Report review

***Creative Clusters and Innovation. Putting Creativity on the Map***, Caroline Chapain, Phil Cooke, Lisa De Propis, Stewart MacNeill and Juan Mateos-Garcia (2010), London: NESTA Research Report, 55 pp. ISBN 9781848751125 pb.

*Reviewed by Graeme Evans, Brunel University*

This latest report from NESTA's commissioned research series on creative clusters deals with the geography of innovation as displayed by a spatial analysis of selected creative industries in England and Wales. The study builds on the 2009 NESTA report *The Geography of Creativity* by the same authors (2009). Attention to and claims for the positive effects of agglomeration within regional economies and the emergent creative industries, have featured increasingly in academic and policy reviews. This focus has informed and reflected regional and local economic development and investment strategies (and as the report notes, national government's latest Silicon Roundabout/Tech City initiative), and which has helped to maintain public sector intervention in what otherwise would appear to be a fragile, little understood collection of old and new industries. As Simmie – co-author of the NESTA study on 'Path dependency and innovation' (2008) – observed 'the cluster idea … has taken many academics and policy-makers by storm. It has become the accepted wisdom more quickly than any other major idea in the field in recent years… at the expense of previous explanations and lacking in relevant empirical evidence' (2006: 184). This suggests the need for both qualitative

research and more robust and relevant data, as well as 'improvement of…the quality of measurements' (Denters and Mossberger 2006: 566). This study responds to this call, with an analysis of spatial economic data on the creative industries, drawing conclusions on the effect of the concentration and co-location of firms on innovation performance.

The study commences with an analysis of data on selected creative industry firms using both DCMS creative sectors (*n*=9) at four-digit SIC level, as well as Frontier Economics' Creative Value Chain classification at five-digit SIC, based on ABI and IDBR data, respectively, from 2007 and 2008. This is mapped at regional, Travel to Work Area (TTWA), and finally MSOA level at the lowest geographical scale. Location Quotients (LQs) are calculated from the numbers of firms at these levels, to highlight sectoral concentrations. Innovation activity is then measured through national innovation survey data (UKIS 2006).This in fact measures declared innovation undertaken by firms between 2004 and 2006 (i.e. two to four years prior to the firm economic data used) and is based on a targeted national survey of less than 15,000 respondents employing ten or more staff. Critically, the UKIS (and also the European equivalent, IUS) is thus not reflective of the national creative economy or micro-enterprises that make up the vast majority of firms, including the creative industries. This small firm–large firm innovative relationship (including the location factor) is therefore largely absent from the analysis.

In order understand the extent to which co-location occurs between the identified creative sectors and high-performing innovating sectors, a further grouping is used – High-Tech Manufacture (HTM) and Knowledge Intensive Business Services (KIBS). Applying the

secondary spatial analysis in both cases produces the degree to which co-location is statistically significant, with Advertising, Designer Fashion and Software strongly co-locating with KIBS and also co-locating with HTM (a similar 'co-cluster' was observed between Advertising, Financial Services and creative industries in London – Freeman 2009). Co-location (but not 'strong') was also observed between Architecture, Film/AV and Publishing and KIBS firms, and weak co-location with Music & Performing Arts and TV/Radio. Of course, none of these observations establish any causality, production or supply chain links or innovation spillovers of any kind, nor interestingly which came first – High-Tech, KIBS or creative firms? This would seem to be important, since one may set conditions which favour the other, or there may be mutual benefits, explicit or otherwise. Simple co-location analysis does not take into account other location factors or theory, for example the importance of amenity and connectivity, which in several national studies of the 'creative class' are suggested to be the prime determinants of creative clustering. With these limitations, the authors are left to speculate on the explanatory reasons for stronger and weaker co-location, such as ICT infrastructure, specialist labour pools, premises, etc.

In order to shed light on some of these observed spatial relationships, the study then presents the results of a primary survey undertaken of four clusters. These have been selected using the firm cluster mapping and focusing on sectors exhibiting high potentially 'innovative' co-location – software in Wycombe & Slough; Film, post-production in London Soho; Media production/Digital media in Cardiff; and Advertising in Manchester. With the exception of Soho, these not the 'usual suspects' in UK creative

cluster case studies and are perhaps all the more illuminating as a result. A survey of c.90 firms followed a two stage process, firstly at TTWA area level to identify frequent connections with related firms, which are then surveyed in Stage Two. The surveys sought to assess reasons for clustering and location; innovation activities and sources; relationship and cooperation; and patterns of collaboration between 'core' and related firms in the regional economy. In depth interviews were also carried out with 'local creative firms and stakeholders' (whether these were part of, or in addition to the survey sample, is not stated).

The results reveal quite high and similar levels of innovation between in-house R&D, software and hardware acquisition – between 40% and 57% in all four clusters (except in Cardiff's TV sector at only 38%), but half these rates in terms of spending, although the percentage of staff devoted to high technology-intensive knowledge ranged from 43% to 59%. The key questions relating to location, however, showed the relative unimportance of proximity – to clients, suppliers, skilled labour, social networks or the value of a critical mass of firms. Proximity to clients scored above 20% only in the case of Soho (30%) and TV in Cardiff 22% (and also to suppliers – unsurprisingly in this regional–cultural case). Furthermore, the location of sources of innovation (already questionable due to the heavy use of proxy and subjective measures, above) revealed quite low local sources, but higher regionally and in the rest of the United Kingdom, with Soho the most regional–international in scope and Cardiff the most parochial. The type of knowledge transfer also confirms the relative unimportance of local cooperation, but interestingly the value placed on social networks (friends) and informal meetings with other firm

personnel. An exception to this is Software in Wycombe-Slough (M4 corridor). Industry structures, trade and professional associations of course differ, but it would be hard to resist the observation that this is the only non-city cluster with little in the way of 'buzz' or 'scene' associated with creative clusters – as the report says' a 'disconnected agglomeration' (43). It is also the case, from this survey, that this sector was also the least 'clustered' whilst Soho (like Hollywood) acts as a magnet for firms seeking production and market links. This was confirmed in the NESTA launch of this study with a Soho firm citing that its proximity (co-location) allowed for production capacity to expand, a community of practice of sorts, but not in itself a case of innovation spillover (this may or may not have developed as a consequence of sharing). Dundee's celebrated (but short-lived) 'Grand Theft Auto' case originated with an ex-student seeking access to skilled students, i.e. capacity again, rather than innovation spillover per se.

For academic institutions interested in the HEI–innovation–growth potential and models of local–regional innovation, they will be disappointed – the respondents rated universities as a negligible source of innovation and clustering, countering the received wisdom of innovation spillover and spin-out potential from HEIs (with the exception of highly specialist and location-specific bio-tech – in fact quite limited in activity and financial terms in the United Kingdom). However, given the coverage problems of firm and innovation data, and the place-based location factors not available or explored here, the role of 'talent' and networks established at university/art and design college, may be hidden, but vital elements in subsequent knowledge transfer and sources of ideas and enterprise. This knowledge – firm start-up, leadership, social networks, financing and

location decisions – would be fundamental information behind any observed cluster cause and effects research into spatially defined communities. To this extent, this study has perhaps gone as far as data and cluster-innovation concepts allow – economic geography's ability to explain these processes and phenomena (if indeed that is what they are) have for some time been reached, and perhaps over-reached in this valiant study. As the authors themselves conclude: 'available data for the creative industries do not yet lend themselves to sophisticated econometric analyses' (42), echoing Malmberg and Maskell ten years earlier: 'the ability to decode and utilise knowledge residing elsewhere is not a phenomenon to be captured by input/output analysis or trade flows or accounts of business contact patterns' (2001: 17–18). A focus on decision-making, organizational behaviour/psychology, business economics and access to firm-level transactional data would seem to be needed for any robust and valid conclusions to be made and generalized on the operation and impact of clusters and their spatial and economic dimensions.

**References**

Bathelt, H. (2005), 'Geographies of production: growth regimes in spatial perspective (II) – knowledge creation and growth in clusters', *Progress in Human Geography*, 29:2, pp. 204–16.

Denters, B. and Mossberger, K. (2006), 'Building blocks for a methodology for comparative urban research', *Urban Affairs Review*, 41:4, pp. 550–71.

Freeman, A. (2010), 'London's creative workforce: 2009 Update', GLA Economics Working Paper Series 40, London.

De Propis, L., Chapain, C., Cooke, P., MacNeill, S. and Mateos-Garcia, J. (2009), *The Geography of Creativity*, London: NESTA Research Report.

Malmberg, A. and Maskell, A. (2001), 'The elusive concept of localization economies: towards a knowledge-based theory of spatial clustering', *AAG Annual Conference*, New York, April.

Simmie, J. (2006), 'Do clusters or innovation systems drive competitiveness?', in B. Asheim, P. Cooke and R. Martin (eds), *Clusters and Regional Development*, London: Routledge, pp. 164–87.

Simmie, J., Carpenter, J., Chadwick, A. and Martin, R. (2008), *History Matters. Path Dependence and Innovation in British City-Regions*, London: NESTA Research Report.

Contact:

Professor Graeme Evans, Brunel University, Department of Design, Kingston Lane, Uxbridge, London UB8 3PH, UK.

E-mail: graeme.evans@brunel.ac.uk