

REPORT FROM CLUSNET

MANCHESTER CITY REGION WORKSHOP

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Centre for Strategy and Competitiveness (CSC)

CONTENTS

INTRODUCTION TO CASE STUDY AND POLICY IN THE CITY REGION

CASE STUDY VISIT

CASE STUDY AND POLICY DISCUSSION

CASE STUDY AND POLICY LEARNINGS

CONCLUSIONS

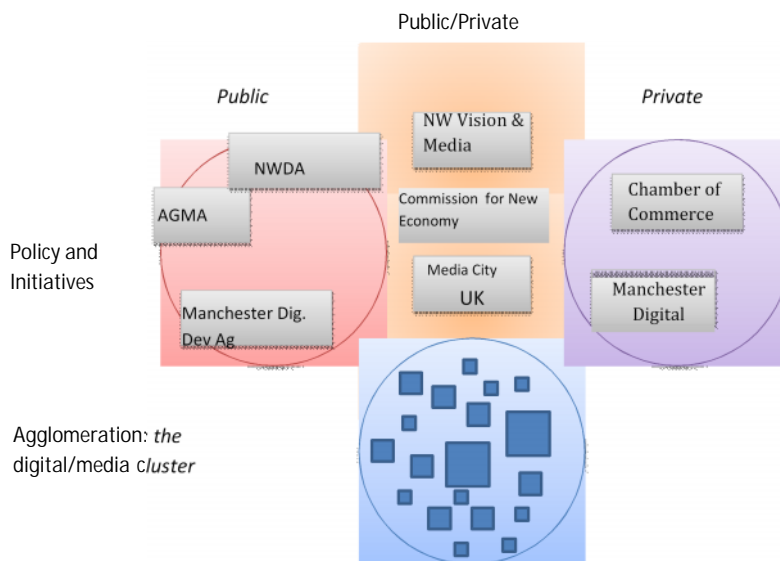
TRANS-NATIONAL CLUSTER NETWORKING

INTRODUCTION TO CASE STUDY AND POLICY IN THE CITY REGION

The Manchester City Region (MCR) case study was presented by Cecil Edey, Head of Enterprise at the Commission for the New Economy which is the economic development agency for the city region. The MCR incorporates the boundaries of ten municipalities, including the City of Manchester (the central agglomeration exhibiting a high density of digital/media firms) and the City of Salford (home to MediaCityUK, currently under construction). The MCR is located in the North West region of England and is the largest metropolitan economy in the UK outside of London and South East. It has a strong and diverse business base with almost 100,000 businesses.

As can be seen from Figure 1 below, the governance of economic development policies and strategies in the North West and MCR relating to the Creative / Digital / New Media cluster is complicated and involves a large number of organisations and initiatives.

Figure 1: The digital/media cluster and main organisations



The main organisations involved in the cluster, are:

Public:

- NWDA – North West Development Agency (formed in 1999, invests heavily in six regional priority clusters, including MediaCityUK)
- AGMA – Association of Greater Manchester Authorities

- Manchester Digital Development Agency (acting on behalf of AGMA)

Private:

- Greater Manchester Chamber of Commerce (over 5000 business members, and works with the New Economy on the establishment and development of business-led Sector Councils in MCR)
- Manchester Digital (a network for digital businesses)

Public/Private:

- Commission for the New Economy (private-led organisation working for AGMA)
- North West Vision and Media (the cluster organisation working across both MCR and the wider North West England)

Six clusters (sometimes referred to as “sectors” in the MCR) have been identified as strategically important “accelerator” clusters. They are: Aviation (and Manchester airport), Financial and Professional Services, Life Sciences, Creative / Digital / New Media, Manufacturing, and ICT / Communications.

The case study deals with Creative / Digital / New Media, which includes digital content (the prime focus of the case), performing arts, publishing, and visual arts and design, each with different geographical foci within MCR, but with a tendency towards the centre and south of the city region. Digital content refers to film, broadcast media, new media and music. The cluster has reached some degree of maturity (factor advantage, heroes, social capital), but has not reached a truly global position.

During spring 2009 the “Manchester Independent Economic Review” (MIER report) was launched, summarising a series of expert reports on the economic status of MCR. According to MIER the city region is underperforming in terms of productivity given the size of its economy, and is not fulfilling its potential in terms of innovation. The report also advocated against the use of conventional sector (or cluster) construction policy. Instead, the report argued that focus should be put on skills, infrastructure, and improved local supply-chains (especially within the cluster in focus: Creative / Digital / New Media).

The main public cluster initiative for supporting businesses within the Creative / Digital / New Media cluster was presented by Alice Morrison, Chief Executive at Northwest Vision and Media, which operates as the regional cluster organisation for the North West of England contracted by the Northwest Development Agency (NWDA). Alice brought to our attention what innovation is and why it is important for the MCR. She also noted that in clusters such as digital and media, innovation involves trial and error and is highly risky, and cluster initiatives can help relieve part of the risk. MediaCityUK was introduced as a new initiative, involving local supply chains (including the BBC as an anchor firm), the University of Salford and a world-class infrastructure. The ambition is to become an international attractor. Public support accounts for about 10% of investment in the initial phase. Alice also described a number of success cases where small investments have led to higher GVA (gross value added). For example, BBC and Sony are already using the Digital Content Lab in

MediaCityUK. In addition, a multi-million Euro broadband project (Northern Net) aims to connect urban and rural parts of Northern England.

CASE STUDY VISIT

The case study visit took place in the emerging MediaCityUK, just 3 kilometres west of Manchester city centre. The visit included presentations by John Holland, MediaCityUK Director at the University of Salford, Jane Deane, Programme Director at MediaCityUK and Jason Legget, Head of Business Development at Peel Media, the company responsible for developing and managing the site.

Figure 2: Vision of MediaCityUK



MediaCityUK is located in Salford Quays, a former dock area on the Manchester Ship Canal, which is now being transformed into a Media City. The location is close to the main motorway network and Manchester International Airport, offering more than 200 destinations world-wide. MediaCityUK compares itself to other major media centres in the world, including Seoul, Singapore, Dubai, Helsinki, and Boston.

The anchor firm in MediaCityUK is the BBC, who will relocate a number of their core divisions (e.g. BBC Sport, BBC Children's, BBC Radio Five Live, etc) from London to MediaCityUK. It is expected that by 2011, the BBC will employ some 2,500 staff in MediaCityUK. The vision is to make this a leading hub for the media sector and a destination for tourists (the area already hosts the Imperial War Museum and the Lowry Theatre, as well as containing an attractive residential area). It is sponsored by the NWDA, Salford City Council, and Central Salford, an urban regeneration company. The vast property, together with other land along the Manchester Ship Canal, is owned and being developed by the Peel Group. Presently, construction investment totals some 500 million pounds. This includes 700,000 sq.ft office space, 250,000 sq.ft studio space, and 80,000 sq.ft retail and leisure space. The studios will be the largest HD studio block in the UK. A piazza is planned that can host some 9,000 outdoor spectators, and a new tram link will connect the site to Manchester city centre.

In addition to the BBC the other confirmed tenant is the University of Salford which has decided to build a campus within MediaCityUK with plans for digital content labs, a game centre, an incubator and other business support. The cluster organisation: North West Vision and Media is also going to relocate to MediaCityUK.

It was emphasised that MediaCityUK has a strong vision to become much more than a business park. The vision includes networks of technology providers, venture capital firms, TV media, film media, web, mobile technologies, publishing, retail and other business services. MediaCityUK wants to attract talent, investors and firms from around the world.

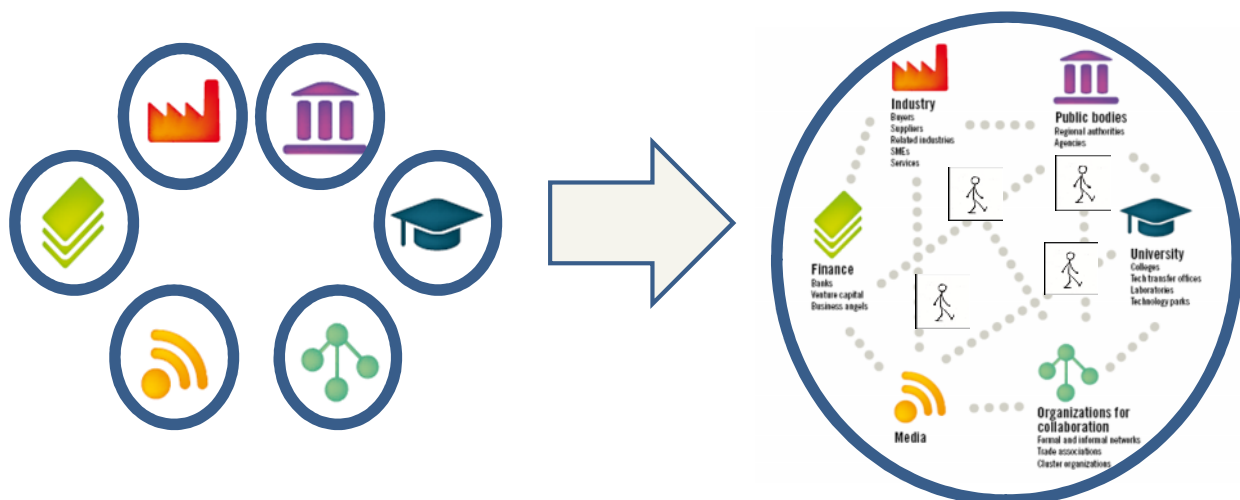
MediaCityUK will build upon the strong position that MCR has within creative and digital industries, today one of the largest creative clusters in Europe. Employment in the digital and creative industries in the North West is estimated at 120,000. Within one hour's drive of the city region there are 18 universities offering some 300 media courses, and some 15,000 students studying computer science subjects. To kick-start media production, a former pie factory in the area has been converted to TV studios.

CASE STUDY AND POLICY DISCUSSION

The purpose of the case study and policy discussion session during Day 2 was to exchange ideas between CLUSNET members and the hosts.

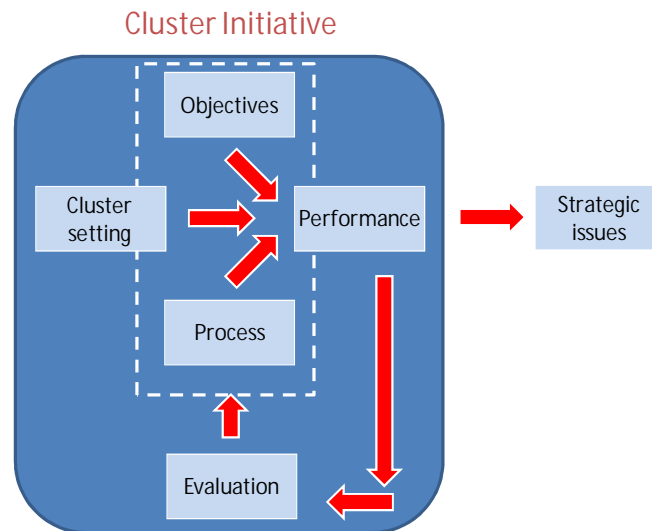
First, Örjan Sölvell reminded the CLUSNET team about the types of actors on the cluster stage, and the process of going from isolated sub-systems towards an integrated whole, involving extensive networking, cooperation and spillovers (symbolised by the dotted lines in Figure 3 below).

Figure 3: From an agglomeration with isolated actors to a dynamic cluster



The Manchester Creative / Digital / New Media case study followed the framework presented in Stockholm (see Figure 4). Spreading cross-cluster innovations was presented as the main issue facing the cluster.

Figure 4: Framework for the case description



The CLUSNET team discussed and analysed the major issues for three of the organisations inside the cluster, and the underlying causes behind these issues. The three organisation perspectives included the Commission for the New Economy, the North West Vision and Media cluster organisation, and the MediaCityUK Partnership. The findings are summarised in the table below.

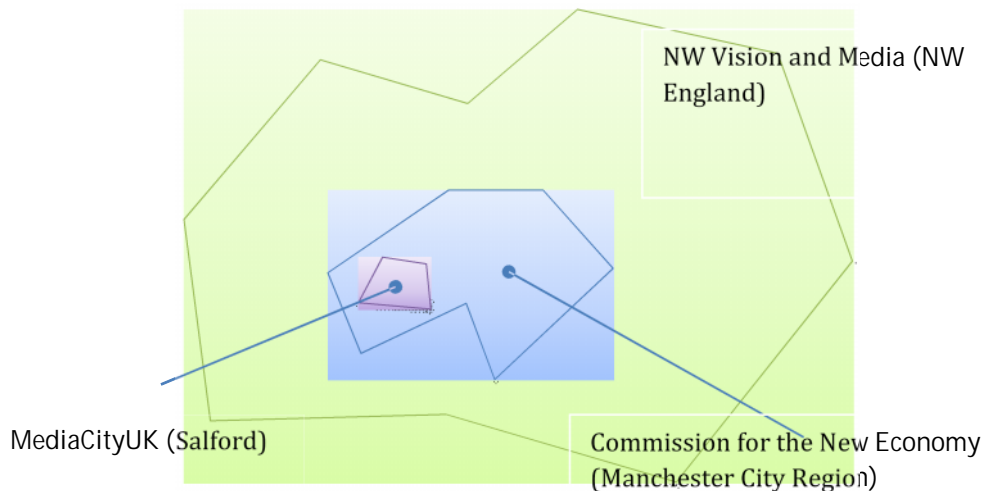
Figure 5: Main issues identified for three organisations

Commission	NW Vision & Media	MediaCityUK
Lack of inter-cluster linkages/spillovers	Questioned in embryonic stage	Relocate businesses to MediaCityUK
Lack of innovation	Not a key player in the "BBC World" (MediaCityUK)	Move away from business park/infrastructure project to dynamic cluster
Lack of one clear vision and strategy		Link businesses and university
Conventional cluster approach adds little value		Create a win-win within the city region

An important issue that came out of the discussions, facing all three actors, is the rather complex governance structure that included a regional level, a city-region level and local actors.

In addition, the cluster support process has been impacted by two recent major policy events. First, the highly legitimate MIER report which advocates against conventional sectoral/cluster approaches such as public cluster construction policy, while at the same time endorsing the MediaCityUK initiative. Second, the UK Government has undertaken a national initiative to examine how increased powers over economic policy and strategy could be devolved to city regions. The MCR has been selected as one of two pilot areas to participate in the initiative known as Statutory City Region Pilots.

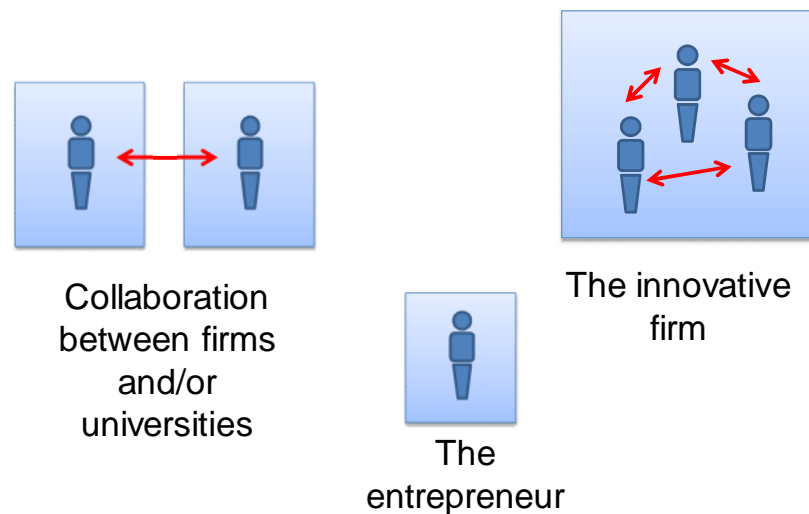
Figure 6: Region levels of economic policy for Manchester



CASE STUDY AND POLICY LEARNINGS

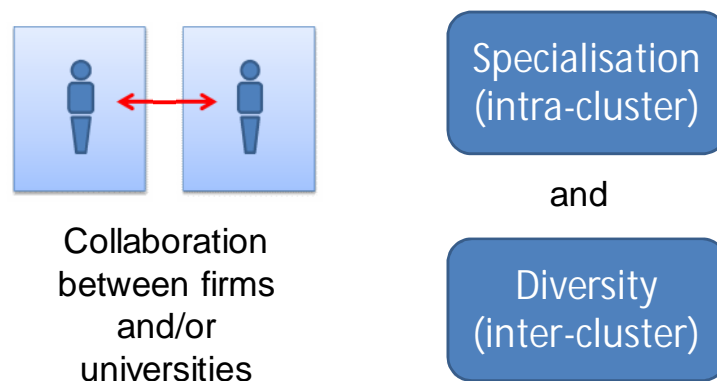
The morning session Day 3 began with a discussion around innovation, which was identified by key actors in the city region as the main issue. It was agreed that innovation is about a combination of something new (products, services, processes, business models, etc.) being put to use. It is the combination of novelty and widespread use that characterises important innovations.

Figure 7: Three models of innovation



The CSC team pointed to three main models for innovation: 1) the classic Schumpeterian entrepreneur producing innovations separately, 2) innovations produced inside large firms, and 3) innovation through collaboration between firms, and between firms and universities and other organisations. The discussion centred on the third model as central to cluster initiatives.

Figure 8: Intra- and inter-cluster linkages for innovation

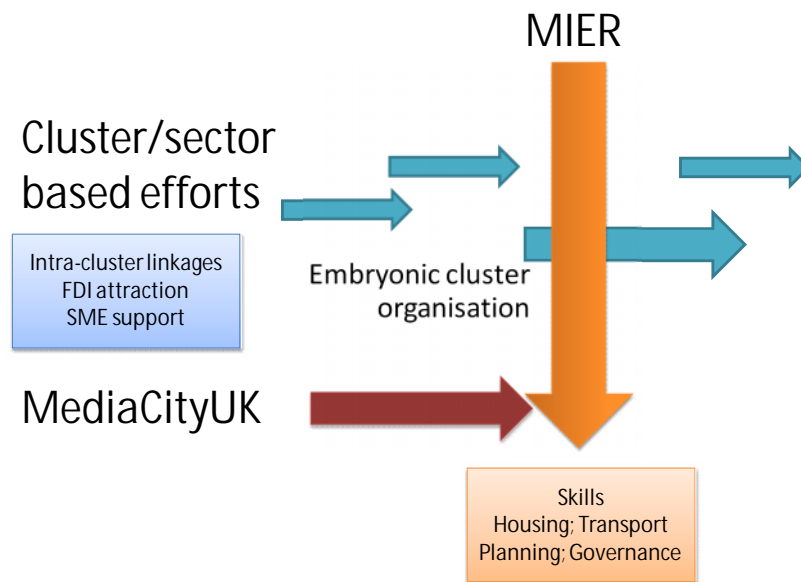


The policy process can build on either or both of two main forms of collaboration and spillovers facilitating innovation: intra-cluster collaboration between firms in related industries (often referred to as specialisation or localisation effects and usually associated with Marshallian external economies), and inter-cluster collaboration between firms in diverse sectors/clusters (often referred to as diversity or urbanisation effects, and associated with Jacobian external economies).

In the context of MCR some economic development efforts are geared towards intra-cluster collaboration and spillovers (the top box in the illustration above), whereas the MIER report makes a strong case for diversity effects (the bottom box). The MIER report aims at enhancing innovation and spillovers. However, the analysis is based on productivity data, and the report contains no information on innovation in any of the key sectors in the region.

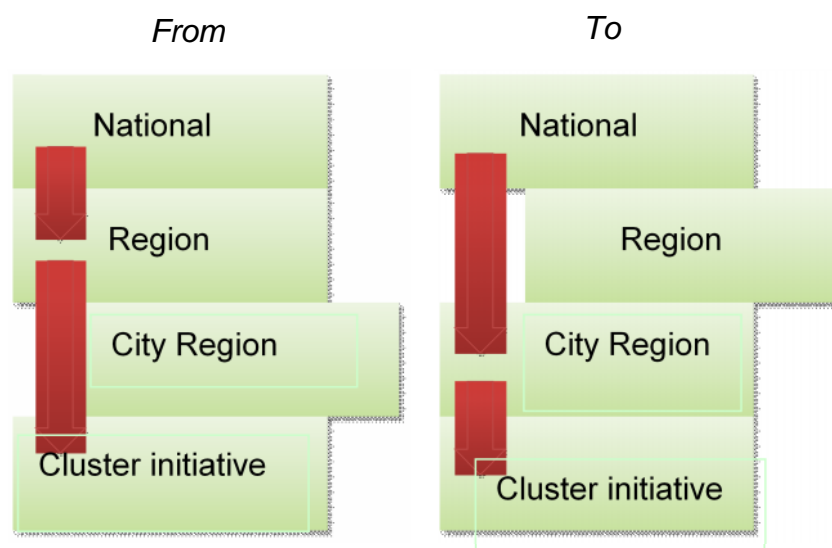
The CLUSNET team acknowledged a tension between the embryonic cluster initiative in the digital/media sector and the highly legitimate and publicised MIER report. However, the Media City sector initiative is endorsed by the MIER report (mainly referred to as an infrastructure project) and therefore can solve some of the tension.

Figure 9: The policy process involving cluster initiatives, MediaCityUK and the MIER report recommendations



The CLUSNET team acknowledged the cluster initiative process could potentially be impacted by the new national initiative examining the devolution of powers to city regions. In fact, the regional body, NWDA, could also be affected dependent on what powers, if any, are eventually devolved to the Manchester City Region in respect of sector/cluster programmes.

Figure 10: Potential impact of the new national policy for city regional economic development



CONCLUSIONS

At the end of Day 3, Göran Lindqvist and Örjan Sölvell presented the conclusions from the CLUSNET team discussions. Innovation, linkages and city regional branding were highlighted as key issues.

Figure 11: Five conclusions from the CLUSNET team



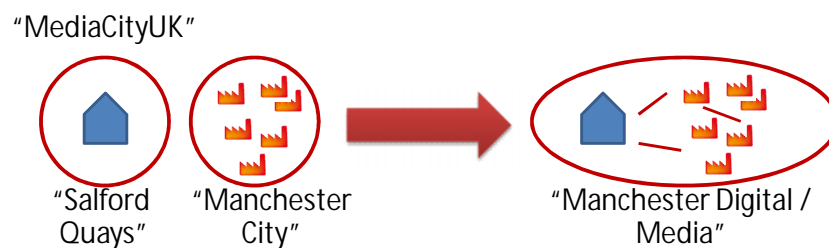
The CLUSNET team proposed five conclusions:

- 1) The focus on innovation is highly relevant, but must be addressed with a clear vision and measures for evaluating innovative performance. The CLUSNET team presented innovation performance from the EU Commission, indicating that the Manchester City Region is indeed not a top innovation performer in Europe.

Innovation rank	Region
1	Stockholm
2	West Sweden
3	Oberbayern
...	
35	London
...	
56	North West UK

Note: The ranking is based on six measures: % of pop in science and technology; Participation in life-long learning; Public R&D exp; Business R&D exp; Employment in medium/high-tech manufacturing; Patents per capita. Data for 2006. Source: European Commission, DG Enterprise, Trendchart/INNO-metrics

- 2) Promote stronger linkages between industry and venture capital and attract venture capital (and business angels) to the city region.
- 3) Promote stronger linkages between the university sector and industry. The University of Salford campus at MediaCityUK is an important step in this direction, which should be further developed.
- 4) Promote stronger inter-cluster linkages, which is particularly beneficial in the Creative / Digital / New Media cluster where innovation typically involves many types of industries.
 - Establish a cluster project database to enhance visibility
 - Provide co-financing of cross-cluster collaboration projects
 - Establish an award for best cross-cluster collaboration
 - Prototype rewards and match-making
 - Showcase successful projects in media
 - Establish a living lab for prototype testing
- 5) Simplify and unite the multitude of digital/media initiatives (regional, city regional and local) under one brand. Particularly it was noted that the MediaCityUK project was branded more with the general notion of “UK” and with the internationally unknown “Salford Quays” name than with the world-renowned “Manchester” name. Furthermore, it was noted that the MediaCityUK initiative involves large organisations whereas most of the digital/media SMEs are concentrated in other parts of the Manchester City Region. The natural proximity between these environments should not be broken up by a fragmented approach.



The overall goal should be to establish global visibility and attractiveness of the “Manchester Creative / Digital / New Media Cluster”. There are several issues facing policy makers in the North West and city region, but with concerted efforts and a focus on innovation, linkages and branding there is a great potential for the future.

TRANS-NATIONAL CLUSTER NETWORKING

A trans-national cluster network event was held on the second day of the Manchester CLUSNET seminar and was chaired and facilitated by Mike Ryan from Manchester Digital, the independent trade association for digital businesses within the Manchester City Region. The main outcome from the cluster networking was an agreement between the participating cluster organisations to share digital cluster information on:

- Good practice
- Competencies / capabilities
- Structure / partners
- Key companies / contacts
- Ideas for future projects, including a joint event on topic with common interest

Manchester's Commission for the New Economy will work with Manchester Digital in driving forward this trans-national agenda and ensure, as far as practicable, that it is fully integrated with the further development of the Creative / Digital / New media cluster in the city region.