

CLUSNET

Clusters & Cities Network

MANCHESTER SEMINAR

16 – 18 JUNE 2009

CLUSTER CASE STUDY

CREATIVE, DIGITAL & NEW MEDIA

INTRODUCTION

Purpose

The purpose of this paper is to set out a case study focused on the issue of innovation within the Creative / Digital / New Media cluster in the Manchester City Region¹ (hereafter, “Manchester”) for analysis by partners participating in the CLUSNET project.

Background

The CLUSNET project, which was launched in Stockholm in April 2009, is a partnership of ten European cities (Barcelona, Budapest, Dortmund, Eindhoven, Gothenburg Helsinki, Munich, Leipzig, Lyon and Manchester) which have come together with the aim of:

- Improving the effectiveness of public cluster support policies through the exchange of best practice;
- Stimulating the establishment of inter-cluster links between European clusters;
- Producing policy recommendations targeted at both local and EU level on cluster support policies.

The Manchester seminar is the first of a series of seminars to be hosted by each of the participating cities (with the exception of Munich) over the next three years, with each city deciding upon a cluster of its choice and associated strategic issue for analysis. Manchester’s participation in the project is being led and coordinated by Manchester’s Commission for the New Economy². The CLUSNET project overall is led and coordinated by the City of Lyon and supported by the Centre for Strategy and Competitiveness (CSC), Stockholm.

¹ The Manchester City Region incorporates the boundaries of the two cities of Manchester and Salford, and the eight metropolitan boroughs of Bolton, Bury, Oldham, Rochdale, Stockport, Tameside, Trafford and Wigan. Collectively, these ten Authorities or Municipalities are known as the Association of Greater Manchester Authorities (AGMA).

² The Commission for the New Economy is the economic development agency for the Manchester City Region. It is a private sector-led agency and its Board is chaired by the Regional Director of British Telecom. The Board also includes Elected Members from the Association of Greater Manchester Authorities. The Commission’s registered company name is Manchester Enterprises Limited.

Why the Creative / Digital / New Media Cluster?

The reason for choosing the Creative / Digital / New Media cluster for analysis at the Manchester seminar was twofold: first, it was one of the few clusters that fitted with the CLUSNET criteria for policy analysis, for example, having a recognised cluster organisation; second, significant cluster developments are taking place within Manchester such as MediaCityUK, which are attracting public policy support, as well as substantial public and private sector investment.

The Creative / Digital / New Media is a wide and highly complex cluster which, for analytical purposes, can be sub-divided into the following four broad areas:

- **Digital Content (Audio-Visual / New Media)** (film, broadcast media, new media, music, et cetera)
- **Publishing (Book and Press)** (publishing, literary works, press agencies, et cetera)
- **Performance** (performing arts, theatre, dance, live entertainment, et cetera)
- **Visual Arts and Design** (contemporary visual arts, architecture, design, fashion, et cetera)

The case study set out in this paper concentrates on the Digital Content³ (hereafter, Digital cluster), as this is considered to be of the highest value to the Manchester economy in terms of Gross Value Add (GVA). However, it is important to recognise that there will be a degree of overlap between the four areas listed above, as indeed there will with other clusters such as ICT Digital / Communications.

³ The UK's system of 4-digit Standard Industrial Classification (SIC) codes 2003 define Digital Content in further detail, as: 2231: Reproduction of sound recording; 2232: Reproduction of video recording; 2233: Reproduction of computer media; 2465: Manufacture of prepared unrecorded media; 3220: Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy; 3210: Manufacture of electronic valves and tubes and other electronic components; 3230: Manufacture of television and radio receivers, sound or video recording or reproducing apparatus and associated goods; 7221: Publishing of software; 7222: Other software consultancy and supply; 7440: Advertising; 7481: Photographic activities; 9211: Motion picture and video production; 9212: Motion picture and video distribution; 9213: Motion picture projection; 9220: Radio and television activities.

Why Innovation?

Innovation is a key driver of productivity and an essential factor in the economic success of any economy. However, according to the findings of the Manchester Independent Economic Review⁴ (MIER), which were published on 6 April 2009, Manchester is underperforming in terms of productivity given the size⁵ of its economy. The MIER argues, among other things, that conventional public cluster-based policy approaches to stimulating innovation spillovers in clusters such as Creative / Digital / New Media add little value, and that a different approach is required to spreading innovation among Manchester firms.

The CLUSNET project therefore provides a timely opportunity for public cluster policy-makers from the participating European cities to further explore and analyse the issue of innovation and the approach recommended by the MIER, which are discussed in more detail in Section 6 of the case study.

⁴ The MIER was a £1.35 million year-long study providing a detailed assessment of the current state and future potential of Manchester's economy. Completely independent of national and local government, the Review was led by a panel of five prominent economists and business leaders: Sir Tom McKillop (former Chairman, Royal Bank of Scotland), Diane Coyle (Managing Director, Enlightenment Economics), Ed Glaeser (Professor of Economics, Harvard University), Jonathan Kestenbaum (Chief Executive, NESTA) and Jim O'Neill (Chief Economist and Head of Global Economic Research, Goldman Sachs). To learn more about the MIER visit: www.manchester-review.org.uk

⁵ The Manchester economy is the largest city-region economy in the UK outside of London and the South East of England.

1. CLUSTER SETTING

Digital is one of Manchester's leading clusters which has evolved and grown due to several historical factors rather than as the result of any explicit cluster construction policy. Two important factors in the cluster's evolution were the separate decisions to locate the BBC North West studios and ITV (television) studios in Manchester a few decades ago. These two companies dominate the cluster and are important 'anchor' firms which will continue to be key drivers of the cluster's future growth and evolution.

The key factors in establishing the ITV (formerly Granada) television studios in Manchester in 1956, which were the country's first purpose-built television production facilities, was a desire by the owners⁶ to locate their company to the region in which it would be broadcasting rather than broadcast out of London, and the availability of bomb clearance land in Manchester city centre. The BBC studios were established in Manchester as part of the BBC's national programme of regional television production.

While it is difficult to state with any certainty how the cluster has evolved in Manchester since these early developments, it is clear that it has progressed well beyond the 'factor advantage' and 'entrepreneur' stage⁷. In addition, the presence of well-established cluster-specific network associations such as Manchester Digital provides evidence of cluster growth and emerging 'social capital'⁸. However, while there is evidence of public policy support for the Digital cluster at national, regional, city-regional and local level in areas such as cluster policy and programmes, the strength of the cluster's links generally to international markets appear to be weak⁹.

Manchester is the North of England's creative centre and is home to the largest Creative / Digital / New Media cluster outside London. In 2003 the cluster generated

⁶ Granada Television was established and owned by Cecil and Sydney Bernstein who since the 1930s had owned and ran a cinema chain in the South of England called Granada Theatres Limited. They decided to enter the television industry in the 1950s as they saw it as a serious competitor to their cinema business and won the franchise to broadcast in the North of the England.

⁷Sölvell (2009)

⁸ Sölvell (2009)

⁹ See *Creative Industries Development Service, Development Services Demand Study Report* Manchester Enterprises (2007), *Digital and Creative Industries and Sector Strategy and Action Plan* NWDA (2008) and Experian Trade Survey (2008)

£1.9 billion economic output (Gross Value Added) accounting for nearly half (46%) of the total from the cluster in the North West region of England¹⁰. Between 1998 and 2003, GVA grew faster in Manchester (5.5%) than both the North West (3.2% p.a.) and national average (3.5% p.a.)¹¹. Geographically, the cluster is concentrated largely in Manchester city centre, Stockport and Trafford.

The number of businesses in the Creative / Digital / New Media cluster in Manchester is estimated at 8,900, approximately 60% of the North West cluster total. The cluster employs some 57,600 people, or 5.4% of the Manchester workforce¹². This equates to approximately 47% of the North West cluster total. It is estimated that a significant proportion of these jobs, possibly as high as one third, are self-employed and freelancers¹³. High skilled, knowledge intensive jobs form the main occupational groupings within the cluster: managers and senior officials (24.2%); professional occupations (24.2%); and associate professional and technical jobs (27.1%). Approximately 25,400 (45%) of the cluster's workforce are employed in the Digital cluster.

While Manchester is perceived as a good place for creative and digital businesses, opinion is mixed as to whether or not the Creative / Digital / New Media cluster as a whole has achieved the critical mass needed to be both sustainable and competitive in a global market place¹⁴. It is not clear what affect the current world-wide economic downturn will have on the cluster, at least in the short-term. However, it is expected that developments such as MediaCityUK¹⁵ will have a long-term, positive impact on the cluster helping to generate critical mass / agglomeration effects in terms of size and scale of job opportunities, diversity of markets and productivity gains.

¹⁰ Manchester Enterprises (2007)

¹¹ Manchester Enterprises (2007)

¹² Annual Business Inquiry (2006)

¹³ Manchester Enterprises (2007)

¹⁴ Manchester Enterprises (2007)

¹⁵ The MediaCityUK development in the Salford district of the Manchester City Region will provide Europe's first purpose-built business hub for the creative, digital and media industries. It is designed to bring together companies from across the cluster and to establish an international centre for excellence in the creative, digital and media industries. The first phase, spread over 36 acres, will be completed in 2011 with potential to utilise up to 200 acres of land over the next decade.

2. CLUSTER INITIATIVE OBJECTIVES

The Northwest Regional Development Agency (NWDA) is one of nine regional development agencies set up by the government in 1999 to help improve the quality of life and economic prosperity in the English regions. As part of this work, the NWDA invests heavily in the six regional priority clusters, one of which is Creative / Digital / New Media, to develop higher value activity, increase business formation, improve productivity and identify future growth opportunities from converging markets and technologies. The Agency is also a key public investor in MediaCityUK.

The NWDA is the main commissioner and funder of public policy interventions in the Creative / Digital / New Media cluster in the North West of England (and thus Manchester) with whom Manchester's Commission for the New Economy and cluster-related agencies work closely on cluster-related matters. The NWDA's Digital and Creative Industries Enterprise and Skills Sector Strategy and Action Plan (2008) sets out ten key objectives and associated actions for the cluster. The objectives are:

1. Support the development of an internationally competitive sector
2. Develop plans to exploit the opportunities for the region from the creation of MediaCityUK and the BBC relocation¹⁶
3. Develop higher value added activity through innovation
4. Realise opportunities arising from globalisation
5. Develop leadership and management skills in the current workforce; develop intermediate and higher level skills in the current workforce
6. Grow the size of the workforce
7. Support the development of major employment sites
8. Improve access to finance for growth and innovation
9. Deliver the pilot Regional Creative Economy Framework Strategy
10. Improve the image of the region to businesses and visitors

¹⁶ The BBC will move approximately 2,500 staff to MediaCityUK, which will involve relocating five London-based departments, along with all local and network broadcasting which currently operate out of Manchester city centre.

Manchester's Commission for the New Economy is broadly supportive of these objectives for the cluster in Manchester, but will want to explore with the NWDA how they will take account of the findings of the recently published Manchester Independent Economic Review.

Manchester's main cluster objective, which is set out in the Manchester Strategic Enterprise Framework (2009), is generic rather than specific to the Creative / Digital / New Media cluster. The objective is:

"To develop knowledge and employment sectors [clusters] and networks which are particularly strong, or have growth potential"

The Manchester Strategic Enterprise Framework (2009) recognises that business clusters have the potential to increase productivity through innovation and identifies the Creative / Digital / New Media as one of Manchester's top six clusters for achieving this and contributing to the creation of a modern, knowledge-driven economy.

The Manchester Independent Economic Review also recognises the importance of business clusters to the Manchester economy, but advocates against traditional cluster policy approaches in certain areas such as innovation – an issue which is dealt with in more detail in Section 6 of this case study.

The Manchester Digital Strategy (2008) developed by the Manchester Digital Development Agency¹⁷ on behalf of the Manchester City Region, aims to put in place super-fast broadband across Manchester by creating a new 'open access' network, putting in place fibre to premises connections, advanced wireless and a new internet 'Hub' exchange.

¹⁷ The Manchester Digital Development Agency is based in Manchester city centre and is part of Manchester City Council, which acts as the lead authority for digital work on behalf of the Association of Greater Manchester Authorities. Manchester Digital Development Agency is responsible for developing and implementing the Digital Strategy for the Manchester City Region

3. CLUSTER INITIATIVE PROCESS

One of the key actions arising from the first objective (Support the development of an internationally competitive sector) contained in the NWDA's Digital and Creative Industries Enterprise and Skills Sector Strategy and Action Plan (2008), which was discussed in the previous Section, is to support Northwest Media and Vision as a single regional cluster organisation for the North West of England.

Northwest Vision and Media, which is currently based in the BBC's regional headquarters in Manchester city centre, was established through a merger between two cluster-related organisations (Northwest Vision and Media Training Northwest) and began operating as the single regional cluster organisation (RCO) for the Creative / Digital / New Media industries in the North West of England in April 2009. As an industry-led organisation, the bulk of its activity is in Manchester where approximately 60% of the North West's Creative / Digital / New Media businesses are based.

Northwest Vision and Media is a company limited by guarantee with an independent Board of Directors. It receives the majority of its funding from the NWDA and nationally from the UK Film Council¹⁸. Both these funding agencies recognise that Manchester plays a central role in the Creative / Digital / New Media industries. The Association of Greater Manchester Authorities also provides a small amount of funding support to the organisation.

Northwest Vision and Media's overall aim, which is not too dissimilar to the NWDA's regional objective of developing an internationally competitive sector [cluster], is:

“To grow a world class digital and creative economy”

¹⁸ The UK Film Council is the Government-backed lead agency for film in the UK ensuring the economic, cultural and educational aspects of film are effectively represented in the UK and abroad.

To achieve this Northwest Vision and Media seeks to do the following:

- Takes the strategic lead for the cluster
- Builds businesses
- Develops skills and talent
- Attracts production
- Markets and promotes the industry nationally and internationally
- Inspires audiences

Northwest Vision and Media works with seven distinct sub-sectors [clusters] which are: Broadcast (TV and Radio); Film; Creative Services; ICT/Digital; Games; Music; and Publishing. These sub-sectors have been selected as they are considered to have the highest economic value and thus the greatest economic impact.

The organisation provides specialist industry support and guidance through its specialist and associate advisors, as well as £6.6 million investment in various projects and schemes. One of the important roles for the organisation is to coordinate the support offered by a myriad of publicly-funded providers so that publicly-funded services are made available and delivered in a simplified way to companies and other recipients of support.

4. PERFORMANCE OF CLUSTER AND CLUSTER ORGANISATION

Over the past few years the Creative / Digital / New Media cluster in Manchester has been growing at a faster pace than the national economy, driven in particular by growth in digital content (including audio-visual / new media):

- In 2003 the cluster generated economic output (Gross Value Added) of £1.9 billion, accounting for nearly half (46%) of total output from the cluster in the North West
- Between 1998 and 2003, GVA grew faster in Manchester (5.5%) than both the North West (3.2% p.a.) and national average (3.5% p.a.) for the cluster
- During the same period the growth in the number of employees within the cluster in Manchester (3.4% p.a.) was substantially higher than the national rate (0.7% p.a.) and well above the North West average (1.2% p.a.)

However, it is too early to tell what effect recent national, regional and city-regional policies such as the Government's Digital Britain Interim Report (2009), the NWDA's Digital and Creative Industries Enterprise and Skills Sector Strategy and Action Plan (2008), the Manchester Strategic Enterprise Framework (2009) and the Manchester Digital Strategy (2008), are having on the competitiveness and continued growth of the cluster.

It is also too early to tell whether the cluster in Manchester is fulfilling the goals and objectives set for it by these relatively new policy documents. Similarly, it is too early to assess the performance of the cluster organisation (Northwest Vision and Media) which only began performing this function since April 2009. However, as far as innovation is concerned, the Manchester Independent Economic Review is clear in its findings that a new approach is needed to cluster policy if Manchester is to realise any value in this area.

5. EVALUATION OF THE CLUSTER INITIATIVE

Responsibility for measuring the success of the Creative / Digital / New Media cluster initiative lies with the NWDA. Manchester with its high concentration of digital businesses has a particular interest and stake in the success and impact of the cluster initiative.

Each of the ten objectives set out in the NWDA's Digital and Creative Industries Enterprise and Skills Sector Strategy and Action Plan (2008) contain at least one associated action deemed necessary to deliver the objective and a corresponding outcome against which the delivery of the action will be assessed, with some outcomes yet to be developed. Once these are developed, the document will contain well over 50 outcomes with which to measure the success of the objectives. An assessment of the impact of the Strategy will be made based on the degree to which the objectives are successfully delivered.

The innovation objective, number three (Develop higher value added activity through innovation), which is relevant to this case study, contains eleven outcome measures including six which are yet to be developed.

One of the four actions supporting objective number one (Support the development of an internationally competitive Digital and Creative Industries sector [cluster]) relates to the regional cluster organisation, Northwest Vision and Media, and the delivery of their regional cluster role. The two outcomes against which the organisation will be measured in terms of their success are:

- Strategic objectives will be measured against delivery of a Service Level Agreement aligned to the Agency's [NWDA] Cluster Programme for priority sectors and to sector strategy for Digital and Creative Industries;
- Northwest share of UK GVA from Digital and Creative Industries increased from its present 9.3% to 15% by 2015 – to achieve this we will need to grow GVA from Digital and Creative Industries in the Northwest by £1 billion per annum, year on year [job numbers to be developed]

The success of the second outcome will be heavily dependent on the performance of the Creative / Digital / New Media cluster in Manchester.

6. STRATEGIC ISSUE FACING THE CLUSTER TODAY

According to the Manchester Independent Economic Review, which reported its findings in April 2009, conventional public cluster-based policy approaches to stimulating innovation spillovers among networks of firms from within the same cluster add little value. The Review argues that innovations spread more easily within a supply chain with trading links than among competitor firms from the same cluster, where competitive pressures and the need to gain and sustain a competitive advantage over rivals inhibits the flow of ideas and information.

The Review found however that large numbers of firms in Manchester have no trading links with other firms in Manchester, particularly in the Creative / Digital / New Media cluster, although firms within the cluster had strong connections to firms outside of Manchester which meant that creative businesses had good access to innovations elsewhere. However, the flow of innovations from firms within the Creative / Digital / New Media cluster to neighbouring firms regardless of their cluster orientation was inhibited because of the lack of trading links and cross-cluster networks to facilitate such links. The Review suggests that business networks targeted at particular clusters such as Creative / Digital / New Media would be productive, although recognising that policy makers cannot directly affect trading links.

The NWDA's Digital and Creative Industries Enterprise and Skills Sector Strategy and Action Plan (2008) in the context of its third objective (Develop higher value added activity through innovation) also recognises the importance of linking innovation within the Creative / Digital / New Media cluster to other clusters.

The strategic issue for Manchester therefore is the need for a new cluster policy objective on cross-cluster innovations that is agreed with key partners and which is supported by appropriate outcome and impact measures, together with partner agreement on the creation and delivery of the links and networks and other actions to achieve the objective.

Contact Details

For further information about the Manchester case study, please contact:

Cecil Edey

Head of Enterprise

Commission for the New Economy

6th Floor, Churchgate House, 56 Oxford Street, Manchester, M1 6EU

T: 0161 237 4199

M: 07834 572414

E: cecil.edey@neweconomymanchester.com

W: www.neweconomymanchester.com