



The creative economy in a context of transition: A review of the mechanisms of micro-resilience



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ABSTRACT

This paper assesses the coping mechanisms of creative SMEs in the context of recent economic downturns. It argues that such industries develop various forms of micro-resilience anchored in three main dimensions: production, space and people. By using the case of Digbeth and the Custard Factory as a lens to focus the discussion, it posits the argument that micro-resilience rests upon competitive advantages, including corporate reputation and the capacity of those industries to be flexible, adaptable and entrepreneurial. It also notes that space and locality, as intangible resources, act as leverages to provide an adequate working environment, allowing financial viability and clustering. Finally, it points out that creative workers and their informal networks favour a range of tactics allowing micro-resiliency.

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Introduction

The creative and cultural industries are of vital importance to the United Kingdom's economy, representing 7.3% of its output and employing over 1.2 million workers (Levy, Sissons, & Holloway, 2011). The creative economy encompasses a wide range of activities across thirteen sectors (advertising, architecture, the art and antiques market, crafts, design, designer fashion, film, leisure software, music, the performing arts, publishing, software, and television and radio); these activities all trade their creative assets in the form of intellectual property. The creative economy is considered an important driver of economic growth; in January 2014 the Department for Culture, Media and Sport noted that the UK's creative industries are worth £8 million an hour to its economy.¹ While the sector includes companies of all sizes they are predominantly small, with many sole-employee firms, with many choosing to locate in former industrial spaces due to the uncertain nature of the availability of workspaces and affordable rents. Such spaces have fostered both creativity and clustering (Drake, 2003) and, by focusing on small enterprises in such locations, this paper examines how they cope with the current economic downturn and what role place plays in their resilience. It argues that creative SMEs (i.e. Small and Medium-sized Enterprises) have the capacity to adapt on an everyday basis thanks to a range of

micro-resilience leverages, as such firms are often very flexible and are located within environments particularly favourable to change and adaptability.

The current economic uncertainty has impacted severely upon the creative sector and many funding streams; for example, support from the Regional Development Agencies is no longer available. Many studies have highlighted the challenges the sector faces; as Reid, Albert, and Hopkins (2010, p. 4) note, "the UK creative industries are under threat from a combination of recession induced cuts, the global trends towards convergence and digitalisation, and concrete actions from other governments to maximise the recovery-boosting economic potential of their own creative industries" (for a discussion on the situation in the USA see Grodach & Seman, 2013). Their vulnerability is concomitant with a set of factors, including their size (Reid et al., 2010), the difficulty in accessing credit facilities, for some their lack of entrepreneurial skills (Henry, 2007; Romein & Trip, 2011), or their dependency on other supply chains (Romein & Trip, 2011). Furthermore, there is an over expectation of the innovative potential of creative and cultural industries, leading to a lack of clear strategic guidelines for policy makers (Cooke & De Propriis, 2011). However, some studies (Donald, Gertler, & Tyler, 2013; UNCTAD, 2010) show that the creative sector has coped relatively well during the economic downturn, in comparison to other sectors, with De Propriis (2013, p. 26) noting that creative industries are "showing a more resilient intrinsic dynamism than other parts of the economy", related to "a growth in employment and the capacity to retain creative talent" meaning they are "able to swing between different company sizes".

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¹ <https://www.gov.uk/government/news/creative-industries-worth-8million-an-hour-to-uk-economy>.

Micro-resilience

While acknowledging the creative sector's diversity of industries, this paper focuses on creative SMEs settled in former industrial spaces. By exploring their coping mechanisms, our interest sits within the everyday micro-resilience capacity of creative industries. Concepts of resilience entered urban planning from the natural sciences, where it was understood to mean how something rebounds from an external shock and return to something approaching its original state (Vale & Campanella, 2005). This proved useful for thinking about how places respond to natural disasters, which led to resilience becoming built into urban planning. Over time, this original conception began to include how places could be equipped to deal with an economic downturn, potential terrorist threats (Coaffee, 2008) or health issues (Pearson, Pearce, & Kingham, 2013). In other words, resilience became integral to the planning process. However, the scale at which this takes place is often at the regional or city level, and relatively little attention is paid to local or micro resilience. Some notable exceptions to this include Wrigley and Dolega (2011), who explored high street resilience, and there is an emerging literature on SME resilience (see Williams & Vorley, 2014), but a significant proportion of this work still looks at the impact of climate on SMEs (Ingirige & Wedawatta, 2014). To date, there is little research exploring resilience amongst small creative firms and their relationships to the places they operate within. This paper employs the term micro resilience to conceptualise how such firms cope with and adapt to external shocks, such as the current economic downturn. Where the term differs from the more traditional usage, that of 'bouncing back' to an original state, it is argued here that micro resilience can be taken to mean the nimble taking advantage of opportunities presented by a shock; in other words, adaptability rather than rebound. This draws upon Martin's (2012) work on regional resilience and economic downturns, which stresses the importance of adaptation through the exploitation of new opportunities, rather than a simple return to a previous state. As Andres and Round (2015) argue, location is central to micro resilience as it is where knowledge is shared, coping tactics discussed and a sense of community (whether business or social) built. In other words, place matters to small creative firms, as the below discussions demonstrate. Examining creative activities through the resilience lens is extremely timely, as this concept is positioned as a vehicle for the economic and social revival of places (see, for example, Raco & Street, 2012; Stockholm Resilience Centre, 2010). To develop the argument that creative industries employ different coping mechanisms, which enables micro resilience, the paper first details the different pressures creative SMEs currently face and their intrinsically adaptable capacity. Then, drawing upon Andres and Round (2015), it discusses the three main forms of coping mechanisms that were identified during the research project: production, space and people. Finally, broader lessons are drawn to inform debates on the mechanisms of micro resilience in economic geography.

Research location

The paper uses the Digbeth area of Birmingham and one of its key creative spaces, the Custard Factory, as a lens to focus the discussions below. The location was chosen as it is viewed as the most vital creative area in the West Midlands, and is seen by many as a potential driver for diversification of the region's economy. The paper draws upon two qualitative research projects conducted in 2011/2012. Data collection included both secondary and primary data in the form of documents (academic papers, reports, planning guidance), a survey targeting creative companies, and follow-up, in-depth interviews with tenants and site managers. The

interviews were all conducted in the interviewees' workplaces and were recorded and analysed later. Interviews were initially arranged through existing contacts and then via the snowball method.

Labelled as a "creative quarter" by the City of Birmingham, Digbeth is a former industrial district with a range of reused warehouses, industrial units and derelict buildings. Currently it is characterised by daily creative activities (in the Custard Factory, Fazeley Studios and/or the Bond), as well as evening attractions (nightclubs and bars). The location is also home to live music, cafes, 'pop-up' events and temporary art exhibitions. There is a vibrant local community organisation (see digbeth.org), which places cultural events at the forefront of its activities. In a city that can be criticised for its conformity, Digbeth is an area defined by its creative atmosphere. For almost ten years the City Council has aimed to develop Digbeth as a cultural (notably a digital media) quarter, building on the Custard Factory – which acts as a flagship facility – and the concentration of a great number of creative industries in its surroundings. To date, progress has been slow due to the Council's lack of a cohesive vision and leadership, characterised by a dispersed and micro regeneration approach (Barber & Pareja-Eastaway, 2010; Porter & Barber, 2007). While the plan to site Birmingham's High Speed Rail terminus adjacent to the quarter may kick-start a more integrated regeneration process, to date it is private initiatives that have sparked Digbeth's "creative buzz", with the Custard Factory the leading initiative. The former factory was bought by a private developer at the end of the 1980s, and within a few months the building housed 100 different artists and creative businesses. A mix of City Council funding, EU grants and private finance led to the £2 million refurbishment of the space (Porter & Barber, 2007), and two further stages of redeployment, in 2002 and 2007, saw the addition of new spaces and studios. While the cases of Birmingham and the Custard Factory cannot be considered as exemplary of the situation for the United Kingdom's SMEs as a whole, it does, however, provide a very useful focal point for starting debate on the issues they face and how they respond to them.

Creative SMEs in a context of economic downturns

As with many other small businesses, the economic crisis has seen creative SMEs affected by restricted cash flows, a more difficult lending environment and falling customer orders. Indeed, creative SMEs, due to their size and often fragmented business structure, have encountered more problematic access to credit facilities than other sectors as lenders have become less trusting of the value of creative products (De Propis, 2013). Additionally, the business model of creative SMEs relies on fluctuating demand and on a high degree of specialisation (Romein & Trip, 2011). Creative SMEs also suffer from a further two obstacles. Firstly, it is argued that they often lack entrepreneurial skills (by training or by choice), with Clews (2007) arguing that some creative people fear that an entrepreneurial spirit may make them lose their artistic integrity or aesthetic quality. Thus, in an era of austerity, such companies may struggle as they lack an efficient business model that helps them to adapt and keep their finances stable. Secondly, creative SMEs are strongly connected to public money. Though the creative economy is nowadays a "hybrid public-private amalgam of co-funding, sponsorship and volunteering" (Pratt & Hutton, 2013, p. 92), the reduction of funding opportunities has had a clear impact on creative SMEs' viability. A typical comment from the managing director of a creative space in Birmingham was that

There are more organisations that are commercial and market facing; a lot of the organisations that relied on government funding

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