FORMING CREATIVE TERRITORIAL (URBAN) CLUSTERS AS AN OPPORTUNITY FOR SMALL BUSINESS DEVELOPMENT

Viktor Evgenyevich Reutov, Sergey Sergeevich Zmiyak, Nataliia Zinovyevna Velgosh and Reutov Evgenii Viktorovich

V.I. Vernadsky Crimean Federal University - 295007, Simferopol, Republic of Crimea, Russia

ABSTRACT

The article aims at studying the territorial (urban) clustering of creative activity in the European Union and its impact on the development of small business. An important aspect is highlighting features and differences of creative clusters in comparison with clusters in other sectors of economic activity.

When considering this problem, special attention is paid to the study of the cluster policy features of the creative industries of the European Union, and formation of creative urban clusters in the EU countries.

Key words: Creative Industry, Clustering, Creative Cluster, Small Business, Microenterprise.


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1. INTRODUCTION

In today's globalized world, the knowledge economy takes on a dominant role, which, in turn, emphasizes the importance of localized knowledge as an intangible factor in the new competitive economic environment. These days knowledge is an important component of competitiveness not only for individual companies, but also for the territory in which they are located [1-3]. Contemporary experts argue that local development should not be limited to just the modernization of the export base. It should also be based on the appropriate organization of relations among different actors at the local level. Creativity has become one of the main factors of economic competitiveness. Today, creativity together with innovation and knowledge are differentiated as factors that affect ideas, products, services, and territories that in turn leads to competitive advantages in all economy sectors.
Creative industries (CI) include the following subsectors: advertising, architecture, crafts, design and fashion, film industry, television, video, radio, photography, information technology, software and computer services, publishing, museums, galleries and libraries, music scene, as well as theater and visual arts.

The CI includes enterprises which combine the creation, production, distribution, and mediation of creative and cultural goods (services). New values are created in the CI when technical innovations, creativity and business entrepreneurship are combined in a certain way in order to create and distribute a new cultural product [4].

The development of the CI is becoming one of the determining factors in the formation of international competitiveness of individual countries and their regional associations. Therefore, it is necessary to understand the features of the functioning as well as development and clustering mechanisms of this economy sector that is the objective of the present study.

2. THE CONCEPT AND ESSENCE OF THE CREATIVE INDUSTRY AND CREATIVE CLUSTER

Today, the creative sector is the most growing in the global economy. International trade in creative goods has shown sustainable growth that has stimulated its significant expansion in the last decade. In 2017, compared to 2002, total exports of creative goods has increased in value terms by almost 2.5 times to 509 bln USD, which amounted to 3.1% of world exports of goods, while in the same period import growth amounted to 200% or 454 bln USD, i.e. reached 2.8% of the total imports of goods [5]. These data show the growing role of CI in national economic development strategies.

Creativity is often characterized by agglomeration processes, therefore the CI are concentrated in certain places, rather than evenly distributed throughout the territory. Organizational and operational features of creativity determine the local characteristic feature of creative activity, namely clustering. Creative clusters are one of the main elements of the CI development, because they are based on small economic agents.

Another feature is that the main subjects of the CI are a small number of large multinational corporations, leaders in their industry, which, in turn, depend on numerous small enterprises, which are established to carry out standard projects. The same type of thematic enterprises should respond quickly to changes in fashion and technology, their assets are invisible and ephemeral, since these are reputation, skills and brands. They operate in global niche markets and evolve, showing improvement of quality performance rather than quantitative growth.

A common feature of the CI is that the economic importance of these microenterprises is much higher than in other industries. The vast majority of European creative enterprises (95%) have signs of microenterprises (having less than 10 employees), which account for 35% of employment in the CI sector [6].

Another difference from traditional industrial sectors is the low capital intensity, which, combined with the heterogeneity of the market, leads to low market entry barriers and high dynamism of startups. Consequently, human capital in the CI is paramount to economic success.

CI are open to collaboration throughout the value chain. They are primarily focused on the customer, which contributes to the emergence of secondary effects for cross-innovation among other industries, both in the CI and in other industries.

CI often operate in capitals and large urban areas. In particular, more than half a million creative laborers work in Paris and London. The exception is some regions in the South of the UK, which, in general, can be considered strong players in the CI.
Practice shows that creative enterprises are mostly geographically close to each other. This trend is even more pronounced in creative enterprises than in other sectors. Policies aimed at supporting CI at the local level tend to consider such industries as factors of urban regeneration and branding. This is a kind of interpretation of the scientific theory of the American economist R. Florida, the author of the theory of the creative class [7]. According to his view, the CIs act as suppliers of cultural products and services. This in turn makes certain cities attractive to the creative class of employees and their innovation driven employers.

The basic strategy, which is commonly used by creative enterprises to solve structural problems, consists in using the general resources, as well as associating within networks, clusters, creative quarters, or other types of partnerships.

To fully understand the essence of the formulated task, it is necessary to form a clear concept of creative clusters.

The American economist M. Porter gives the most generic definition of a business cluster, which, according to him, is a geographic concentration of interconnected companies, specialized suppliers of goods and services, firms in related industries, and associated institutions (e.g. universities, different types of agencies, and trade associations) in specific industries that compete but at the same time cooperate. According to Porter’s approach, geographical agglomeration is necessary though not the only prerequisite for the existence of the cluster [8].

The American scientists N. Clifton and P. Cooke are paying attention to the fact that the characteristic feature of creative clusters is that they are essentially a geographical concentration of "creative professionals" rather than enterprises [9].

The British Professor of Economics, L. De Propris considers the creative cluster as a place that characterizes first of all the community of creative people, and second, the catalytic environment, where people, relationships, ideas, and talents can contribute to the emergence of each other [10].

Therefore, clustering process in the CI differs from similar processes in traditional industry sectors.

Based on the conducted analysis, we have identified the following features inherent in creative clusters.

Local character: the cluster actors are concentrated in a limited area.

Resource dependence: the main resource of creative clusters is knowledge, information, and creative talent, which are in constant interactive circulation.

Narrow specialization: creative clustering occurs within one or several related business segments, but this does not affect the cultural and creative diversity of the cluster members.

Extraterritorial interaction: interpersonal contacts, cooperation between the supplier and the client, interaction between research centers and economic units, as well as inter-sectoral cooperation and integration.

Innovative nature: clusters are carriers and creators of creative and intellectual innovations.

Natural character: clusters do not lend themselves to the artificial creation or planning.

Creative class: creative clusters employ highly specialized creative professionals, whose economic function is to create new ideas, new technologies, and/or creative content.

A large number of economic agents: a developed network of numerous creative entrepreneurs, commercial organizations, and cultural centers along with science parks and media centers.
Internal consumption: excess production can be realized or profitably applied within the cluster.

Flexibility: clusters respond to macroeconomic changes effectively and in a timely manner.

Urbanism: creative clusters are typical for urban and suburban areas.

Clustering of the CI stimulates prosperity of the regional economy. Creative clusters are a significant source of budget revenues and GDP growth, create new environmental jobs that attract skilled labor from other regions, and on the basis of rebranding form an attractive image of the region for both tourists and investors. The cluster form of the CI organization shows positive impact on other economy sectors and social well-being, while the knowledge circulation in the cluster is the basis for the growth of the innovation component in the region, and accelerates the pace of scientific and technological progress.

3. ESTABLISHING CREATIVE CITY CLUSTERS IN THE EU COUNTRIES

Cluster policy in the European Union forms a common European business environment and is implemented based on the development of world-class clusters in order to achieve global leadership. The most effective tools for its implementation are funds and projects of cross-border cooperation; national and regional cluster programs and initiatives; state and regional strategies, which stipulate for the provision of targeted grants and benefits; expert centers of world-class clusters and centers of excellence of cluster management; and the platforms of state support and cooperation.

Thus, in 2017, the number of employees involved in the European Union CI was almost by 40% higher than that in 2001. This makes this sector a leader in job creation. In 2017, 7,060 thousand of Europeans were involved directly or indirectly in the CI sector, accounting for about 3.3% of the economically active population of the EU. Creative and cultural industries, the revenues of which amount to €535.9 bln, contribute to replenishment of 4.2% of GDP in Europe (2017). Thus, the CI sector is the third largest employer after construction industry (15,348 mln jobs), production of food and beverages, and their distribution through service businesses (7,274 mln jobs) [11].

CI in the European Union are rapidly developing year by year and are becoming increasingly important for the development of both regions and the integration group in general (Table 1).

Table 1. Overall performance of the EU creative industries, 2015

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Creative industries</th>
<th>Share among all clusters, %</th>
<th>Share of total indicator, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employed</td>
<td>12,175,055</td>
<td>17.71</td>
<td>7.04</td>
</tr>
<tr>
<td>Number of enterprises</td>
<td>3,316,477</td>
<td>34.06</td>
<td>12.48</td>
</tr>
<tr>
<td>Turnover (mln Euros)</td>
<td>1,648,326</td>
<td>9.41</td>
<td>4.75</td>
</tr>
<tr>
<td>Value added per employee (Euros)</td>
<td>71,792</td>
<td>101.6</td>
<td>116.00</td>
</tr>
<tr>
<td>Average salary (Euros)</td>
<td>31,789</td>
<td>117.3</td>
<td>140.20</td>
</tr>
</tbody>
</table>

Source: compiled based on [12].
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Analysis of Table 1 shows that creative clusters initiate a large number of jobs among all European clusters, because the number of employees in creative clusters is more than 17% of all clusters’ employees.

It is known that creative clusters mainly consist of small enterprises. Therefore, it is quite obvious that the percentage of enterprises united in creative clusters is quite high compared to other clusters, as well as their proportion in the overall performance. An important indicator is that the value added per employee and the average wage are higher than the corresponding figures for all clusters in the EU economy that proves the need for further development of exactly creative sector.

With regard to the cluster strategy, it is important to note that the creation of creative clusters is more suitable for those CI sectors, which are primarily focused on the creation of value added, the coverage of a relatively large group of consumers, and the growth of exports. This is evidenced by the degree of clustering of the EU CI (Table 2).

<table>
<thead>
<tr>
<th>Creative industry</th>
<th>Number of clusters</th>
<th>Number of companies in the cluster</th>
<th>Level of clustering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movies, videos and music</td>
<td>90</td>
<td>30,021</td>
<td>67.8</td>
</tr>
<tr>
<td>Software</td>
<td>313</td>
<td>63,849</td>
<td>67.6</td>
</tr>
<tr>
<td>Cultural trade</td>
<td>82</td>
<td>31,421</td>
<td>65.2</td>
</tr>
<tr>
<td>Project development</td>
<td>358</td>
<td>62,593</td>
<td>64.6</td>
</tr>
<tr>
<td>Video games</td>
<td>78</td>
<td>12,451</td>
<td>64.1</td>
</tr>
<tr>
<td>Design</td>
<td>26</td>
<td>5,118</td>
<td>61.6</td>
</tr>
<tr>
<td>Architecture</td>
<td>241</td>
<td>40,211</td>
<td>60.2</td>
</tr>
<tr>
<td>Performing art</td>
<td>87</td>
<td>20,317</td>
<td>58.4</td>
</tr>
<tr>
<td>Publishing business</td>
<td>178</td>
<td>37,596</td>
<td>57.2</td>
</tr>
<tr>
<td>Advertising</td>
<td>92</td>
<td>20,431</td>
<td>57.1</td>
</tr>
<tr>
<td>Fashion</td>
<td>102</td>
<td>19,781</td>
<td>55.5</td>
</tr>
<tr>
<td>Live broadcast</td>
<td>23</td>
<td>5,220</td>
<td>54.0</td>
</tr>
<tr>
<td>Photo industry</td>
<td>45</td>
<td>7,018</td>
<td>49.2</td>
</tr>
<tr>
<td>Research and development</td>
<td>59</td>
<td>7,573</td>
<td>42.4</td>
</tr>
<tr>
<td>Cultural heritage</td>
<td>10</td>
<td>1,089</td>
<td>24.1</td>
</tr>
<tr>
<td>Total</td>
<td>1,784</td>
<td>364,689</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: compiled based on [12].

It should be noted that in the European Union there are more than 1.5 thousand clusters in 15 CI. The average number of clusters in each industry is 119 and ranges from 10 (cultural heritage) to 358 (project development). About 61% of firms are integrated in clusters or hotspots (the so-called virtual clusters). From 63 to 71% of those employed in CI are concentrated in creative clusters. The most clustered CI are cinema, video and music, software, cultural trade, project development, video games, as well as design and architecture, where
more than 60% of firms are integrated in clusters. Just in the photo industry, research and development sector, and cultural heritage industries, more than 50% of firms are not clustered.

As known, the most creative clusters tend to appear in capitals and metropolises with the subsequent transformation of territories into creative neighborhoods, or even creative cities.

Some European metropolises have extremely high employment gain in CI, especially in Eastern Europe. Thus, in Bucharest employment gain amounts to 7.5%, in Germany – 9%, in Budapest – 18% per year. From the viewpoint of creative industry subsectors, the largest proportion of people are employed in business services and marketing, as well as project development, which occupy respectively the first and second places in each of the regions. In general, powerful regions of CI are the most developed (GDP per capita is €36.2 thousand against €22.6 thousand, which is the average for these regions) and more productive (€69.7 thousand against €54.5 thousand). Other indices of competitiveness are predominantly higher than in the regions in general, but are similar to other leading industries [13].

4. CONCLUSION
The analysis of theoretical principles and world practice of the CI clustering allowed revealing beneficial effect of creative clusters on local and national economies and small business development in these countries.

The peculiarity of creative small business enterprises is their functioning in cooperation with each other in the territories with specific features of the area and the environment. At the same time, they are open to the world. This is due to the fact that the territory of allocation is very essential for the creative economy. At every level, from a small-town media center to global creative centers, small business creative enterprises are integrated in territorial groupings, which subsequently become self-sufficient clusters of the creative economy.

The characteristic features of CI are the rapid growth of the CI sector, the economic importance of small businesses that affect multinational corporations, the importance of human capital for the economic success of the CI sector, and the territorial proximity of creative enterprises.

The largest creative clusters are located in the central part of major European cities. In addition, these large clusters are usually surrounded by other clusters of the same creative industry, as well as clusters of other CI. Thus, creative cities are created from a large number of creative clusters, the activities of which overlap one another. This creates a synergistic effect between adjacent clusters, which may belong to different industries.

REFERENCES


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