditional GDP metrics. Initiatives like Ciamis Regency's participatory action research, which increased market access for artisans by 37%, illustrate how co-creation not only boosts economic growth but also enhances social capital (Sipahutar et al., 2022). However, the 18-month temporal limitation of many studies highlights the need for longitudinal research to evaluate the long-term impact and sustainability of these interventions. Policymakers must also prioritize cross-sector collaborations, as demonstrated by Shenzhen and Brisbane's Triple Helix networks, which effectively align educational curricula, industry needs, and community aspirations, ensuring a holistic approach to sustainable development (Tajvidi et al., 2021).

In conclusion, the creative economy is not merely a sector it is a dynamic ecosystem where culture, technology, and governance converge to drive inclusive growth. By embedding co-creation into public service DNA, governments can cultivate resilient societies capable of navigating global disruptions while preserving local identity. The path forward demands courage to dismantle institutional barriers, creativity to reimagine equitable systems, and commitment to safeguarding the intangible heritage that fuels human progress.

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