

Creative clusters and city growth

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Abstract

Inspired by US management guru Michael Porter (1995) the City Growth Strategy initiative is promoting business clusters as a means of encouraging the regeneration of deprived inner city areas in the UK. This paper draws on an ongoing evaluation of one of the initial pilots for this initiative – the City Fringe area of London where six creative clusters are being targeted as a means of stimulating local economic development and social inclusion. Drawing on baseline research with the jewellery cluster the paper explores the degree to which this cluster gains competitive advantage from its inner city location and the extent to which it is able to contribute to the regeneration of the local area. It thus provides a critique of Porter's theory and contributes to our understanding of the extent to which creative clusters can act as a tool for inner city regeneration.

Keywords

City Growth
Clusters
Creative Industries
Regeneration

Introduction

In recent years there has been a growing interest in the creative industries and their potential role as a tool for addressing a number of key government policies and concerns, particularly those concerned with our towns and cities. This interest stems from the significant size of the sector as well as the rapid growth it has reportedly experienced. In the UK in 2004, for example, it is claimed that creative companies provided employment for over 1.8 million people and accounted for 8 per cent of Gross Value Added of the UK economy, while between 1997 and 2002 they grew at an average of 6 per cent per annum compared to 3 per cent for the whole economy (Creative London 2006). This growth appears to be particularly significant within cities, often two to three times the national proportion (LDA 2005). In London 1 in 5 of all new jobs are claimed to be in the creative industries (Creative London 2006). Creative firms are seen as a source of innovation for the knowledge economy, providing a limitless supply of new idea for potential products across a range of industries. They are also perceived as being linked to diversity, a further driver for innovation and heralded as a major source of competitiveness for multi-cultural cities such as London. While the arts and cultural industries have long since been harnessed as a tool for engaging the socially excluded, the rapid growth within the creative industries has led to the belief that the creative sector can provide valuable employment opportunities for disadvantaged inner-city residents. The growth in many of the new creative industry sectors has been found to be important in providing some black and minority ethnic groups, notably Asians, with opportunities for moving into higher value-added areas, away from the less profitable sectors such as retail and clothing with

which they have traditionally been associated (Smallbone *et al.* 2005). The creative industries are thus seen as offering the potential to meet wider inclusion and diversity goals. Lastly, they are often at the forefront of place-based regeneration and marketing strategies, contributing, through the creation of cultural quarters or city rebranding campaigns, to the regeneration and renewal of redundant buildings and depressed urban areas. Little wonder, then, that the creative industries hold so much appeal.

Equally popular with policy makers is the concept of business clusters. This emphasizes the importance of location and inter-firm linkages or networks to productivity, seen as being particularly important in the context of cities. Clustering is thought to lead to a number of advantages for both firms and the regions in which they operate, including increased competitiveness, higher productivity, new firm formation, growth, profitability, job growth and innovation. As a result policy makers around the globe have supported clusters as an economic development strategy. Creative clusters are therefore a favoured concept and means of working with the creative industries, and creative cluster development is now central to the economic strategies of regional development agencies across the UK and in many other regions of the world.

Clusters have been promoted as a means of encouraging the regeneration of deprived inner city areas (Porter 1995) and this US-inspired model of business-led regeneration has led to the introduction of the City Growth Strategy (CGS) initiative in the UK. City Growth focuses on the positive aspects and potential of distressed inner city areas rather than on their problems, which have traditionally been the main drivers of government intervention. Resources are focused on supporting key business clusters that are seen as having the potential to boost local economic development and thereby create jobs and wealth for local residents.

This paper draws on research from an ongoing evaluation of one of the early pilot CGS areas: the City Fringe area of north London – an important hub for the creative industries in London, accounting for over 8 per cent of London's creative sector firms (TBR 2005). The City Fringe's City Growth Strategy has targeted six creative clusters for support: jewellery, fashion, furniture, publishing, digital media and cultural tourism. This article focuses on the jewellery cluster, one of the most established clusters, to test the validity of the City Growth Strategy approach in the context of creative industries and local economic development. The article begins with a review of the literature concerning business clusters and creative clusters. It then moves on to outline the City Growth Strategy approach and its operation in the City Fringe. An analysis of baseline data from the jewellery cluster is used to explore the merits of the City Growth Strategy approach and the potential of creative business clusters such as jewellery to contribute to inner city regeneration.

Clusters: some key issues

There are several different definitions of clusters, but the most influential is undoubtedly that of Michael Porter. Porter (1998) defines a cluster as 'a geographic concentration of interconnected companies, specialized suppliers, service providers, associated institutions and firms in related industries'. Firms networked with each other and operating in close proximity

are seen to have a competitive advantage. Numerous research studies have sought to identify what constitutes successful clusters and whether and how policy can effectively support them (Lundequist and Power 2002; DTI 2004) A review of the cluster literature undertaken for the DTI (2004) identified three critical success factors or drivers of clusters:

- Presence of functioning networks and partnership
- A strong innovation base with supporting R&D activities
- The existence of a strong skills base.

The task of identifying clusters and evaluating their role, however, has been hampered by the lack of clarity over definitions; for example, the degree to which firms must interact locally to be defined as a cluster. Questions have been raised regarding the relative importance of local linkages (Wolfe and Gertler 2004; Simmie 2004), and whether agglomeration rather than clustering is more likely to be a reflection of urban economies (Gordan and McCann 2000; Wolfe and Gertler 2004). The extreme flexibility of the concept, and its lack of clear geographical boundaries, has led to clustering being described as a 'chaotic concept' (Martin and Sunley 2001; DTI 2004) and cluster policies as 'slippery concepts in slippery spaces' (Bailey 2003; Lundequist and Power 2002; Markusen 1999).

The extent to which public intervention can help create successful clusters or support existing ones is far from clear. A detailed study of more than 250 cluster initiatives (Solvell and Ketels 2003) suggested that cluster initiatives seem to be more successful if they are focused on a cluster already strong and set in a location with a good business environment. A shared conceptual framework of competitiveness, and access to a small operational budget to finance an office with a dedicated cluster facilitator, were also found to be important. But many regional clusters do not succeed, and many that do, do so for a time and then fail (Enright 2002). Others argue that effective clusters are the result of a *self-selection* process by firms (Cooke and Morgan 1998) that cannot be created by public intervention. Despite the huge popularity of clusters among policy makers and practitioners, and the large number of cluster initiatives, there is little evidence to demonstrate what they achieve in different circumstances and locations (Andersson *et al.* 2004; Simmie 2004). Instead there has, as Atherton (2003) notes, been an explicit or assumed link between cluster formation and economic development.

Thus, as Enright (2002: 16) argues, 'we must sharpen our analysis of regional clusters and cluster development policies if clustering is to be used successfully as a basis for economic development'. Enright emphasizes characterizing the variety of clusters, understanding the state of development of clusters, the importance of cluster identification and selection processes, the links between market failures and cluster-based strategies, and whether cluster-based strategies are appropriate in a particular context.

Creative industries, creative clusters and regeneration

Creative industries, and thus creative clusters, are considered to have distinct characteristics that differentiate them from other types of businesses and business clusters. Creative industries have been defined by the UK's Department of Culture, Media and Sport (DCMS) as 'those activities which

have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property' (DCMS 1998). They are characterized by a high degree of individual skill and commitment and frequently place cultural and creative objectives above potential commercial returns. They are often characterized by flexible organizational arrangements, with temporary, project-based teams rather than a permanent workforce. Furthermore, SMEs tend to feature more prominently in the creative industries than in most other sectors of the economy. (DCMS 2006). Thus, creative clusters differ from conventional business clusters because 'additional factors are critical to their development and form and their aims are different from conventional business clusters – some have social as well as enterprise goals, cultural as well as growth objectives' (LDA 2005).

The perceived potential of creative clusters to address a number of policy issues has led to a raft of programmes designed to promote them. Strategies to support creative sectors can be found across the globe. These have included initiatives such as workspace provision, business advice and training, grants and loans, and the development of physical and soft infrastructure (LDA 2005). Miles (2005) highlights the significant amount of regeneration funding that has recently been spent on cultural projects through the Single Regeneration Budget in the UK. In 1998/99, for example, Culture in SRBs generated a budget equivalent to about half that of the arts in the public sector (Miles 2005). Programmes have been designed to stimulate economic growth, enhance the tourism offering of a town, bring redundant buildings back into use, and address social disadvantage and exclusion. Frequently attempts are made to address a number of these objectives within a single programme. In a study of creative strategies adopted by number of world cities it was found that creative strategies are being mobilized to fulfil several different, and arguably potentially contradictory, strategic goals (economic development versus social inclusion, creative enterprise/innovation versus visitor economies) (LDA 2005). This, argues the National Endowment for Science Technology and the Arts (NESTA), can deter investors because it encourages them to see cultural industries as different from other businesses. Existing public sector-led initiatives need to be better connected to each other in order to create a more coherent investment 'landscape' for new creative businesses (NESTA 2005).

The City Growth Strategy (CGS)

The City Growth Strategy (CGS) was launched in July 2001 by the UK government's Small Business Service. Inspired by the work of US management guru Michael Porter and his Initiative for a Competitive Inner City (ICIC), and driven by the former Chancellor Gordon Brown's commitment to address disadvantage through enterprise development, the strategy focuses on exploiting the perceived advantages of inner city areas. Porter (1995) identified four main advantages of the inner city: strategic location, local market demand, integration with regional clusters, and human resources, and argued that firms exploiting these advantages were experiencing economic growth. The City Growth approach focuses on developing concrete strategic action plans for unleashing and developing these competitive advantages. The SBS defined six primary objectives for City Growth here in the UK, namely to:

Help local leaders create a new vision for their inner city by identifying market-based strategies and engaging the private sector

- Make the inner city a more competitive location for business
- Increase income, wealth and job opportunities for inner city residents
- Change perceptions and attitudes regarding opportunities in inner cities
- Create leadership and institutions that will push the agenda forward
- Increase productivity of the region by revitalizing inner cities (SBS website 2006).

The initiative has been promoted as a business-led approach to regeneration, and leadership for implementing these local plans is expected to come from the private sector working in partnership with public sector agencies and local businesses. Seven deprived inner city areas were chosen in 2001 to pilot the approach, followed by a further 10 areas in 2004. Each received two years' pump-priming money (£150,000–£250,000) to research local need, engage the business community and develop their strategies.

The City Fringe City Growth Strategy (CF CGS)

The City Fringe borders the northern and eastern boundaries of the City of London, the most prosperous area in the UK. It comprises 13 local authority wards covering parts of the London Boroughs of Camden, Hackney, Islington and Tower Hamlets (see Figure 1). The area includes a population

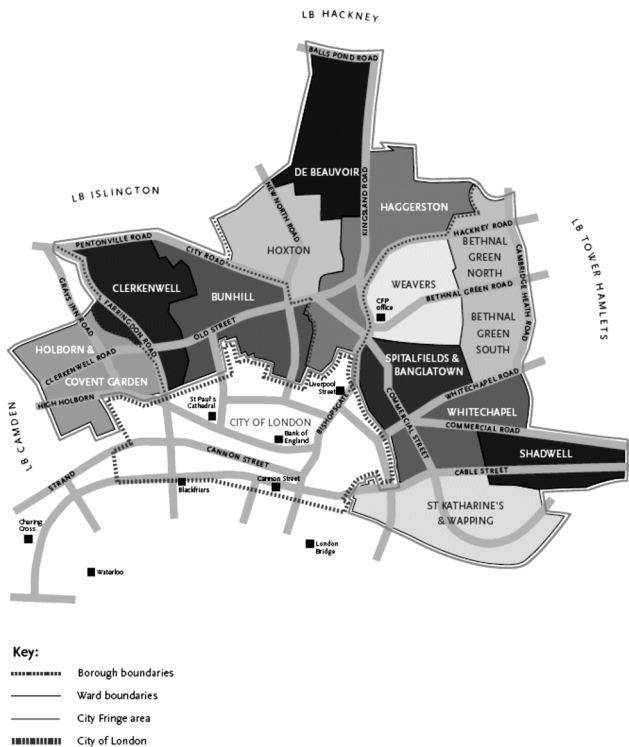


Figure 1: Map of the City Fringe area.

1. 14.2% of men and 10.38% of women in the City Fringe were unemployed in 2001, as compared to 7.29% of men and 5.47% of women in London, while in October 2005 5.74% of working age City Fringe residents were claiming Job Seeker's Allowance as compared to 3.4% in London as a whole.
2. The other three clusters are Financial and Professional Services, Health and Social Care, and Hospitality and Catering.

of 142,342, of which 58 per cent are from minority ethnic groups, the largest group being the Bangladeshi community, which accounts for 26 per cent of the City Fringe residents (Census 2001). Some 22,000 businesses provide an estimated 276,000 jobs in the area (ABI 2004). The residential area, however, provides a stark contrast to the wealth of the City and the thriving business base in the City Fringe. Unemployment levels among local residents in the City Fringe are almost twice the London average¹ and 48 per cent of the City Fringe area is among the top 10 per cent most deprived wards in the country. In 2001 34.9 per cent of the City Fringe residents had no qualifications at all (compared to 29 per cent of London residents) and those in employment tended to be employed in lower-skilled occupations (CESI 2003).

The City Growth Strategy for the City Fringe is being led by the City Fringe Partnership (CFP), a regeneration agency operating from the Corporation of London, but funded by the four City Fringe boroughs (Camden, Islington, Hackney and Tower Hamlets) to manage their regeneration activity. The strategy was launched in 2003 with the stated aim to 'build an area of thriving competitive industries and an area whose residents prosper from the success of the region' and to 'support and maintain a diverse economic base, a diverse residential base and diversity in employment' (CFP 2003).

The City Fringe has traditionally been a hub for the creative industries in London and today they are still an important element of the local economy accounting for at least 14 per cent of local employment as well as contributing to the unique character of the area (TBR 2005). Six of the nine clusters targeted for intervention by the CF CGS are or include creative sectors (Cultural Tourism, Fashion, Furniture and Product Design, ICT & Digital Media, Jewellery, and Printing and Publishing).² These nine clusters have been chosen 'on the basis of their size, growth and concentration, their importance to the regional economy and forecast population growth, their ability to provide entry-level employment opportunities, and their level of cluster activity' (CFP 2003). Some of these clusters are based on established networks of firms (for example jewellery, printing, furniture and fashion) while others are emerging clusters or are in the process of being developed, with support from the City Fringe Partnership. Work with each cluster proceeds through a number of stages including:

- Research and analysis to identify barriers to competitiveness and opportunities for intervention
- The development of a Cluster Action Group (CAG), involving businesses and key local agencies, for each target cluster or industry sector
- The development of a Sector Investment Plan (SIP) which defines and costs potential interventions.

Interventions proposed in the SIPs typically include a mixture of business support initiatives and training programmes designed to enable local people to meet skills gaps and access jobs in the sector. Funding is sought for these programmes (primarily from or via the London Development Agency [LDA]), and projects are delivered through a variety of delivery agents and monitored by the CFP.

The Jewellery cluster

The City Fringe has been a focus for the UK jewellery trade since the 16th century. The London region accounts for 25 per cent of the UK's precious jewellery manufacturing and more than 42 per cent of this is based in the City Fringe (MCA 2004). The extent of this relative concentration can be seen from the location quotients for the sector. Our analysis of the Annual Business Inquiry (ABI 2003) data for jewellery manufacturing gives a location quotient (LQ) of 7.0 for premises and 5.9 for employment, in comparison with London, suggesting that there are over seven times as many firms employing nearly six times as many people as one might expect. The cluster includes an estimated 446 firms providing employment for 2,139 people (TRB 2005) and is made up of jewellery manufacturers, suppliers, wholesalers, silversmiths, retailers and designer-makers. Firms are predominantly small, independent family-owned businesses or sole traders, with 68 per cent having 10 or fewer employees (ABI 2003). The Hatton Garden area in the London Borough of Camden is the base for over 85 per cent of these firms, with an estimated 400 businesses located in just 28 acres (0.1 sq km). The map in Figure 2 shows the relative concentration of firms in this area. Hatton Garden is renowned as a major centre for the UK jewellery industry and for diamonds in particular. Also present in the area are a number of colleges and providers of specialist support to the cluster.

Over the last 10 to 15 years rising property prices, increasing overseas competition and an ageing workforce have led to a decline in employment and a concern that the future of the cluster may be threatened. Between 2001 and 2003 employment in the sector as a whole fell by 8.3 per cent, with larger firms employing between 11 and 49 employees experiencing the greatest job losses (27.8 per cent). The employment trends suggest that micro firms are increasingly forming a larger proportion of firms



Figure 2: Jewellery firms in the City Fringe.

3. Between 2001 and 2003 larger firms employing 11–49 employees experienced the greatest decline in employment (27%). Whereas firms of this size used to account for 34% of all employment in the sector in 2001, by 2003 they only accounted for 26%. In contrast, the proportion of employment provided by micro businesses (i.e. those employing 10 or fewer) increased by 3% during the same period.

within the cluster, possibly accounted for by the decline in manufacturing and the increasing number of designer-makers entering the cluster.³

The CFP involvement in the jewellery sector builds on a range of existing support activities and private/public sector partnerships that pre-date the introduction of the City Growth strategy. In 2000 a Department of Trade and Industry-sponsored analysis of the competitiveness of the industry prompted the setting up of the National Jewellery Steering Group, and the establishment in 2003 of regional forums to represent the industry and to act as mechanisms for generating ideas to address the headline themes identified in the report. The London Forum was set up to represent the interests of firms in London. In 2001, local businesses in Hatton Garden, supported by the London Borough of Camden and the City Fringe Partnership, launched a proposal for a jewellery centre and successfully secured funding for a dedicated Jewellery Sector Development Manager. Since then a range of research studies have been commissioned which have looked at workforce development needs, mapped current training and business support provision, and undertaken an economic analysis of the Hatton Garden area.

A successful bid to the LDA in 2004 for a Jewellery sector coordination project enabled consultants to be hired to work with local businesses to develop a Jewellery Sector Investment Plan (JSIP) designed to address the needs identified by the various research studies and business consultations. This focuses on issues such as:

- Availability of workspace – many businesses have been forced to move out in recent years, leading to the fragmentation of the cluster and diluting many of its advantages for those who remain.
- Lack of business skills among jewellery trade enterprises.
- Insufficient skills in craft disciplines.
- Lack of competitiveness, especially in international trade opportunities
- Lack of collaboration and information sharing around design and manufacturing.
- Lack of leadership, particularly the lack of a voice to represent the Hatton Garden cluster on a national level (City Fringe Partnership website 2007).

The JSIP sets out a strategy for tackling these issues. It has three main objectives:

- To stimulate the demand for quality, innovative design-led jewellery and allied products.
- To build the capacity of the London jewellery sector to supply quality, innovative and design-led jewellery and allied products, and
- To coordinate effective partnership and collaboration within the sector.

These key themes incorporate 16 sub-programmes or projects designed to stimulate exports and customer demand for high-quality jewellery; increase visitors to Hatton Garden through the development of a jewellery visitor information centre; develop links with schools and apprenticeship schemes to encourage wider access to the industry; encourage the greater

use of new technology among firms; more workspace provision and better coordination of initiatives – a total package of support budgeted at £12.8m for the 2006–11 period, of which £4.180m is projected as being secured from the private sector. To date over £2m has been secured from the LDA, the initial projects have been launched and a new coordinating body (ChangeActShare) established.

The competitive advantages of a City Fringe location

Porter identified four key advantages of the inner city, and these will now be dealt with in turn to explore whether they contribute to the competitiveness of the jewellery sector in the City Fringe, and the extent to which any competitive advantage can ultimately contribute to the regeneration of the area.

Strategic location

The Hatton Garden area is unique in the close linkages and specialisms shared between different businesses. The cluster represents a highly symbiotic interdependence, involving designers, silversmiths, stone setters and polishers, chain makers, bullion dealers, precious stone specialists, assayers (gold and silver valuers) retailers and wholesalers. Most of the businesses interviewed, particularly traditional manufacturers and designer-makers and retailers, have located in the area because of the competitive advantages of operating in close proximity to this range of businesses involved in the supply chain. This allows direct contact between those involved in the supply chain, enabling customers' requirements to be quickly and easily dealt with, and supplies and materials to be purchased in person in one place. The proximity of the Assay Office was particularly cited as important, enabling pieces to be hallmarked overnight if required. For retailers, Hatton Garden's reputation as *the* centre for the diamond industry in London means that a location in the area is seen as essential. Many of these businesses suggested that they would lose most of their customers if they did not have a base in the area.

However, this network of interdependent companies is gradually being eroded by increasing rents, which are forcing many traditional craftspeople out of business or to cheaper areas in the provinces. Similarly, while most businesses rely to a large extent on local suppliers, they also use suppliers from throughout the UK, and larger companies in particular are increasingly sourcing supplies and raw materials from cheaper sources overseas. Those firms whose supply chains and markets have diversified beyond the City Fringe are less dependent on a base in the area. One company interviewed had relocated to Hertfordshire, keeping a small, one-person office in the City Fringe as a means of retaining links with the area. For such businesses a base in the area is no longer essential – and indeed rising property prices, transport difficulties and parking restrictions make it a somewhat unattractive location. The main strategic locational advantage of the City Fringe for these firms is its central location and good transport links, which enable them to recruit and retain staff from across London and the South East.

The strong local supply chains provide a useful informal source of information, but despite these supply chain networks there appeared to be little

cross-over and sharing of information and skills between the different sub-sectors within the industry. Particularly notable is the division between young designer-makers and traditional manufacturers. The need for enhanced design skills within traditional manufacturing businesses and the lack of traditional technical skills among young designer-makers has been highlighted in a number of the local and national studies (DTI 2001; BMG 2004). Yet cases where links between these different types of businesses are happening naturally within the cluster seem to be the rare exception rather than the rule. The increased knowledge flows that are generally thought to result from clusters were not apparent. Indeed it could be perceived that many of the organic knowledge flows within the jewellery cluster were actually encouraging the status quo rather than stimulating innovation. A key objective of the JSIP interventions therefore is to facilitate a greater exchange of knowledge and skills within the sector.

Local market demand

There is clearly a strong internal market within the cluster along the supply chain, particularly among the smaller firms. Designer-makers and retailers rely most on the local City Fringe market, with those interviewed suggesting that 50–80% of their sales were to other businesses in the City Fringe, or to customers visiting retail outlets in the area. The retailers in Hatton Garden benefit from their close proximity to the City of London, with affluent city workers making up a significant proportion of their customers but by no means exclusively so. Most firms have a customer base that extends well outside the local area, and manufacturing firms in particular rely on the wider London area and the rest of the UK for their largest markets. Local residents within the City Fringe are unlikely to be able to afford the jewellery produced in the area, and clearly businesses need to look well beyond the local area if they are to survive and grow. The future competitiveness of the industry is thought to be dependent on its ability to move to more added-value markets and increase its overseas exports (DTI 2001). Support for exporting, for example by providing assistance to enable businesses to attend overseas trade fairs, therefore forms a key programme within the JSIP.

Thus it is apparent that local market demand exists along the supply chain within the cluster, but the ultimate customers are as likely to be based in London's West End, elsewhere in the UK or overseas, as in the City Fringe. The future of the cluster is dependent on the creation of a growing global retail market for British jewellery. Jewellery is certainly not a cluster that can survive and thrive on local markets alone.

Integration with regional clusters

Porter suggests that the most exciting prospects for the future of inner city economic development lie in capitalizing on nearby regional clusters. The retail end of the jewellery cluster benefits from its close proximity to the City of London – the centre of the financial services industry and the largest and most prosperous business cluster in the UK. As well as benefiting from the presence of an affluent local workforce, some retailers in Hatton Garden have been commissioned to produce bespoke pieces for large financial institutions. To a limited extent there are also links between

other local creative industry clusters. Some designer-makers, for example, are linked with the design and fashion clusters, which are also important to the City Fringe. The various studies of the Hatton Garden area have emphasized the importance of increasing its attractiveness as a visitor destination and thus linking it to the tourist industry – another important creative cluster in London (MCA 2004). Improvements to the streetscape, an extension of the licensing laws (which currently restrict local cafés and bars from opening on Saturday) were all perceived as ways of encouraging footfall in the area. Whether such strategies, if implemented, will make a significant difference to sales remains to be seen. Although attractions such as Spitalfields market are drawing visitors beyond the core London tourist hotspots, Hatton Garden still remains somewhat distant from existing tourist destinations, and the West End is still seen as the major destination for shopping. The experience of the Jewellery Quarter in Birmingham suggests that it is difficult to attract customers beyond the central shopping areas (Fields and Humphreys 2002).

At present it would appear that, in general, the jewellery cluster is not actively exploiting potential links with other regional clusters to any great extent and that maybe this is an area that could lead to some fruitful collaboration. Our research and previous studies have tended to conclude that, with a few exceptions, the jewellery cluster tends to look inward on its own very tight-knit networks rather than outward to the potential opportunities that may exist for links with other local clusters.

Human resources

The fourth competitive advantage of the inner city, according to Porter (1995), is the pool of inner city residents eager to work, supposedly, for relatively low wages. The evidence from the jewellery cluster suggests that they do not see this aspect of the City Fringe location as offering particular advantages. Interviews with the firms indicated that few of the existing workforce live in the City Fringe and that recruitment is largely by word of mouth, making it difficult for local residents to enter the industry. As one interviewee explained, when you are dealing with diamonds it is important to have a workforce that can be trusted and this inevitably reinforces the tendency to recruit through existing networks. The proximity to a number of colleges offering courses in jewellery and design does, however, provide advantages and a few businesses have good links with course tutors and use these as a means of recruiting new talent. Although there is concern regarding the ageing workforce and the shortage of skilled crafts within the industry, few firms were thinking of recruiting in the current economic climate and the number of job opportunities is also clearly limited by the small size of most firms. Attempts have been made to forge links with the local community, and local Bangladeshi residents have been invited to visit firms in an attempt to raise awareness of the job opportunities in the sector. This has met with limited success and it is felt that there is still a long way to go before there is likely to be meaningful engagement with local people. Getting businesses to change their recruitment practices and getting local people to a point where they are willing and ready to enter the industry will also take time. The JSIP intends to work closely with schools and colleges to

develop new apprenticeship schemes and training programmes that will, hopefully, be more successful.

It would appear, therefore, that the jewellery sector offers limited scope for tackling local unemployment levels in the area in the short term, although by raising the educational levels, interest and aspirations of the younger generation there is a real possibility that they could become the jewellery design and manufacturing graduates of the future.

Private sector involvement and leadership

A further key aspect of the CGS approach is its emphasis on business involvement and leadership, and in the case of the jewellery cluster there has been considerable private sector involvement in the development of the Jewellery Sector Investment Plan. Over 100 firms have been involved in the various consultations and focus groups meetings. A key to their effective engagement in the process has been the presence of a number of 'cluster sector champions' – key local firms who have been prepared to invest considerable time and money in promoting the proposals. The presence of a jewellery sector coordinator has also helped galvanize private sector involvement. The CGS process has also been able to build on a history of private sector collaboration and leadership. Local retailers have previously pooled resources to print and distribute a leaflet promoting the area to local hotels, and are currently sharing the costs of a private security firm that patrols the street to provide further protection to retailers and their customers. While some of the larger businesses felt that the cluster action group could ultimately become self sustaining, others felt that public sector support would always be needed to support the coordination of activities and to ensure that the needs of smaller firms, which often did not have the time and resources to participate in meetings, were also addressed.

A better approach to regeneration?

The evaluation will be attempting to measure the impact of the CGS approach by interrogating the beneficiaries of programmes and reviewing local and national socio-economic datasets to measure change. This poses a number of challenges that it is not intended to touch on here. At this time it is only possible to report on the early impressions of those who have been involved in the process. These include a mixture of healthy scepticism and genuine enthusiasm. In some respects it could be argued that the way in which the CGS approach is being implemented in the City Fringe (and indeed in other areas in the UK) is not so very different from previous regeneration programmes, many of which have targeted business clusters and encouraged private sector participation. While considerable private sector leverage has been obtained, the process is still dominated by public sector control and funding.

On the other hand, it is also acknowledged that the process of developing the JSIP has involved the most thorough piece of research and consultation ever undertaken with the sector. Rarely in the past have programmes been based on such solid evidence. Others felt that the process that the CGS has fostered, of encouraging businesses to work together towards the achievement of a common goal, is excellent and that this will have a ripple effect on the local area. The initiative has also brought

the various local agencies together to develop and promote a common strategy for the sector. This is likely to lead to the more effective coordination and marketing of programmes. The development of a clear strategy, with significant resources to support it, has enabled the profile of the support available to be raised significantly. As a result, over 100 firms attended a launch at which the JSIP projects were collectively promoted. The businesses interviewed felt that at long last something is really beginning to happen, and this is encouraging firms that had been thinking of leaving the City Fringe to stay in the area if at all possible.

Conclusions

This case study raises a number of issues that question the value of the cluster concept as a tool for understanding how firms gain competitive advantage. The experience of the jewellery cluster in the City Fringe suggests that clustering can provide *some* competitive advantages to *some* firms, particularly where production requires the input of a range of different skills and where the close proximity of businesses offering these skills facilitates the efficiency of the production process. But for other businesses different considerations, such as the cost of supplies, are more important than geographical proximity, and their supply chain networks extend well beyond the local area as a result. This emphasizes the importance of understanding the different subgroups within a cluster when developing a strategy for support. It also suggests that cluster boundaries are difficult to define and are unlikely to coincide neatly with a given regeneration area. This has significant implications for the management of cluster initiatives.

The experience of the jewellery cluster in the City Fringe also questions the commonly held view that clustering enhances knowledge flows between companies that in turn lead to increased innovation. In the City Fringe the presence of so many young designers and traditional manufacturers all working in the same area should have led to a sharing of skills and a range of innovative products, but this has rarely happened without external intervention.

Second, the City Growth Strategy claims to offer a new, business-led approach to regeneration, but is it so very different from previous approaches that have increasingly aimed to engage the private sector and work with key business clusters? What the City Growth Strategy has managed to achieve is the development of more coherent, evidenced-based strategies for public intervention delivered through a coordinated partnership of public and private sector agencies and businesses. It has also effectively engaged and galvanized the support, and in some cases leadership, of the private sector.

Finally, there is the issue of whether the City Growth Strategy offers a useful approach for working with creative clusters. The examples Porter (1995) provides of businesses that have successfully exploited inner city locations tend to be lower-order retail, service or manufacturing firms that can exploit the opportunities of underserved local markets and that require the sort of skills that can be offered by inner city residents. These are very different from the creative industries, which rely heavily on specialist skills and individual talent and which depend on high added-value markets for their survival. The small size and fragile and informal structures of

the creative industries do not lend themselves well to providing stable job opportunities for disadvantaged inner city residents. Recent analyses of London's creative industries have confirmed that black and ethnic minority groups (who generally suffer significantly higher than average levels of unemployment) are disproportionately represented in creative industries employment (GLA 2007). As a result the City Fringe Partnership highlights some of the *non-creative* sectors it is working with, in particular health and social care, printing, and hospitality and catering, as being those that are most likely to provide employment opportunities for local residents. The expectation that business-led regeneration can deliver improved growth in the inner city has been questioned by a number of studies (Blackburn and Ram 2006; CEEDR 2003). It would appear to be an even greater issue with respect to the creative industries. The creative industries can play a major role in many inner city regeneration strategies, but perhaps their potential role in job creation has been over emphasized. Does the City Growth Strategy have too many conflicting objectives therefore, and is it feasible to expect businesses to deliver economic growth *and* local employment? This would certainly seem to be an unrealistic expectation in the case of creative clusters such as jewellery in the City Fringe.

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