

CREATIVE ECONOMY REPORT 2010

Creative Economy: a Feasible Development Option

Box 3.2 Creative clusters

A distinctive feature of creative enterprises is that they thrive only in one another's company. Whether they are artists in the East End of London, film makers in Bollywood, fashion designers in Milan or animators in Seoul, creative enterprises gather together in visible hot spots which, when fully established, become self-sustaining clusters of creative activity. This happens at every level, from the media centre in a small town to global centres such as Hollywood.

The purpose of the United Kingdom Creative Clusters Conference (www.creativeclusters.com) is to understand why the sector develops in this way and to examine the consequences for development policy. As we do this, it becomes apparent that the lessons learned have a wide application across other areas of social and economic development.

Why clusters?

Clustering is not confined to the creative sector. Specialist markets, neighbourhoods devoted to particular trades and region-based industries have always existed. Clusters develop naturally, often linked historically to a natural advantage, and they persist as long as it is in the interests of new enterprises to join them. There is a substantial literature analysing clusters, from Alfred Marshall in 1920 to contemporary economists such as Michael Porter and Michael Enright. Broadly, they agree that clusters confer competitive advantage on their constituents because:

- proximity sharpens competition and drives up standards;
- proximity encourages collaboration and diffusion of good practice between firms;
- a sophisticated local market can develop around a cluster, stimulating innovation and improving marketing;
- clusters can develop place-based branding, benefiting all firms in the cluster;
- proximity enables small companies to band together into alliances and networks, giving them some of the advantages of larger ones – for example,
- by giving them better access to suppliers and resources;
- an infrastructure of specialized professional support services is encouraged to develop; and
- clusters become a focus and a magnet for outside investment.

Like coal and steel clusters, clusters of creative businesses may owe their original provenance to an accident of geography or climate: Hollywood, it is said, is there because of the sunshine. There are, however, some special reasons why clustering occurs in the creative sector and why it is found right down to the level of individual streets and buildings.

While creative people are highly mobile, the big producers and distribution companies on which they ultimately rely are not, so creative talent is drawn to the places where distributors are located. Creative businesses need this pool of specialist labour to scale up to cope with big projects such as films and games. In its turn, this talent pool of creative people and services encourages a discerning local market, which is essential for creative producers to understand new trends and fashions, the engine of innovation in this sector. A sophisticated local market is a key component of a creative cluster: creative clusters are clusters of both production and consumption.

Reputation is a critical and often overlooked factor. No matter how much intellectual property their past work has generated, the future prospects of a creative enterprise are determined by its reputation. The best place to build and manage reputation is at the centre of the action, among discerning peers and customers eager to spot new trends and talent. The reputation of the cluster itself is also important. Everyone associated with a successful cluster shares in its reputation so new arrivals receive a free gift, a small boost to their kudos, just for turning up and joining in. In addition, once a place has a reputation as being the centre for a particular specialism, it is hard for new places to displace it. A cluster's reputation is the key indicator of its sustainability.

These are the factors that explain the peculiar dominance of places such as Hollywood, London and Paris in their respective creative sectors.

Business engagement

Many cluster programmes find it hard to win the support of existing businesses. Local firms may discourage "incomers" and tend to prefer closed networks to open clusters. Larger firms may not take part at all or will use cluster programmes to consolidate their position. There may be a reluctance to commercialize cultural products, particularly from creative enterprises used to the non-profit sector.

The root of the problem is that creative enterprises are in business not for economic development but for their own mixed cultural and business purposes, so arguments couched in broad development terms will not win them round. Nevertheless, the engagement of creative people is essential to the success of any cluster programme, and a key task for the cluster manager is to find the programmes and the language that will make allies of them.

Creative clusters are hard to develop (and perhaps harder to define), but the characteristic features of successful clusters are widely agreed:

- connectivity to the world: creative entrepreneurship thrives where local and global cultural forces interconnect;
- cultural diversity, free trade and free expression: openness and a through-flow of new people, new ideas and new products;
- production and consumption: the beginning and end of the supply network (maybe not the middle); and
- more than business: art, education, culture and tourism.

Finally, some exciting “big-picture” insights from Creative Clusters Conferences begin to show how policies for the creative industries are relevant to all sectors of the global economy:

- places without strong creative clusters will lose their creative people and businesses to places that have them;
- locally rooted creative clusters are highly resilient to global competition;
- a key survival strategy for non-knowledge-based firms is to anchor themselves to local creative industries;
- building creative clusters requires that cultural and economic development come together and act in concert; and
- cultural diversity is an economic asset and a source of competitive advantage.

By Simon Evans,
a cultural entrepreneur and founder of Creative Clusters Ltd.

Box 1.3 Cultural and creative clusters in China

The importance of the creative economy in East Asia and particularly in the Hong Kong Special Administrative Region (SAR) of China and mainland China is reflected in the mushrooming of creative hubs and clusters in the region. In most cases, these are conversions of run-down and vacant factories that used to house activities of the manufacturing industries that either died off or have been relocated to another district or city. The majority of these conversions are initiated by the government, implemented either wholly by the government or in some form of public-private partnership. We will examine here the situations in Hong Kong SAR and Beijing.

As a policy directive, the Hong Kong SAR Government first employed the term “creative industries” in its Policy Address of 2003. A mapping exercise was carried out, resulting in the report, *Baseline Study of Hong Kong’s Creative Industries* (Central Policy Unit and the Centre for Cultural Policy Research (CCPR) of the University of Hong Kong, 2003). Subsequent annual Policy Addresses reinforced this initial interest with concrete measures until January

2005, when it was elaborated as the priority work of the then Chief Executive, Tung Chee Wah, for his remaining term of office.¹ The Home Affairs Bureau (HAB) of the Hong Kong SAR Government also produced a creativity index in the same year (HAB & CCPR, 2005).

_ Jockey Club Creative Arts Centre – Hong Kong SAR

The Jockey Club Creative Arts Centre project is the first of its kind initiated by the Government and supported by a few institutions, including a seed donation of HK\$70 million from the Jockey Club for the renovation of a vacant factory building into a creative arts centre.² The seven-storey factory, with a gross floor area of about 8,000 sq m, is located in a very old district of public housing called Shek Kip Mei. The designer is to consider how to convert and transform the factory spaces into studios and other communal spaces for the tenants, who would be artists and entrepreneurs in the creative industries.

The Creative Arts Centre represents on a very small scale the ambitions of what the Government would like to do in a much bigger urban context: the West Kowloon Cultural District, 40 hectares of reclaimed land on the west side of Kowloon Peninsula facing Victoria Harbour.³

_ West Kowloon Cultural District – Hong Kong SAR

The West Kowloon Cultural District project was conceived at the end of the 1990s. An international idea competition was held in 2001 and the scheme of United Kingdom architect Norman Foster to cover the majority of the site with a glass canopy was chosen as the winner. Based on this concept, a design brief was drawn up as an Invitation for Proposals from developers in 2003. The basic requirements were: (a) the plot ratio of development should be about 1.8, giving about 700,000 sq m of gross floor area (but most submissions in the end exceeded this guideline, some even by as much as two times); (b) 30 per cent of the site should be used for art and cultural facilities, including four museums, four concert and performing venues, an outdoor grand theatre with other art and gallery spaces; (c) the remaining area could be developed into retail, office and residential units; and (d) the developer would have to build and operate this project for a period of 30 years before handing it back to the Government. In addition, there were two binding requirements: the project had to include the canopy and it was to be awarded in a single tender.

Despite all the criticisms of the West Kowloon Cultural District project, it did bring about a brief renaissance of arts and culture in Hong Kong: developers suddenly became very interested in organizing art and cultural events such as sponsoring the Pavarotti concert and the musical, “Phantom of the Opera”. World-class cultural institutions such as the Pompidou Centre and the Guggenheim Museum were both eager to have their branch museums in the West Kowloon Cultural District. Arts and culture became useful tools even for branding of other real estate projects.

_ Daishanzi Art District (Factory 798) – Beijing

Since 2002, the Daishanzi Art District has been developed from the old Bauhaus-style Factory 798 (which produced electronic equipment for the military) designed by East German architects in the 1950s.⁴ The complex occupied a huge area of about 500,000 sq m but became obsolete under the economic reform at the end of the 1980s. In the early 1990s, while most of the sub-factories were vacant with 60 per cent of the total work force laid off, avant-garde artists began renting spaces in the complex, which gradually attracted a clustering of art and publishing companies as anchor tenants.

With successful exhibitions and events such as the First Beijing Biennale in 2003 and the Daishanzi International Art Festival in 2004, the artists and community managed to persuade the authority to keep the district as an artistic and creative hub.

_ Dahuan (Great Circle) – Beijing

The 40 hectares of land for the development of the West Kowloon Cultural District is tiny compared with the plan to develop a cultural and creative industry park on the outskirts of Beijing near the Daishanzi area. The project is within the biggest and also the richest administrative district of the city, Chaoyang District, which commissioned the author to do a strategic study for cultural and creative industries.⁵ The project is located in an area called Dahuan (or the Great Circle), which has been developed into a great cultural district, including the Chinese Film Museum, which opened in early 2006.

¹ http://www.rthk.org.hk/special/ce_policy2005/.

² <http://net3.hkbu.edu.hk/~jccac/>.

³ <http://www.hab.gov.hk/wkcd/>.

⁴ See http://en.wikipedia.org/wiki/798_Art_Zone.

⁵ See Desmond Hui (2006), "From cultural to creative industries: Strategies for Chaoyang District, Beijing", *International Journal of Cultural Studies*, 9:317-331.

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