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Creative Clusters:

Towards the governance of the creative industries production system?

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Abstract

The aim of this paper is to critically assess the notion of the creative cluster, and to consider whether it is an appropriate tool for the governance of the creative industries, or even a suitable point from which to begin an analysis of the creative industries. The paper argues that creative clusters are formally a sub-set of business clusters. A critique of the business clusters literature highlights its short comings: namely a focus on individual firm preferences and a lack of attention to non-economic, situated (temporal and spatial) variables; a lack of attention to the specificity of particular industries and their associated regulatory peculiarities; and, finally, information issues associated with the operationalisation of the cluster model. The paper concludes with a discussion of an alternative approach, namely looking at the creative industries production system, that would better meet the concerns of those seeking

to govern the creative industries and creative clusters.

Introduction

The creative industries¹ are increasingly being hailed as the potential economic saviours of local and regional economies worldwide. Whilst novel data collection in some regions has provided an evidential basis for these claims the question of which policies, if any, might be best applied to these industries is still open. The current favourite policy idea and governance tool is the notion of the creative cluster. This paper sets out to examine if the notion of creative cluster is both robust and appropriate for such a task. It is important to add a caveat here. Not all creative industries are market orientated, and even those that are may not be so all the time: creative industries, and especially their practitioners, are commonly active across the margins of the arts and economic activities. This fact generates tensions between arts, social and economic policy makers and practitioners. However, there is not space to deal with this matter more fully here and this paper deals only with the 'market facing' aspects of the creative industries.

The paper begins with an examination of the notion of the creative cluster as it has been interpolated in debates concerning economic policy and strategic development; especially on those concerning the application and operationalisation of the concept. Practically, this paper examines the view that creative clusters are a sub-set of business clusters, a concept articulated in the writings of Michael Porter (see Porter 1990, 1995, 1996; Porter and Ketels 2003) and policy makers in countries such as the USA, UK, Australia and New Zealand. Whilst I accept that this is a problematic starting point, it is a necessary and pragmatic one.

The notion is problematic for at least four reasons. First, because there are numerous accounts of why and how clusters, or cluster-like groupings, form. Second, it has been

argued by some academics that Porter's work has an unclear and ambiguous conceptual foundation (see Martin and Sunley 2002). Third, there is neither agreement on the definition of, nor the actions that might promote, clusters. Finally, the notion of cluster has been applied liberally and flexibly by policy makers.

However, it is important to acknowledge that cluster policies and strategies already exist and have considerable momentum. This requires a pragmatic response. The creative clusters agenda brings together two aspirations: of promoting local competitive advantage; and using the creative sector as a region or city's leading high-growth sector. This combination is a heady brew for policy makers and politicians. While it is unlikely that this policy juggernaut can be reversed; the crucial stage of application can be a profitable site for new interventions aimed at remedying deficiencies in the creative clusters agenda.

The central point of the paper is that weak or poorly articulated concepts are at best difficult, at worst impossible, to operationalise. In practical terms there is considerable vagueness as to how to empirically define a cluster (whether in terms of its size, number and co-location of firms, or social, cultural or economic interactions). Second, even having identified these interactions it is not clear which criteria of evaluation might be used to assess success of the clusters per se; and consequentially, what might be done to promote them. Third, there is dispute as to whether clusters can be created de novo. Fourth, it is not clear whether it is appropriate to apply a generic policy to all sectors, or whether some industries require separate treatment.

Current debates about clustering view creative clusters as a sub-set of all industrial clusters.

As such, it is believed that creative clusters should be subject to the same economic forces and policy responses as all other industries. One response to this position has been to argue for cultural exceptionalism. This is the argument that creative clusters- or cultural quarters as they are better known – are not simply, or primarily, focused on economic activities. As such they should be evaluated and planned for using other criteria.² A second response and one employed in this paper, is that if we focus on the market orientated creative industries. This permits recognition of significant variations in organisation and practice suggesting the need for specific rather than generic policies for the creative industries. Inter alia, this argument also indicates the importance of a robust definition of the creative industries.

While the concept of the business cluster is briefly reviewed here; this review is necessarily schematic rather than exhaustive (for extensive reviews see Martin and Sunley 2002; Gordon and McCann 2000; and, Pratt 2004 b). It is designed to highlight a key area of weakness in the cluster literature, namely the lack of attention to business organization. It is on this basis that I argue that the creative industries might be worthy of being viewed as 'exceptional' with the broader thrust of the argument being against generic business cluster policy for the creative industries and beyond. I argue that sensitivity to what are termed here 'governance issues' could inform a number of positive debates about definitions of clusters, about production processes, and concerning differences within the creative industries.³ The paper concludes with a discussion of an alternative approach, namely looking at the creative industries production system, that would better meets the concerns of those seeking to govern the creative industries and creative clusters.

Beyond Transactions and Clusters: Governance

Although it is the concept of the moment, the notion of clustering has been around for as long as industrialization itself. In this section I outline two dominant families of accounts of

clustering--transactions and clusters--and point to two areas of weakness--generalization and the focus on traded costs. I argue that the governance literature concerned as it is with organizational issues has more insights to offer at least the creative industries, and potentially all industries.

Transactions

It is useful to refer to this first family of ideas- one that covers a wide range of approaches which have internal differences- as 'transactions' because they focus on what passes across and through networks: the interfaces of firms. Early accounts of industrial clustering centred on industrial districts and highlighted the competition fostered by co-location of competitors which were seen as facilitating price comparisons, a range of labour pooling benefits through having a range of skilled workers on hand, and more vague notions of the transmission of tacit knowledge (see Marshall 1890). Modern neo-classical economics uses the more formal and limited notion of agglomeration economies such as increasing returns to scale to account for the same phenomena. However, what might count as a cut off point, below or above which benefits fail to accrue is empirically unclear (see Fujita, Krugman and Venables 2000). In significant part this problem can be related back to issues of causality: what exactly is being minimized through co-location? Traditionally, the answer was transport costs. In more recent debates this has been elaborated in a whole range of business-to-business transactions costs. Interestingly, the development of communications technologies offer a potential critique of the need for co-location. If one assumes that first, goods are becoming increasingly digital or weightless; and second, that communication costs are falling, then the conclusion should be that there is minimal economic need for firms to cluster. Arguably, the fact that firms continue to cluster, and pay good money to do so, offers an immanent critique of this logic. One possible answer to this train of thought might be that other non-traded or

non-economic dependencies might account for clustering (see Pratt 2004 c).

A whole sub-literature has developed seeking out examples of trust, social networks, and a whole range of tacit knowledges that are linked to places (see Lazaric and Lorenz 1998). Essentially, it might be argued, what these accounts are seeking to do is to account for what neo-classical economists would consider to be externalities or even residuals. However, in this case the residual appears to have a greater power of explanation than the primary relationship. Thus, the problem is what counts as an economic or non-economic factor, what is inside and what is outside of the explanation. Essentially, this can be viewed as a boundary problem. Transactions based analysts run into further difficulties when faced with what are termed the project, or short-life, firm (see Grabher 2003; Pratt 2004c). Project-based firms may only be extant for a finite project, then disbanded. So, the analytical starting point of 'the firm' is unlikely to be an ideal position from which to view the bigger picture. As I will note below, it is just these types of issues that organizational analyses seek to address. But before exploring this it is necessary to outline the key elements of the influential business cluster model advanced by Michael Porter.

Business clusters

Porter's (1990; 1995; 1996) concern is with the competitive advantage of the firm. This quality is in part a relational one concerning, on the one hand, other firms engaged in similar production practices; and, on the other hand, practices that are 'upstream' or 'downstream' of those producers. Porter's notion of a cluster is of an interrelated set of industries which are inter-related by a process which he views analytically through the lens of 'value chains'. Here Porter sees little, if any, role for space and place, and precious little for organization. Rather his central point is that some industries develop a competitive advantage in particular nations

as a result of four inter-related tensions: factor conditions, firm strategy (structure and rivalry), demand conditions, and related and supporting industries. Porter's focus is precisely on the firm and its ability to be competitive. In this context he advocates three strategies that may be adopted in combination in order to achieve the ideal competitive mix: differentiation of product or service, cost leadership and focus on particular market segments. According to Porter, place-based effects of clustering are a by-product of a group of firms adopting such a strategy.

Whilst we can agree with Martin and Sunley (2002) that Porter's position is derivative of Marshall's, it is unlike Marshall's in that it is concerned with the individual firm's strategic development.. Porter argues that the intensity of interaction of his 'competitive diamond' is improved through geographical localization; although he is very vague as to the issue of scale. His notion of cluster ranges from a small district, to a city, or even a nation. Porter is at no point specific or consistent about what the determinants of scale might be. In some respects Porter is working with a neo-classical notion of the firm, but internalising some of the organizational resources that constitute 'strategicality'. In his recent work he has pointed to the important role that external institutions of coordination play in cluster building (Porter and Ketels 2003). Here, Porter shifts closer to the ground of institutional and evolutionary economists. It seems that both neo-classical and the business strategic approaches seem to be struggling with an 'environmental' variable which accounts for structures within the firm works across firms. Whilst debatable, Porter's analysis has some utility for the individual firm; but it is less helpful for a public agency concerned with an industrial system. This last perspective that can best be dealt with from the perspective of governance.

Governance

The label governance may seem unusual in this context. However, what I want to signal are the potential competencies of co-ordination that exist at several levels: within firms, between, and across firms, and at a sectoral level. A range of academic approaches--economic sociology, evolutionary economics, and political theory--have sought to point to these same issues (see for example Best 1990; Cooke and Morgan 1998). Arguably, in so doing they side-step the pitfalls of the boundary problem indicated above. A dominant approach in this literature has been to explore what is termed the 'embedded economy' that elaborates the social imbrications of economic processes (see Granovetter 1973). Others argue that even this approach still cedes too much ground to 'the economic' and stress the need for social accounts of the economic itself (see Pratt 2004c). Governance approaches address this analytic space and stress the potential role both of a range of un-traded dependencies (see Storper 1997) and non-trade dependencies. The former may be classified as social and cultural transactions that form part of a business exchange, the latter the broad 'buzz' and experience of being 'in the loop' that often accompanies un-traded dependencies and their tendency to be rooted in place (see Pratt 2002).

Implicitly, transactions-focused approaches do seek to account for organizational factors. Williamson's (1985) work, for example, seeks to account for internalisation and externalisation of tasks in economic terms: the result of which is larger or smaller firms. However, despite the sophisticated economics of such approaches, economic determinism is strong, and the grasp of organizational sociologies, and their diversity, is weak. Most seriously, transactions-focused approaches fail to deal with meta-organisational issues such as sectoral oligopolies where a market is dominated by a small number of companies. Of

course, one of the key characteristics of many creative industries is precisely their extreme bimodality between international corporations and micro-enterprises (see Figure 1). A very clear example would be the music industry (if we consider 'bands' to be the micro-enterprises). Arguably, the picture is even starker than it appears, as in some creative industries it is not simply the market place that is dominated by a small number of players; but these players control access to the market (channels of distribution and retail). In such cases, and we may accept that the creative industries may be an exception in this respect, the structure of governance of the market is crucial to an understanding of activities and possibilities of individual firms. Evolutionary approaches to economics, such as flexible specialization, have sought to both take account of some organizational, regulatory and historical factors in the localization of industry (see Storper 1997; Storper and Walker 1989). Notable work has been carried out on the film industry from this perspective (see Christopherson and Storper 1986; Scott 2000; Coe 2000, 2001).

[Figure 1 about here]

In a second sense governance may be taken to mean the acts of government by the state⁴. It is notable that the creative and arts sector has traditionally been subject to considerable state governance. The traditional means by which 'non-creative' businesses experience state governance is through a range of market and competition policies, and sometimes through indicative industrial policies that may seek to promote their activities through favourable loans, advice or market making. However, in the creative field, states have sought to regulate both content and access to cultural products (see Christopherson 2002). So, in the case of television there are examples of state providers being created, or of the state seeking to

create television markets (the UK experience is a classic case, notably the creation of Channel 4, and more recently the creation of new TV channels to dilute the public sector and to strengthen private competition through the establishment of independent production targets for contracted out work at the BBC, see Deakin and Pratten 2000). Second, there is the regulation of public taste, or public service, which seeks to govern what may be broadcast, where and when. Clearly, this broad and complex suite of powers that may be pursued to a lesser or greater extent has a major impact on the structure of creative markets, and the relative power of any individual firm to act. At the very least it constitutes a case for the creative industries to be dealt with uniquely in contrast with those activities not subject to such regulation.

A clear message that comes out of governance approaches is that researchers need to attend to both the firm, its organization, and the networks they operate within. Crucially, these processes are situated in particular places and times (here we include the regulatory specificities), and significantly, in particular industries. This last point, the 'exceptionalism', or particularity, of industries is clearly explained by the diversity of production processes as well as the unique character of regulation in this sector. Thus, we would expect the resultant forms of 'clustering' to be different in, for example, Steel production compared with Television production.

The challenge of operationalisation

A much overlooked, but central, issue in relation to business clusters is that of the definition of industries. Porter recognises this factor more generally in his attempts to map the co-location of firms. He does register that industrial classifications, the taxonomies that are used in census data, are both insufficiently fine grained, and, descriptively imprecise. This issue is

magnified in the case of the creative industries. First, there is little clarity on the conceptual scope of the creative industries; second, these industries are notoriously poorly described by industrial classifications (see Pratt 1997, 2001). The central issue is that most industrial classification systems build a taxonomy around raw materials rather than end products. Some nation states, the USA for example, are now moving toward the product classification system and this may offer some considerable improvements. In all other cases the only recourse is to create a post-hoc product classification system; an example is the cultural industries production system. The creative industries production system provides a robust conceptual base, and an indicative range of data needs, although it can do little to immediately rectify data availability⁵. Although an important first step in evidence based policy making, it will be clear both from the above, and from the following discussion of the production system approach that such co-location data is insufficient for policy development. To understand why it is necessary to further elaborate the production system.

The creative industries production system

The creative industries production system advanced here attempts to echo a product classification system in that it allows classification of all of the upstream inputs into a cultural product output. The metaphor of a production chain captures this notion. A production chain is basically the steps or cycle that any product or service goes through to transfer it from an idea through production, distribution, and exchange, to final consumption. At each step, or link, a transformation takes place. Each link is also dependent upon, and as we will elaborate below, often interactive with, the other links in the chain. Thus, the production of goods and services is always situated in that it always happens in a context. For example, simply having a great creative idea remains just an idea until it is passed through the production chain. An

idea is nothing without execution; a product or service is nothing without distribution; and, distribution is nothing without a site for exchange or an end customer, user or audience. So, two points can be made. First, that ideas and creative individuals need to be linked into production chains. Second, that production chains are vital to bring ideas to fruition, and that not all of those involved in these chains will be 'creatives' in any traditional sense.

[Insert Figure 2. about here]

Within the creative industries, a simple, generalised production chain of four key links can be identified, as illustrated in Figure 2. Creation/Content origination refers to the various processes by which creative material and intellectual assets are originated and produced. This stage encompasses arguably the most visible activities of the sector – the creative fields of authoring in all its forms from books to dance; design from buildings to fashion; image-creation from digital art, to photography and painting; music composition; and digital content origination such as multimedia titles, software packages and electronic games. It also covers activities such as the commissioning of content, the aggregation and packaging of content (e.g. by broadcasters), and the commercialisation of IPR by, for instance, record labels and book publishers.

Manufacture concerns the making of 'one-off's', or prototypes, which may be reproduced later. It also relates to the production of specialist goods, materials and infrastructure used within the creative industries, such as artists' materials (paints, canvasses, brushes etc.), film cameras, or the manufacture of musical instruments.

Distribution and mass production refers to the activities associated with channelling creative products and services into end-user markets. This relates primarily to the physical processes

associated with reproduction and mass distribution such as printing, CD replication, shipping and wholesaling etc., but also to newer digital and analogue forms of distribution from broadcast to digital delivery systems. Commonly, these two modes are integrated.

Exchange refers to both the exhibition function embodied both in venue-based activities such as concert halls, theatres and cinemas, as well as the retailing of certain creative products such as books, CDs and videos. In between these lie the informal sites of consumption and display that are important in the creative production system such as 'the street'--or, rather, certain places where novel cultural consumption is visible.

One could, of course, always elaborate further functions and activities within the production chain, two clear additions might be: preservation and archiving, and the education of both producers and audiences. These additional elements begin to show the iterative and recursive nature of the process and thus shift the analogy away from a linear chain to one of a web, a network, or an ecosystem. Finally, one can address the more familiar issues of definition of the creative sector: which cultural forms does it include? Again the boundaries are malleable and developing and a strong case can be made for inclusion of Visual Art, Performance, Audio-Visual, Books and Press, and perhaps Sport and Health, and Heritage and Tourism (see DCMS 2003).

The concept of the production system thus helps researchers and policy makers to 'see' the totality of the process and raises awareness that performance in one step may be positively or negatively affected by activities further up and down the chain. It encourages analysts to assess the health of particular chains, to explore where chains are interlocked, and thus have a strategic perspective on the whole system. Policy makers can potentially begin to focus on relative strengths and weakness of either individual chains, or the system, and examine what might be the most efficient and effective interventions. This step is likely to require far more

intensive information gathering.

However, as already noted, there is considerable diversity within the creative sector: each industry, or creative form, has its particular characteristics. In the next section I point to the fact that the diversity of production chains can be characterised for simplicity as tending to one of three types.

Three types of production chain⁶

The notion of a production chain takes us beyond simple mapping of co-location and begins to open up a space for the analysis of process; something that clearly requires a different quality of information. As I have already pointed out processes such as in inter-firm interaction, and the intra-firm organisation of production itself, are highly variable and linked to materials, technologies and relationship to audiences, as well as to the structure of markets. It is on this point that we can begin to make a robust case for the exceptionalism of the creative industries as a whole, and for differences within them. Each industry has characteristic forms of organisation, markets and regulation. A full account will have to wait until more research has been carried out in this area. However, we can offer some indicative views about the varieties of production chains. For the sake of simplicity these can be split into three types: (1) those that focus on bringing the content to the audience; (2) those that bring audiences to content; and, (3) service-based activities. This distinction should not be read as a rigid tripartite division, but rather a continuum along which activities can be placed. It is a useful distinction as it helps to open up some of the contrasting underlying characteristics of the governance of the sector.

Activities that are reliant on bringing the audience to content such as live performance, gallery exhibition and festivals etc. tend to be labour intensive, and, it is often argued, suffer from what is known as the “cost disease”⁷. What this refers to is the fact that, as with other labour

intensive activities, it is difficult to benefit from technologically driven productivity increases. For instance, it requires broadly the same number of people to stage an opera today as it did one hundred years ago. Similarly, while venues may have increased in size over time, there are still insurmountable physical limits to their capacity. This argument is commonly used as the core justification for public subsidy of the arts.

In reality, the picture is not so simple. The cost-disease is neither universal nor irrelevant (see Throsby 2001). There are ways to escape the cost disease particularly through the application of particular technologies to increase output (e.g. the use of a synthesiser instead of a horn section in a live performance⁸) and the transformation of a creative performance into a reproducible product (a CD, video etc.)⁹. The important point to note is that various creative forms have found ways of incorporating such technologies to a greater, lesser, or nil, extent than others.

The activities at the other end of the continuum, concerned with bringing content to audience--in books, newspapers, films, TV and radio programmes, computer games and software, records/CDs--escape the cost disease as they are based upon a creative product that is inexpensive to reproduce. However, as with other informational industries, the initial costs of production tend to be very high. So, while it might have taken Sony Computer Entertainment Europe four years and a budget estimated to be £5 million to develop the first disc of the Playstation game The Getaway (Schofield 2002), the second copy will have cost under £2 to produce for its printing, pressing the CD, packaging and distribution; the game initially retailed at £45.

This very particular cost structure of high initial investment relative to the low costs of reproduction, coupled with the high degree of uncertainty and risk, has profound implications for the 'informational' creative industries. In particular, an oligopolistic industrial structure has

become the norm for managing these cost pressures,¹⁰ with a small number of global companies enjoying a pivotal position in terms of the financing and distribution of cultural products, for example, the Hollywood Studios, the five ‘major’ record companies, or the ten major computer games publishers.

The service-based segments of the creative industries such as architecture, advertising and much design activity are distinct again. For these activities, arguably the key economic pressure is that they have developed a business model akin to other so-called ‘advanced producer services’, such as management consultancy. In particular, the main form of revenue generation, ‘money for time’ (either as a day-rate or a fixed fee) – rather than exploitation of intellectual property in the form of licenses or royalties – means that companies are under capitalised and overly vulnerable to changes in personnel. There are also limits to how much it is possible to ‘sweat the (human) assets’ of such service-based activities. For instance, the rule of thumb for success in these segments is generally taken to be charge out rates of 2.5 times the employment costs of staff, averaged over the full course of a business cycle. Finally, the discontinuous work flow, and the need to continually pitch for future work require a degree of self-funding, or ‘cross-subsidy’, of ‘non-billable hours’. One response to this organisational form is the preponderance of ‘project-life’ companies and self-employed, freelance, contractors¹¹. Figure 3 summarises this range of economic pressures, and plots these against both creative industry segments and the position on the continuum between audience to content versus content to audience.

[INSERT FIGURE 3 about here]

Mapping production webs

The simple production chain outlined previously in Figure 2 places an emphasis on the

functional relationships within a discrete vertical market or industry. This approach is very similar to standard supply chain models used in manufacturing industries, and it is most suitable for analysing individual companies or sub-sectors. However, this crude model is not so helpful in capturing the complexities of the many 'horizontal' relationships and interdependencies that exist between different sub-sectors of the creative industries and with industries and institutions outside the creative industries.

In this case the metaphor of a web rather than a chain is perhaps a more appropriate metaphor. The project of gaining an overview of the whole process or web is more challenging than simply acknowledging inputs and outputs; here we need to investigate the quality as well as the quantity of these linkages. Lest we be confused with the usage of the term mapping here, we should be clear that creative industry mapping documents have thus far simply measured quantities at the nodes such as employment and output etc. (see DCMS 2001); a far more challenging task is to investigate the characteristics of the flows and relationships.

Figure 4 is an indicative plotting of relationships between different elements of the production chain. The analytical effect of this type of mapping is two fold. First, it serves to identify an interlinked cluster, or 'knowledge pool', approach towards understanding creative production chains, which stresses the interconnectedness between creative individuals and firms, related and supporting services, education and training, and the audience. Second, it serves to focus the need for analysis of the quality and character of these relationships within and across industries and locations.

[Insert Figure 4 here]

The task of carrying out such an analysis has significant resource costs associated with it. Information on the character and quality of interactions, both directly economic, and associated, as well as that which such activity is embedded within, is both methodologically difficult to capture and time-consuming. Moreover, an appropriate fund of such information does not exist with the result that researchers often start from nothing. Specifically, the range of information required would include two types of linkage--the traded, and the un-traded. Traded linkages are the links with key buyers and sellers of inputs, part-finished and completed product/labour; whereas the important and more intangible un-traded linkages consist of informal exchange of skills and knowledge, materials and labour. In addition, information on the employment, organisation and turnover of companies would be necessary; this is a task that is also challenging due to the short life of many creative 'project-based' companies.

Finally, we have to see that the production web is rooted in particular places. To take the example of London, we can note that crudely it has, in comparison to the UK regions, a greater preponderance of 'content origination' than production and reproduction (see GLA 2004; Pratt 1997). Clearly some parts of the production chain have greater 'added value' than others. This issue needs to be thoroughly investigated¹². Thus, crude measures of employment in the creative sector are less helpful than more detailed breakdowns by production chain function.

Moreover, there needs to be an awareness of the international and inter-regional nature of production chains. Taking the London case again, whilst it may be the hub of the UK creative industries added value it is certainly not the worldwide centre. Examining these sorts of relationships will point up the particular strengths and weaknesses of a region as well as its' positioning within international production networks. Whilst we may want to actually measure

flows of value between places and parts of the production web it may be also useful, at the local level, to explore the importance of location in the facilitation of particular linkages. Research leads us to the expectation that the co-location of film and television post-production facilities in Soho, London is not chance, nor is it related to low real estate costs (Nachum and Keeble 2003). Firms choose to locate there, at very high cost, in order to benefit from rapid exchange of precisely the right goods and ideas. They also pay to remain 'in the loop' of informal knowledge exchange that is fuelled by the dense web of multiple interactions¹³.

Ideally, both the analytical tools of the production chain and the cluster mapping analysis as outlined above need to be reworked to overlay their functional analyses on a geography of production. If applied in turn to each of the creative industries sub-sectors in a locality these frameworks would then begin to reveal which activities take place and add value within that location, and those which take place and leak value elsewhere.

However, at present, we know too little about either the spatial dimensions of the constituent production systems of the creative industries or the particularity of the flow or content – except that they change rapidly. London once again provides a useful illustration. Soho contains a world class film post-production cluster that specialises in special effects. In 2002 the largest post-production company took a strategic decision to pull out of work for international motion pictures and focus on domestic advertising instead (Gibbons 2002). It would be impossible to assess what the impact of such a shift might be on the cluster without an understanding of the whole post-production ecosystem, as well as an appreciation of this company's activities.

Conclusion

The aim of this paper has been to critically assess the notion of the creative cluster, and to consider whether it is an appropriate tool for the governance of the creative industries, or even a suitable point from which to begin an analysis of the creative industries. The paper has highlighted how the creative clusters are formally a sub-set of business clusters. A critique of the business clusters literature highlighted its short comings: namely a focus on individual firm preferences and a lack of attention to non-economic, situated (temporal and spatial) variables; a lack of attention to the specificity of particular industries and their associated regulatory peculiarities; and, finally, information issues associated with the operationalisation of the cluster model.

It was for these reasons that the paper argued that the received notion of creative clusters was not the best place to begin either analysis or policy development. An organisationally informed production system model was identified as a better place to begin as it was open to the specificities of industries, and the notion of embedding in and across locations. It is widely accepted that a 'creative cluster' (the co-location of creative industries) may represent one aspect of the production system's footprint in one locality; however, the concept fails to capture the broader spatial, temporal and organisational dynamics of production across the creative industries.

The paper has repeatedly pointed to the information and evidence deficits that haunt researchers and policy makers in this field. First, there is the issue of industrial statistical taxonomies that neither capture the 'new' creative industries, nor, register their full range of activities from creation through to consumption. Second, even where such data can be artificially re-combined it still only captures characteristics of firm size, turnover and employment. This paper has pointed to the need to construct an evidential base of information about inter-firm transactions of both a material and non-material, economic and

non-economic character. Moreover, it has stressed the utility of collecting industry specific information on business organisation, market structure and regulation. These data and information requirements are likely to remain a stumbling block for some time to come for agencies intent on creating an effective governance of the creative industries. However, the potential is to develop both an understanding of the dynamics as well as the way in which particular localities are implicated within production systems. It is at this stage that it will be possible to begin to assess local strengths and weakness, and to match those with local aspirations and resources for these industries. In practice it is more than the simple presence or absence of the resources in a creative ecosystem; it is as much about how they are made available and under what terms, and where they are located, physically and structurally, in appropriate linkages, networks and institutions.

We can characterise the mobilisation of linkages in and between organisational forms on a simple continuum from individualistic market co-ordination, to collective bureaucratic. In the creative sector we can point to a clear illustration: to take the UK example again, the pre-1984 BBC had a bureaucratic form, close to what is termed a Fordist organisation, that internalised linkages of the whole production chain. Within such a system resources could be set off for innovation, planning, research and development, as well as training. Such organisations were generally good at strategic development, but they tended to be weaker on innovation and cost-sensitivity. Channel 4 is an example of an organisation closer to the market co-ordination end of the continuum; it contracts out many activities and simply acts as publisher, the type of organisation commonly described as post-Fordist. Such organisations can mix and match suppliers (programme makers) and target niches. At the extreme end is the independent production company that is simply focused on creating one programme or a single series; there is commonly less time, expertise and willingness to look at the macro-

context.

Clearly both forms of governance have their strengths and weaknesses; moreover, they cannot be detached from their context. The revolution that ran through the 1980s and 1990s created the independent production company, Channel 4 and the new BBC, and was brought about by regulatory change, this regulatory change whilst driven by macro-economic desires and neo-liberal political priorities, was also linked to questions about changing market demand and new technologies. These changes heralded a dramatic change in the locational form of TV production in London. However, the point I want to stress here is that there are no ideal, or, fixed forms of innovation and creativity: they are all temporary fixes situated in space and time. However, being aware of what they are a fix to helps us to consider the local strengths and weakness of production systems. Thus, forearmed with such insights and based upon the type of evidential base outlined above it might be possible to construct 'surgical strikes' at key elements of a production system. This is likely to be more efficient and effective than, for example, crude 'market steering' represented by subsidy; or, blanket infrastructure or training policies that are common policy responses.

We might consider, for example, how strategic market knowledge is being gathered and used in the sector and if it could be improved. In a micro-enterprise environment some collective provision of future, or non-local, market trends could provide huge strategic advantage;¹⁴ its lack could be a strategic weakness. The same argument may be rehearsed for skills and training, management expertise, capital goods purchasing decision, business services, etc. In order for intervention to help facilitate the development of strategic knowledge, it has to establish agencies that are capable of this – 'intelligent agencies'¹⁵ that have credibility with the sub-sector because they offer something that is genuinely missing and needed. Each sub-sector will have different key knowledge requirements, necessitating the need for

specialist agencies. As I have pointed out, generic solutions are ineffective as each sub-sector has to be at the cutting edge requiring particular solutions to particular barriers/challenges and these change rapidly. Through the development and implementation of these ideas it may be possible to construct a new form of governance of the creative industries. Such a form of governance would have a revised 'constituency': one that is open to internal organisational dynamics, production processes, regulatory forms, and economic development agendas; within such a mode of thinking there is a further possibility of extending such a 'franchise' to social and cultural policy too.

Figures

The distribution of employment is summarised in the following schematic diagram:

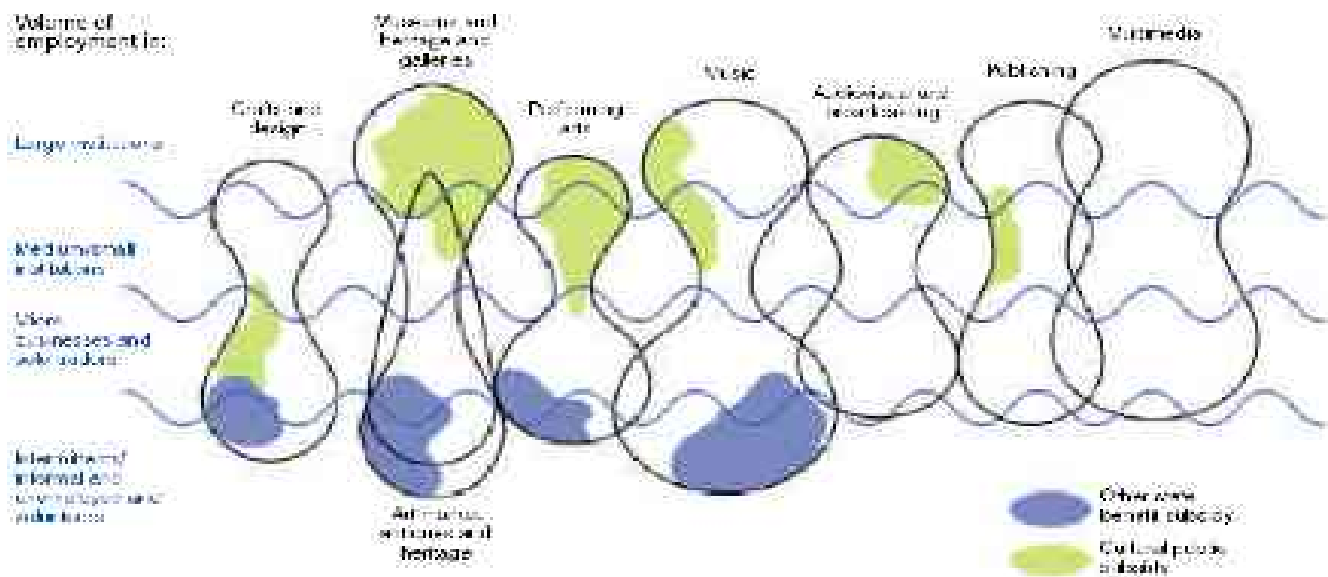


Figure 1: Distribution of employment in the creative industries.

Source: Hackett, P et al. (2000) Banking on Culture. New financial instruments for expanding the cultural sector in Europe, NW Arts, Liverpool

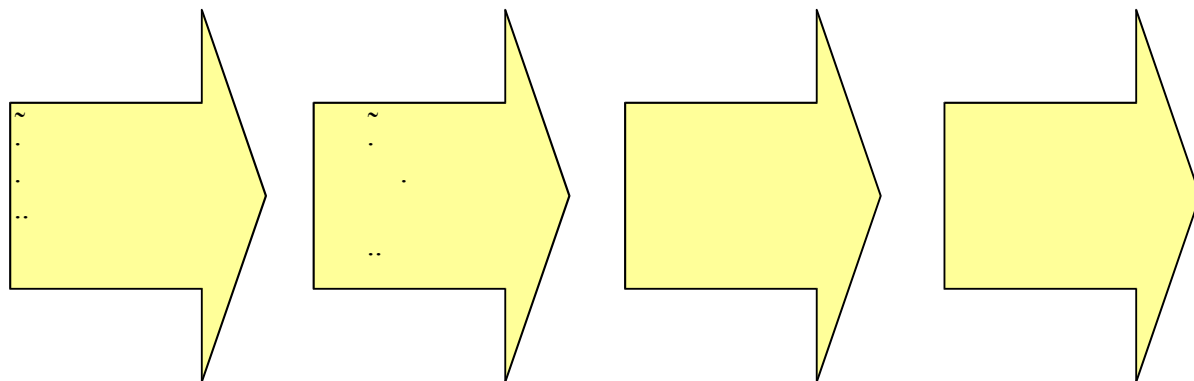


Figure 2: The creative industries production system. Source Pratt (1997)

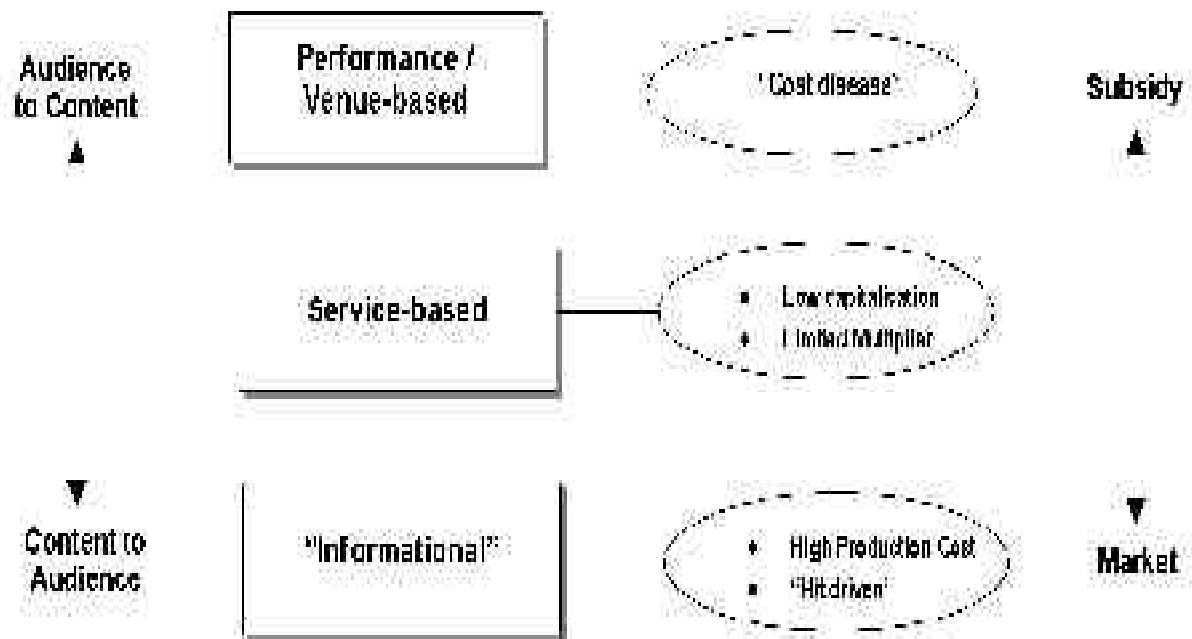


Fig 3 Three Types of production system, Source: Pratt and Naylor (2003)

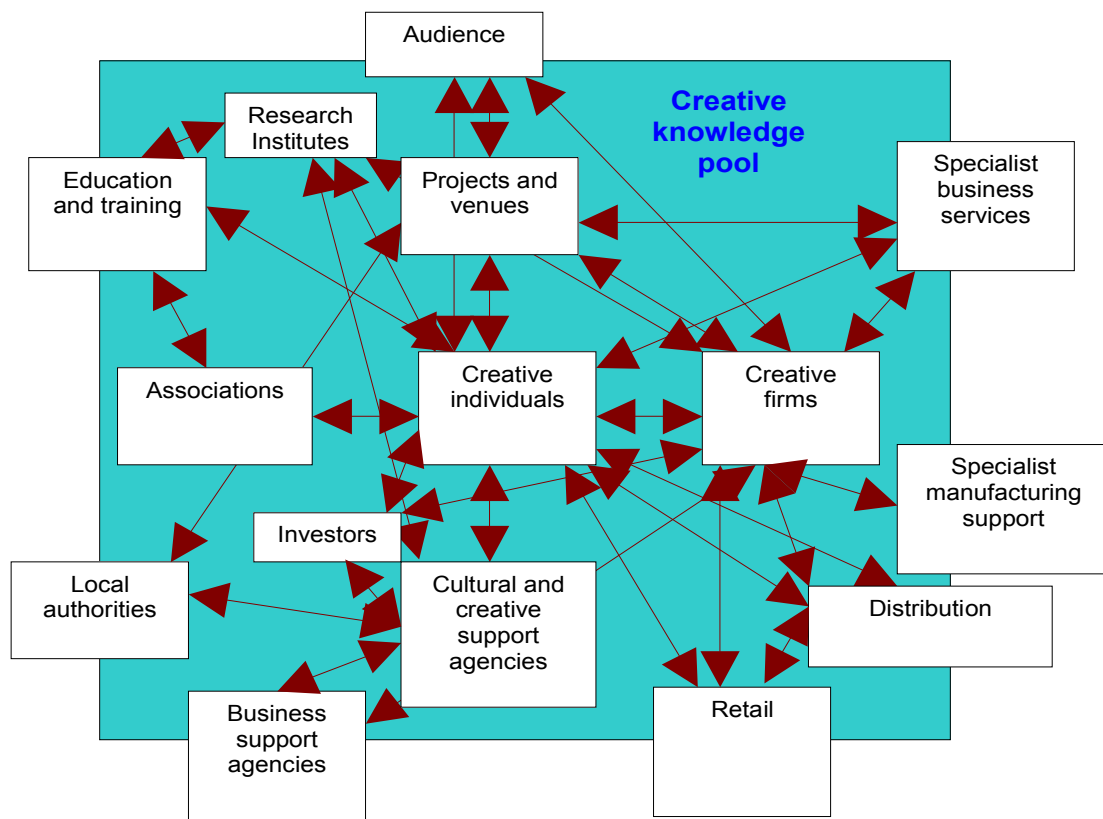


Fig 4 The creative industries ecosystem, Source CURDS (2001: 11)

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- ¹ The term 'creative industries' is a contested one; I prefer 'cultural industries'. However, in contemporary usage the former term has come to eclipse and replace the latter. This is unfortunate as it glosses over two important differences. First, the empirical differences between the initial notions of 'creative' and 'cultural' industries. Such elision further compounds the definitional problems of 'creative clusters'. Second, the debates about politics and representation. There is not space to elaborate on these issues here (see Pratt 2004a). In the pragmatic spirit of the current paper I will simply use the term creative industries to stand for all.
- ² See Mommass (2004) for a review of debates concerning cultural quarters and urban planning. As Mommass elaborates these debates are also mired in confusion.
- ³ See Pratt (1997) on a discussion of cultural industries and governance.
- ⁴ The term 'governance' signifies either an actual transition, or a conceptual sensitivity, to network, or multiple stakeholder government as opposed to formal, state-centric, hierarchies (see Jessop 2000).
- ⁵ An example of the operationalisation of such a notion can be found in DCMS (2003) and GLA Economics (2004).
- ⁶ This section of the paper draws upon Pratt and Naylor (2003).
- ⁷ First discussed by Baumol and Bowen (1966)
- ⁸ A contemporary example is the dispute over the use of a new technology called the 'Sinfonia' which can substitute orchestral players/instruments in the production of live musicals (see Brown 2004).
- ⁹ Crucially, more than technology *per se*, the key for a creative agent is to expand their 'envelope' of activities in order to capture downstream IPR rewards. So, a company concentrating solely on live performance will suffer most; the potential to include licensing rights, and securing control of distribution and replay rights can 'cross-subsidise' live activity. Again, this stresses the value of a 'production chain perspective'.
- ¹⁰ The huge costs, and risk of success/failure, mean that a small individual company cannot sustain such a cash-flow. The classic example is the large film studios that can weather a number of failures as long as it gets a few successes. However, as cost per production increase the relationship between 'hits and misses' becomes problematic even for the 'majors'. Pratt and Jeffcutt (2002) term this organisational form the 'chart business'.
- ¹¹ A study of new media companies that fit this model can be found in Pratt (2002)
- ¹² An example of this is the film industry. There are many more added value advantages of having a post-production centre compared to having the city used as a location for shooting. Despite this obvious point, cities and regions compete to act as sites for location shoots.
- ¹³ See the example of the new media sector in Pratt (2002)
- ¹⁴ The best examples of this are the way that fabrics and colours for the fashion industry are known in advance to a select number of major stakeholders; or, the how access to sophisticated first weekend preview analysis of films is used in the US to re-edit and achieve maximum market impact on general release. Accessing such strategic information for a regional 'club' (on a subsidised subscription basis) could provide considerable market leverage.
- ¹⁵ See Pratt and Jeffcutt (2002).