

南華大學出版與文化事業管理研究所碩士論文

A THESIS FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION GRADUATE INSTITUTE OF PUBLISHING &
CULTURAL ENTERPRISE MANAGEMENT
NAN HUA UNIVERSITY

Reasons for Creative Industries to Cluster – A Case Study of Uzupis
District, Lithuania

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中 華 民 國 101 年 1 月

南 華 大 學

出版與文化事業管理研究所

碩士學位論文

Reasons for Creative Industries to Cluster A Case Study of
Uzupis district, Lithuania

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口試日期：中華民國 100 年 12 月 09 日

准碩士推薦函

本校出版與文化事業管理研究所(碩士專班)研究生 郭米拉 君在本所修業 3.5 年，已經完成本所碩士班規定之修業課程及論文研究之訓練。

- 1、在修業課程方面：郭米拉 君已修滿 36 學分，其中必修科目：論文導讀與討論、出版事業經營管理、研究方法、專題研討與論文計劃、資訊需求與消費行為研究 等科目，成績及修（請查閱碩士班歷年成績）。

- 2、在論文研究方面：郭米拉君在學期間已完成下列論文：

(1) 碩士論文：Reasons for Creative Industries to Cluster - A Case Study of Uzupis District, Lithuania

本人認為 郭米拉 君已完成南華大學出版事業管理研究所之碩士養成教育，符合訓練水準，並具備本校碩士學位考試之申請資格，特向碩士資格審查小組推薦其初稿，名稱：Reasons for Creative Industries to Cluster - A Case Study of Uzupis District, Lithuania，以參加碩士論文口試。

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中華民國 100 年 11 月 24 日

Title of Thesis: Reasons for Creative Industries to Cluster – A Case Study of Uzupis District, Lithuania

Name of Institute: Graduate Institute of Publishing & Cultural Enterprise Management, Nan Hua University

Graduate date: January 2012 Degree Conferred: M.B.A.

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Abstract

The phenomenon of creative industries clustering has been widely studied but less attention has been paid to the reasons for creative entrepreneurs to cluster. Knowing what factors influence creative entrepreneur's decision to locate close to other creative and cultural industries may provide important insights into the successful development of creative clusters. Therefore the purpose of this study is to clarify why creative entrepreneurs choose to locate close to other creative industries and what factors influence this co-location decision.

The study has been conducted in the Uzupis district in Vilnius, Lithuania. Uzupis district is one of the most noticeable examples of clustering of creative industries in Vilnius. The area now contains 250 creative industries ranging from individual artists, producers, art investigators, managers to museums and galleries.

Preliminary results suggest that there are various factors that affect clustering of creative and cultural firms in Uzupis. Most firms emphasize the importance of the unique environment, price and availability of space/rent, proximity to other creative actors that generates creative atmosphere. Agglomeration economies, urbanization economies as well as related variety, however, have only a slight effect on clustering of creative and cultural firms in Uzupis district.

Keywords: Creative Clusters; Cultural and Creative Industries; Creative entrepreneurship

Table of Contents

Abstract	.....	iii
Table of Contents	.....	iv
List of Tables	.....	vi
List of Figures	.....	vii
Chapter 1	Introduction.....	1
1.1	Research Background.....	1
1.2	Statement of the Problem.....	2
1.3	Research Limitations.....	3
1.4	Research Process.....	3
1.5	Structure of the Thesis.....	5
Chapter 2	Literature Review	6
2.1	General Background to the Creative Industries.....	6
2.1.1	Introduction to the Creative Industries.....	6
2.1.2	Definition of the Creative Industries.....	7
2.2	Creative Industries in Lithuania	10
2.3	General Background to the Business Cluster.....	14
2.3.1	Schools of Business the Clustering.....	14
2.3.2	Definition of the Business Cluster.....	19
2.4	Creative Cluster	22
2.4.1	Background to the Creative Clusters.....	22
2.4.2	Definition of the Creative Clusters.....	25
2.5	Reasons for Creative Industries to Cluster	31
Chapter 3	Research Methodology and Limitations	41
3.1	Research Method.....	41
3.2	Data Gathering.....	43

3.3	Conceptual Framework.....	45
Chapter 4	Research Results and Discussion	47
4.1	Creative Industries in Vilnius.....	47
4.2	Background to Uzupis.....	49
4.3	Uzupis Creative Cluster.....	50
4.4	Reasons for Creative Industries to Cluster in Uzupis	52
	4.4.1 Survey Results.....	52
	4.4.2 Interview Results.....	54
Chapter 5	Conclusions, Implications and Suggestions.....	70
5.1	Conclusions.....	70
5.2	Implications and Suggestions	72
References	.....	74

List of Tables

2-1	The National Definitions of Creative and Cultural Industries in Different Countries...	8
2-2	Definition and Subsectors of Creative Industries in UK and Lithuania.....	11
2-3	Economic and Statistical Indicators of CI in Lithuania (2006, 2007 Data).....	12
2-4	Five Dominating Schools of Clustering.....	14
2-5	Cluster Definitions.....	20
2-6	Overview of Researches of Cultural and Creative Clusters.....	24
2-7	Cultural and Creative Cluster Definitions.....	26
3-1	Information about Respondents.....	44
5-1	Summary of the Interview Results.....	69

List of Figures

1-1	Research Process.....	4
3-1	Conceptual Framework.....	46
4-1	Map of Uzupis Creative Cluster.....	51
4-2	Survey Results: Clustering Factors.....	53

Chapter 1 Introduction

The purpose of this chapter is to provide a background for problems this thesis addresses. The chapter will start with short overview to the rise of creative industries phenomenon and its growing importance in today's social and economic life. The concept of creative industries cluster will be also mentioned. Next, the statement of the problem and questions of this research will be introduced. Finally, research limitations and research procedure will be presented.

1.1 Research Background

Creative industries have attracted increasing attention from researchers and policy makers in recent years. In the past, creative and cultural industries were treated as a welfare sector having no particular economic effects. Evidences now suggest that culture and creativity have a potential not only to accelerate economic growth, but also to foster innovation and to shape attractive environments for people to live.

Researchers and policy makers seek to identify ways to stimulate the development of creative and cultural industries. One of the strategies of enhancing cultural and creative industries is the creation and development of creative and cultural clusters. The concept of creative cluster is closely related with a concept of industrial cluster. Porter (1998) defines cluster as “geographically proximate group of interconnected companies and associated institutions in a particular field, linked by communalities and complementarities.” Other researchers differently define cluster and the concept is characterized as broad and fuzzy (Hofe & Chen, 2006). Even though the definition of cluster concept differs across disciplines and authors, there seems to be agreement on some general cluster properties. The key elements of clusters are spatial proximity, interrelatedness of activities, interaction between agents and institutional context.

The application of cluster concept to creative and cultural industries is relatively recent. Many researches on creative and cultural industries argue that creative activities show a clear tendency to cluster (Bassett, Griffiths, & Smith, 2002; Assmo, 2005; Bagwell, 2008; Lazzaretti, Boix, & Capone, 2008; Newman & Smith, 2000). Creative and cultural

industries have distinct characteristics that separate creative clusters from other clusters. Creative clusters differ from conventional industrial clusters in their forms and aims – they may have economic, cultural as well as social objectives (Evans, 2009). Department for Culture, Media and Sport, UK (DCMS) presents the advantages of clustering in cultural and creative industries. Creative entrepreneurs may operate better when they concentrate in clusters because it promotes networking, collaboration, the sharing of good practice, innovativeness and economies of scale. Prosperous clusters can attract creative talent in particular areas and inspire other creative firms either to join the cluster or support the firms already there (DCMS , 2000).

1.2 Statement of the Problem

The phenomenon of creative industries clustering has been widely studied but less attention has been paid to the reasons for creative entrepreneurs to cluster. The creative entrepreneur's decisions to cluster are closely related with the emergence and development of cluster. Thus, knowing what factors influence creative entrepreneur's decision to locate close to other creative and cultural industries may provide important insights into the successful development of creative clusters. Therefore the purpose of this study is to clarify what factors influence creative entrepreneurs choose to locate close to other creative industries. This research seeks to answer following questions:

1. Do the advantages of agglomeration economies influence their decision to cluster?
2. Do the advantages of urbanization economies and related variety influence their decision to cluster?
3. Does the affordable space affect creative entrepreneurs' decision to cluster?
4. Does proximity to clients play a role in decision to cluster?
5. Does availability to share tacit knowledge and ideas have a role in decision to cluster?
6. Are social capital, social networks and trust important in decision to cluster?
7. Is institutional thickness an important factor in creative entrepreneurs' decision to cluster?
8. Does the characteristics of environment have a role in their decision to cluster?

By answering those questions this research will propose conclusions on the strategies for the development of creative clusters. The study has been conducted in the Uzupis district in Vilnius, Lithuania. Uzupis district is one of the most noticeable examples of clustering of creative industries in Vilnius.

1.3 Research Limitation

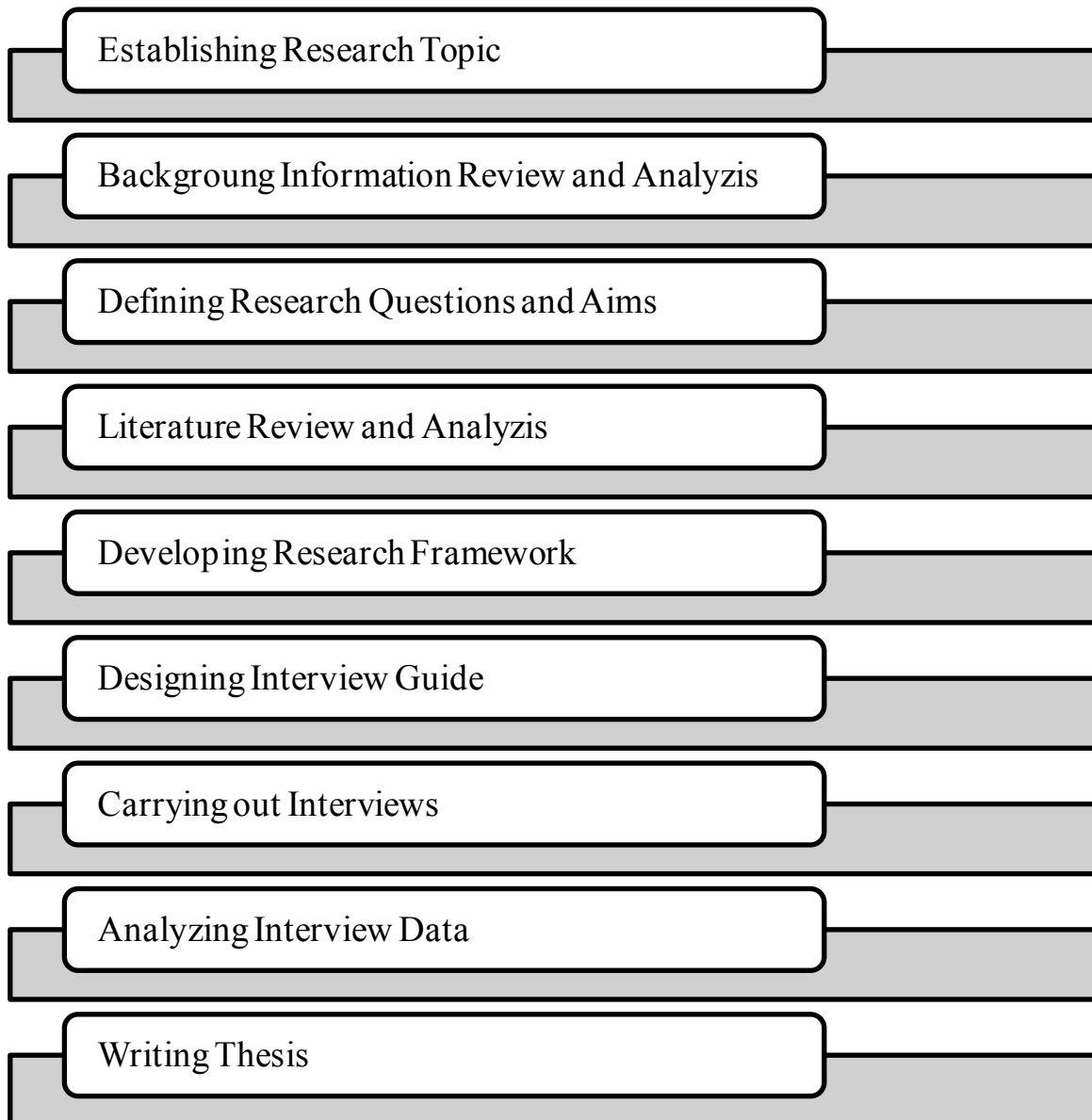
This thesis provides some insights into the reasons for creative entrepreneurs to cluster, but there are limitations in the research. The main shortcomings of this thesis are its subjectivity and very limited amount of cases involved. In qualitative research, personal opinion and judgment as well as interaction with respondents inevitably influence the results of the research. Qualitative results cannot be converted into numbers and analyzed in the same comprehensive way as quantitative data, therefore can only provide an insight into general trends. In addition, the very limited number of respondents in qualitative research does not allow making general statements beyond the individual level. In order to limit subjectivity, some measures have been taken in this research. Firstly, the respondents selected for interviews represent different fields of creative industries, ranging from music creation to sculpture, design or theatre. It was expected that this diversity will enable to form more general statements. Secondly, a small survey and secondary data have been used to verify the statements of the respondents.

1.4 Research Process

Research process started with choosing a research topic. Once the topic has been chosen, the related background information was collected and analyzed. This step helped to refine topic and to formulate research questions and aims. Next, the scholarly articles, books and other sources related with research questions have been collected and reviewed. The purpose of this step was to establish context for research topic and develop the research framework. Initial research and literature review helped to develop an interview guide. Following this step, interviews with selected respondents were carried out. After finishing interviews, the collected data was analyzed and answers to the research questions were found. The last step was to write thesis and provide suggestions for future research. The research

process is shown in Figure 1-1:

Figure 1-1: Research Process



Source: Own compilation

1.5 Structure of the Thesis

This thesis is structured in five chapters. Chapter one includes an introduction, background, statement of the problem, limitations, and explanation of research procedure. Following this introduction, chapter two contains a review of the main literature and issues related to the topic of the research. The research methodology and data gathering methods applied in this research are then presented in chapter three. Chapter four presents background information about the research area Uzupis and the empirical findings are presented. Finally, chapter five involves the conclusions of this thesis and answers to the research questions. In addition, this final chapter provides implications for future research.

Chapter 2 Literature Review

In this chapter the theoretical framework for the analysis is presented. The chapter will start with a general background of the rise of creative industries. Next, the current situation of the cultural policy and creative industries in Lithuania will be reviewed. This paragraph will be followed by a paragraph on the phenomenon of business clustering. It includes the overview of the different theoretical schools of business clusters. Subsequently, the phenomenon of creative clusters will be discussed more thoroughly. Different typologies and interpretations of creative clusters will be examined. After the discussion about theories on creative clustering, the factors and possible reasons for creative firms to cluster will be considered. Those reasons will be discussed as follows: agglomeration economies, urbanization economies and related variety, affordable space, proximity to clients, concentration of tacit knowledge, information and ideas, social capital, social networks and trust, institutional thickness and finally, unique environment.

2.1 General Background to the Creative Industries

2.1.1 Introduction to Creative Industries

Increasingly, the creative industries have become one of the most important economic sectors for governments worldwide. Since the 1990s, it is observed that creative industries, covering a wide range of activities, from performing arts to advertising, crafts to antiques, visual arts to leisure software, are one of the fastest growing industry sectors. Creative sector is also regarded as especially receptive to foreign collaborations. Thus, there is great potential for international partnerships and exports. Moreover, by their very nature, creative industries tend to constantly innovate and incorporate new technologies in order to add value to the content of their products. Thus, it results in wide range of business opportunities. Apart from their economic contribution, creative industries are further important socially because of their positive impact on social inclusion and cultural diversity. The economic and social potential of creative industries has been recognized in countries such as UK, USA, Australia, New Zealand, Hong Kong, South Korea and Taiwan, among

others.

2.1.2 Definition of Creative Industries

The concept of “Creative industries” lacks clarity and is considered as inconsistent and confusing (Galloway & Dunlop, 2007). Throsby (2008) states that different definitions of terms lead to the construction of different patterns of the cultural production sector of the economy and hence a different body of industries contained within sector (Throsby, 2008). The terms “cultural industries” and “creative industries” are used interchangeably and the difference between the two is rather vague (Throsby, 2008). The Study on the economy of culture in Europe prepared for the European Commission distinguish between a “cultural sector” constituted of traditional art fields and industries, whose outputs are particularly “cultural”, and the “creative sector” which includes the remaining industries that use culture as an added-value for the production of non-cultural products (Commission of the European Communities, 2008).

The concept of “creative industries” was popularized by the United Kingdom Government. As per Creative Industries Mapping Document (2001), the UK Government defined the creative industries as “those industries 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 , 2001). The document further states that the creative sector include industries like advertising, architecture, the art and antiques market, crafts, design, designer fashion, film and video, interactive leisure software, music, the performing arts, publishing, software and computer services, television and radio (DCMS , 2001).

In UNESCO, for example, there are clear boundaries between concepts of “creative industries” and “cultural industries”. Here cultural industries are regarded as those industries that “combine the creation, production and commercialization of creative contents which are intangible and cultural in nature. The contents are typically protected by copyright and they can take the form of a good or a service (Global Alliance, 2006).”

Indeed, usage of the notions “creative industries” and “cultural industries” varies broadly amongst researchers and policy makers in different countries.

Some countries, such as Australia and New Zealand adopted the notion of “creative industries” in their economic policies. However, some European countries, such as Norway and France, prefer the term “cultural industries” instead. In German, both cultural economy and creative economy or creative industry are in use. In Asia, the term “cultural industries” seems more popular than the “creative industries”. Japan, South Korea and Mainland China all use this term, although the component industries in these countries differ from one another (Hui, 2007). Taiwan merged two notions, UK “creative industries” and UN’s “cultural industries” into one concept – creative and cultural industries. The scope of the Cultural and Creative Industries in Taiwan covers a range of thirteen categories including visual arts, music and performing arts, crafts, cultural display facilities, the design industries, publishing, TV and broadcast, movie, advertising, digital recreation and entertainment, the designer fashion industry, the architectural design industry, and the lifestyle industry.

Table 2-1 provides various national definitions of creative and cultural industries in different countries.

Table 2-1: The National Definitions of Creative and Cultural Industries in Different Countries

Country	Concept	Definition
UK	Creative Industries	Those industries 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 , 2001).
France	Cultural Industries	A set of economic activities that combine the functions of conception, creation and production of culture with more industrial functions in the large-scale manufacture and commercialization of cultural products (Throsby, 2008).

Norway	Cultural Industries	Those industries that produce products the main characteristics of which are communication, i.e. products that communicate through signs, colors, movements, stories, sounds, forms etc.
German	Creative and Cultural Industries	The culture and creative industries comprise of all cultural and creative enterprises that are mainly market-oriented and deal with the creation, production, distribution and/or dissemination through the media of cultural/creative goods and services (Söndermann, Backes, Arndt, & Brünink, 2009).
Hong Kong	Creative Industries	A group of economic activities that exploit and deploy creativity, skill and intellectual property to produce and distribute products and services of social and cultural meaning – a production system through which the potentials of wealth generation and job creation are realized (Hui, 2007).
Korea	Cultural Industries	Service industries related to development, production, manufacturing, distribution and consumption of cultural contents (Hui, 2007).
Taiwan	Cultural and Creative Industries	Industries originated from creativeness and accumulation of culture and formed and utilized through intellectual properties that have the potential to create wealth and employment opportunities and prospects to

		promote upgrading of the overall living environment.
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Source: Own compilation

2.2 Creative Industries in Lithuania

This chapter is aimed to represent an overview of the latest developments in the sector of Creative Industries in Lithuania. The growing interest in Creative Industries in Lithuania dates back to 2003, when the first official studies in this field were conducted. The British Council has played a very important role in promoting the Creative Industries concept in Europe, including Baltic countries. Lithuania's Ministry of Culture adopted the United Kingdoms' approach, definition and content of Creative Industries into its cultural policy program. The Strategy for the Promotion and Development of Creative Industries was prepared and approved in 2007. In those documents Creative Industries are defined as "activities based on an individual's creative abilities and talent, the objective and result of which is intellectual property and which can create material wellbeing and workplaces." Although this definition is based on the British definition, there are differences in included sectors, as it is shown in Table 2-2. Lithuania's definition is even wider than UK's definition and includes more sub-sectors of creative industries, such as botanical and zoological gardens or travel agencies and tour operators. This thesis uses the definition provided by Lithuania's Ministry of Culture, because this definition establishes creative industries as a context for the study and its research questions.

Table 2-2: Definition and Subsectors of Creative Industries in UK and Lithuania

	UK DCMS	Lithuania
CI Definition	The creative industries are those industries which have their origin in individual creativity, skill and talent, and which have the potential for wealth and job	Activities based on an individual's creative abilities and talent, the objective and result of which is intellectual property and which can create material

CI Subsectors	creation through the generation and exploitation of intellectual property (DCMS , 2001).	wellbeing and workplaces.
	<ul style="list-style-type: none"> • Advertising • Architecture • Art and antiques market • Crafts • Design • Fashion • Film and video • Music • Performing arts • Publishing • Software • Television and radio • Video and computer games 	<ul style="list-style-type: none"> • Advertising and public relations and communication activities • Architecture • Visual arts, applied arts and heritage • Designer fashion, Graphic design • Film and video • Music (interpreting, composing, producing, publishing, music instruments, festivals, etc.) • Performing arts (theatre, dance, festivals) • Publishing (books, magazines, newspapers, etc.) • Computer games and interactive software publishing • Television, radio and interactive media • Heritage (museums, libraries and archives) • Educational activities

	<ul style="list-style-type: none"> • Botanical and zoological gardens • Travel agencies and tour operators
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Source: Own compilation

The first significant steps in examining the situation of Creative Industries in Lithuania started with statistical mapping surveys. The first mapping survey in Lithuania began in 2005. It covered two counties: Utena and Alytus.

It is difficult to estimate the real situation of Creative Industries in Lithuania because only fragmentary statistical data is currently available. The wide range of types of business ownership in Creative Industries sectors also complicates the data gathering and processing. Therefore current researches on Creative Industries in Lithuania are not very accurate and can only provide with an approximate data.

Table 2-3: Economic and Statistical Indicators of CI in Lithuania (2006, 2007 Data)

Number of people working in CI	61,297 (4.02%)
(% of all employed)	
Number of business in CI	6,149
(% of all business)	
Total income of CI	EUR 1256,000,000
CI as a share of GDP	5.2%

Source: (Estonian Ministry of Culture, 2010)

Although Lithuania's cultural and creative sectors are still perceived as socially and educationally valuable not producing any material benefit, the scarce statistical data has shown that the area plays important role in countries economical life. According to the researches of the World Intellectual Property Organization on average in Member States

including Lithuania creative industries generates 5-6 percent of the national GDP. The largest economic value is generated from such activities as architecture and engineering, advertising, travel and excursion organization, publication of newspapers and books, radio and television.

Based on evidences of economic benefits, Creative Industries finally were included into Lithuania's political agenda. In 2009 was established the National Association of Cultural and Creative Industries. An opportunity study regarding the National Creative and Cultural Industries Program was prepared. Based on this study, the Lithuanian National Program for Cultural and Creative Industries was prepared and presented to the Ministry of Education and Science. As a result, the assistance from European Union funds will be used to implement this program. The aim is to support synergy via a system of arts education, cultural infrastructure and creative business. Another plan for supporting education and development of creative entrepreneurs was approved in 2010.

The Ministry of Culture is officially responsible for the national policy towards Creative Industries. The Ministry of Culture provides support for mapping creative industries, collaborates with the State Department of Statistics and organizes conferences related to the creative sector. The national strategy for the development of creative industries has been adopted by the Ministry of Culture. In the government program for the year 2008 – 2012, the following priorities were listed:

- to increase the share of cultural industries in GDP;
- to elaborate the Strategy of support and development of creative industries by integrating art, science, training, business issues;
- to strengthen the infrastructure of the cultural industries sector;
- to stimulate financial investment in the cultural industries, including the use of the Structural Funds; and
- to promote Lithuanian Film production

The growing interest among politicians in creative industries proves that creative sector in Lithuania is seen as an important area in Lithuania's economy.

2.3 General Background to Business Cluster

2.3.1 Schools of Business Clustering

Economics of agglomeration and the geographical distribution of economic activities interested researchers from the beginning of the nineteenth century (Cruz & Teixeira, 2009). Today, the literature on clusters encompasses an array of themes. Sara C. S. Cruz and Aurora A. C. Teixeira (2009) distinguished the most prevailing of them: agglomeration economies, evolutionary approaches to clusters, regional development policies, institutional approaches, global networks and multinationals and knowledge-based theories/localized learning/knowledge spillovers (Cruz & Teixeira, 2009).

Different authors have used interrelated terms “cluster”, “industrial district”, “innovative milieu”, “regional innovation system”, “new industrial area”, “agglomeration” to indicate the same phenomenon of spatial clustering (Gordon & McCann, 2000; Vorley, 2008).

There are many examples of successful clusters around the world; some of the best internationally known clusters are Hollywood (movie-production), Silicon Valley (ICT), Third Italy, Sophia Antipolis, France (biotechnology) and others. The success of these clusters suggests that the “death of distance” is overstated and that place and space, as well as social interactions are still important.

There are several reasons for the popularity of clusters amongst researchers and politicians. It is believed that clustering may lead to a number of advantages for both firms and regions in which they exist, including enhanced competitiveness, higher productivity, growth, profitability, innovation, new business formation and job growth (Bagwell, 2008; Bassett, Griffiths, & Smith, 2002).

Clustering theories take a variety of forms to meet a range of different applications in regional analysis (Karsson, Johansson, & Stough, 2005). In the mixture of various theories and theoretical schools of clustering, researchers identify some dominating schools. For example, Ingstrup et al. distinguishes five main theoretical schools that are presented in Table 2-4 and described below. This classification does not present an orderly theoretical evolution of the cluster notion, but rather shows different perspective towards clusters.

Table 2-4: Five Dominating Schools of Clustering

Theoretical schools of clustering	General understanding of clusters
Alfred Marshall	Clusters are a group of establishments belonging to the same industry within regional geographic boundaries. The focus is on the direct benefits of co-location.
Italian industrial districts	Clusters are characterized by particular social relationships and interactions among the firms involved. These relationships consist of a mixture of both cooperation and competition. The innovative capacity of SMEs belonging to a particular industry in the same region is highlighted as a main driver behind development.
Economic and industrial geography	Clusters are based on the general idea that regions develop different kinds of inter-firm networks, specific institutional set-ups, and specific forms of economic, cultural and political practices over time.
Michael Porter	Clusters are geographic concentrations of inter-connected firms and institutions in a particular field. Clusters encompass an array of linked industries and actors important to competition and cooperation both up- and down-stream the value chain e.g. suppliers, customers.
Regional innovation systems and learning regions	Clusters are perceived as learning and knowledge constructions, which add to localized adjustment and innovation

processes in favor of knowledge creations.

Source: (Ingstrup, Freytag, & Damgaard, 2009)

(1) Alfred Marshall

The first references to the economics of agglomeration date back to the beginning of the nineteenth century. Since then, studies on agglomeration developed into a broad and wide-ranging collection of literature. Economist Alfred Marshall (1930) was first comprehensively to investigate features and development of industrial districts and agglomeration economies. He observed that competitive firms in similar industries have a tendency to locate in the same geographical area. Marshall states that clusters are formed because of the importance of geographical proximity to similar firms to gain “economies of agglomeration”. He discovered three sources which were supporting cluster formation through increasing returns to scale: cost advantages (existence of specialized suppliers), labor pooling and knowledge spillovers (Gordon & McCann, 2000). Marshall argued that firms would locate near each other in order to generate local services, institutions and extensive infrastructure, which small firms cannot generate on their own. The clustering of the firms can form a larger pool of workers, which will make it easier for firms to find competent employees. Furthermore, knowledge is generally believed to circulate more easily between co-located firms than over longer distances, it suggests that clustering generates the exchange of information and ideas (Spencer, Vinodrai, Gertler, & Wolfe, 2009). Marshall’s agglomeration model however does not include co-operation between entrepreneurs and emphasize only economic interests in a competitive environment.

(2) Italian Industrial Districts

Giacomo Beccattini (1979), an Italian researcher introduced and developed a theory known as Industrial District Theory. Beccattini uses the notion “ industrial district” (ID) to describe a geographically defined production systems, characterized by the presence of both a community of people and a large number of small and medium firms specialized in different parts of production system in a naturally and historically bounded area (Albino, Carbonara, & Giannoccaro, 2005; Lazzeretti, City of Art as a High Culture Local System

and Cultural Districtualization Processes: The Cluster of Art Restoration in Florence, 2003).

The notion of industrial district is closely related to Marshall concepts by raising the issue of the importance of place-based economic development with the notions of external economies. However the Italian school also stresses the importance of synthesis of the social relationships, culture, politics and history in the clustering of firms (Commission of the European Communities, 2008).

In contrast to Marshall Theory, the concept of industrial districts moves the center of attention from the individual firms to the cluster of interconnected firms in small geographic areas (Ingstrup, Freytag, & Damgaard, 2009).

The interaction in the industrial district involves not only co-located firms, but also includes interaction between institutional agents. Such interaction influences the competence and development of the industrial districts. The importance of institutional context is emphasized further in Porter's theories of clustering (Porter, 1998).

(3) Economic and Industrial Geography

This school is represented by researchers from the field of economic and industrial geography. They do not provide with groundbreaking ideas, rather they combine the theories derived from the literature on industrial districts (Ingstrup, Freytag, & Damgaard, 2009). The main difference is that this school focuses more on political, economic, social and institutional issues in regional development and agglomeration when compared to previous theoretical schools. They cite some researchers and their cluster definitions that correspond to economic and industrial geography ideas on clustering. For example, Feser (1998) defines cluster as "not just related and supporting industries and institutions, but rather related and supporting institutions that are more competitive by the virtue of their relationships (Ingstrup, Freytag, & Damgaard, 2009)." Another similar definition is provided by Van den Berg et al. (2001): "The popular term cluster is most closely related to this local or regional dimension of networks...Most definitions share the notion of clusters as localized networks of specialized organizations, whose production processes are closely linked through the exchange of goods, services and/or knowledge (Van den Berg, Braun, &

van Winden, 2001).”

(4) Michael Porter

The interest into economics of agglomeration achieved its boom in 1990s, largely as a consequence of Porter’s (1998) cluster approach. Michael Porter is one of the most popular economists in the field of cluster theory. He defines cluster as “geographically proximate group of interconnected companies and associated institutions in a particular field, linked by communalities and complementarities (Porter M. E., 1998).” Porter does not specify geographic scale of cluster. Porter’s notion of cluster can vary from a region or city to a country or even two or more neighboring countries (Pratt, *Creative Clusters: Towards the Governance of the Creative Industries Production System?*, 2004).

Porter broadened the scope of the Marshallian concept of clustering. According to Porter, clusters embrace different types of actors with different goals and motivations, including suppliers, customers and also governmental and other public institutions (Porter M. E., 1998).

Porter introduced a concept of “diamond model”. This model becomes very popular among researchers and policy makers. “Diamond model” illustrates the nature of business environment and its influence on the performance and the competitive advantage of the companies in the cluster.

“Diamond model” consists of four conditions as essential in cluster development: related and supporting industries (suppliers & specialized services), context for firm strategy and rivalry (competition between co-located firms but also willingness to co-operate), demand conditions (scale and quality of the market) and factor conditions (quality of labor, capital and knowledge available). Competition has to be balanced with co-operation. Too much competition as well as too much of cooperation may lead to destructive results (Van den Berg, Braun, & van Winden, 2001). Inter-firm linkages and links with supporting organizations are important factors in cluster performance. These factors all have to join together to provide effective environment for growth, supported by government actions and “chance” which is also necessary in successful cluster development.

(5) Regional Innovation Systems and Learning Regions

There is a theory that the context of local economies influences the innovation process. The notion of “systems of innovation” is used to describe the network of relationships among firms and institutional context that foster their innovative activities. These relationships include the exchange of knowledge among institutions, both private and public, such as universities, government, associations, and organizations that constitute innovation system. Collaboration of among different elements of innovation systems are deciding factors of innovation processes.

Authors analyzing innovation systems argue that innovative activities are influenced by the synthesis of economic, political and cultural factors, as well as proximity.

The GREMI Group introduces the concept of milieu innovateur or “innovative milieu” that is similar to the notions of “regional innovations systems” and “learning regions.” “Milieu innovateur” is defined as a complex network of informal relationships in a limited geographical area that enhances local innovative capability through “synergistic and collective learning processes”. (Albino, Carbonara, & Giannoccaro, 2005)

Theories of regional innovation systems, learning regions or innovative milieu generally are not limited to one sector as are clusters and industrial districts. In the same way, however, regional innovation systems emphasize the importance of formal and informal relations for circulating information, which in turn promotes innovations. Information exchanges appear to play an essential role in innovation and thus in regional innovation systems (Tremblay, 2006).

2.3.2 Cluster concept

Although the phenomenon of clustering was extensively investigated, however there is no general cluster definition and the concept is characterized as broad and fuzzy (Hofe & Chen, 2006). This confusion is mainly caused by the fact that cluster definition was used in different contexts and for different reasons. The concept of cluster is defined very differently, depending on each school of thought or the particular context in which it has developed (Gordon & McCann, 2000; Nooteboom & Woolthuis, 2004). Some of the cluster

definitions are presented in Table 2-5.

Some authors, such as Swann (1996), or Oakey (2001) define cluster as a geographical concentration of firms belonging to the same or related industry and benefiting from agglomeration economies (Swann & Prevezer, 1996). This interpretation of cluster corresponds with the model of agglomeration economies rooted in the Marshallian tradition. Rosenfeld (1997) stresses the importance of social infrastructure, firms’ cooperation and information flow (Rosenfeld, 1997). Maskell (2001) emphasizes the enhancement of learning processes in cluster. Other authors, such as, Porter (1998), Van den Berg (2001), Nooteboom (2004), Albino, Carbonara, & Giannoccaro, (2005), Fromhold-Eisebith (2005), Staber (2007) or Commission of the European Communities (2008) also highlight the importance of circulation of knowledge, inter-firm collaboration, social networking, as well as learning and innovation.

Table 2-5: Cluster Definitions

Source	Definition of Cluster
(Swann & Prevezer, 1996)	Clusters are here defined as groups of firms within one industry based in one geographical area.
(Rosenfeld, 1997)	A cluster is very simply used to represent concentrations of firms that are able to produce synergy because of their geographical proximity and interdependence, even though their scale of employment may not be pronounced or prominent.
(Porter M. E., 1998)	A cluster is a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by communalities and complementarities.
(Maskell, 2001)	Referred to as “locational economies” and embraces those economies that arise from geographical agglomeration of related economic activities. The territorial configuration most likely to enhance the

	learning process.
(Oakey, Kipling, & Wildgust, 2001)	Cluster and agglomeration will be judged to be synonymous since they both define geographical areas where an industry (or industries) is concentrated to produce localized economic advantages.
(Van den Berg, Braun, & van Winden, 2001)	The popular term cluster is most closely related to this local or regional dimension of networks...Most definitions share the notion of clusters as localized networks of specialized organizations, whose production processes are closely linked through the exchange of goods, services and/or knowledge.
(Nooteboom & Woolthuis, 2004)	Geographically proximate firms in vertical and horizontal relationships involving a localized enterprise support infrastructure with shared developmental vision for business growth, based on competition and cooperation in a specific market field.
(Albino, Carbonara, & Giannoccaro, 2005)	Clusters may be defined as geographical systems of firms. A system of firms is a set of “elements” (firms) that interact with each other and with surrounding environment to achieve a common objective.
(Fromhold-Eisebith & Eisebith, 2005)	A cluster is a regional agglomeration of sector or value chain related firms and other organizations (like universities, R&D centers, public agencies) which derive economic advantages from co-location and collaboration.
(Staber, 2007)	The concept of regional cluster normally conjures up the image of a community of interdependent firms, supported by a shared identity based on a set of beliefs and assumptions that the actors hold concerning each

(Commission of the European Communities, 2008)	<p>other's strategies and behaviors.</p> <p>Group of firms, related economic actors, and institutions that are located near each other and have reached a sufficient scale to develop specialized expertise, services resources, suppliers and skills.</p>
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Source: Own compilation

Even though the definition of cluster concept differs across disciplines and authors, there seems to be agreement on some general cluster properties. Firms within one of related industries locate close to each other in space because of advantages of proximity to other firms. Definitions emphasize the local context of clusters, but do not indicate the boundaries of cluster. Inter-firm relations are also highlighted in the definitions. Those relations are crucial to the development of the cluster. Firms in cluster may benefit from cooperation although competition. Clusters also create synergies which give benefit, which firms cannot produce on their own. Those benefits are innovation, tacit knowledge and specialized labor. Finally, firms involved in clusters share the same factor conditions in the institutional context encompassing the cluster.

In conclusion, key elements of clusters are as follows: spatial proximity, interrelatedness of activities, interaction between agents and institutional context.

2.4 Creative Industries Cluster

2.4.1 Background to Creative Clusters

Many researches on creative and cultural industries argue that creative activities show a clear tendency to cluster (Bassett, Griffiths, & Smith, 2002; Assmo, 2005; Bagwell, 2008; Lazzaretti, Boix, & Capone, 2008; Newman & Smith, 2000). The phenomenon of clustering has been evident from pre-industrial artists and crafts-based communities, to modern cultural industries clusters in “post-industrial” cities (Evans, 2009).

Hellmanizk (2009) in her research based on modern visual artists and the art clusters of Paris and New York suggests the example of Pablo Picasso and his achievements supposedly stimulated by the specific environment in which he created. Hellmanizk asks if

it is coincidence that Picasso created his best works in Paris. May it be that the local artists and the prosperous cultural infrastructure in Paris' creative quarters stimulated his creativity? Why some places such as Montmartre attracts creative people and turns into a mecca for writers, poets, and artists alike?

Artist, cultural entrepreneurs do not create in isolation. These creative individuals are sustained by a so called shared creative milieu or cultural ecology. The concepts of creative milieu or cultural ecology describe the environment where the mix of authenticity, proximity, diversity and connectivity encourage and sustain creative communities. Cultural ecology is a mix of "hard" and "soft" infrastructure. "Hard" infrastructures are tangible objects such as galleries, theatres, cafes that provide social and economic spaces for communications. While "soft" infrastructures are intangible factors, such as network organizations, festivals, institutional collaboration, initiatives that stimulate face-to-face interactions, networking and exchange of ideas (Assmo, 2005). In places that demonstrate creative milieu or cultural ecology artists or cultural entrepreneurs can exchange information and skills, compare with others, compete and collaborate at the same time (Turok, 2003).

DCMS in the Report of the Regional Issues Working Group (2000) presents the advantages of clustering in cultural and creative industries. Creative entrepreneurs may operate better when they concentrate in clusters because it promotes networking, collaboration, the sharing of good practice, innovativeness and economies of scale. Prosperous clusters can attract creative talent in particular areas and inspire other creative firms either to join the cluster or support the firms already there (DCMS , 2000).

Evans (2009) argues that it is difficult to measure economic value of creative clusters. He states that most creative clusters cannot be viewed as economic clusters in the Porter sense. The organization of creative sector differs from other industries sectors and is resistant to traditional growth and profit generation. Therefore, in order to capture cluster based benefits, innovative and sophisticated methodologies are required (Evans, 2009).

There are numerous examples of cultural and creative production agglomerations. Clustering of creative activities is observed in various creative and cultural sectors. For example, Bayliss (2007) in research on Dublin's Digital Hub project linking digital media

enterprise and entrepreneurship with R&D and educational sectors examines creation of the cluster and provides with suggestions about planning and developing a creative digital cluster (Bayliss, 2007). Turok (2003) examines the various forces affecting the performance of the film and television industries agglomeration in Scotland (Turok, 2003). Propris and Wei (2007) in their research on Birmingham’s jewelry district analyze networking and co-operation between firms, as well as the structure of governance in the district (Propri & Wei, 2007). Faulconbridge (2007) examines the networks of learning that are observed within and between the clusters of advertising firms in London and New York (Faulconbridge, 2007). Heur (2009) in his analysis of electronic music industry in London and Berlin examines the approaches of creative clusters and creative networks and, by doing so, questions some of the assumptions of cluster theory (Heur, 2009). Lazzeretti (2003) describes the cluster of art restoration in Florence The purpose of Lazzeretti’s research is to find significant of cultural processes of districtualization in the city of Florence (Lazzeretti, 2003). Newman et al. (2000) discuss the promotion of a cultural quarter strategy along the South Bank of the Thames in London. The presented site includes groupings of advertising related activities, cultural exhibition (theatres, galleries and museums) as well as visitor-related attractions (Newman & Smith, 2000).

Table 2-6 presents a variety of recent researches of cultural and creative clusters. This overview does not intend to provide with comprehensive listing of all the researches made in the field of creative clustering. The purpose is to demonstrate that there is a variety of creative clusters in different countries, and that clustering processes are of great interest to researchers.

Table 2-6: Overview of Researches of Cultural and Creative Clusters

Creative and Cultural Sector Reference: City-Cluster

New media/new technologies	(Bayliss, 2007): Dublin (Ireland)
Film/television production	(Bassett, Griffiths, & Smith, 2002): Bristol (UK)

	(Krätke, 2002): Potsdam/Babelberg (Germany)
	(Turok, 2003): Scotland (UK)
	(Tremblay & Cecilli, 2009): Montreal (Canada)
	(Drake, 2003): Digital Design (UK)
Craft/makers	(Propriis & Wei, 2007): Jewelry, Birmingham (UK)
	(Bagwell, 2008): Jewelry, The City Fringe, London (UK)
Advertising	(Faulconbridge, 2007): London (UK) and New York (US)
Music	(Brown, O'Connor, & Cohen, 2000): Manchester and Sheffield (UK)
	(Hallencrutz & Lundequist, 2003): Hultsfred (Sweden)
	(Heur, 2009): London (UK) and Berlin (Germany)
	(Bader & Scharenberg, 2010): Berlin (Germany)
Art restoration	(Lazzeretti, 2003): Florence (Italy)
Mix cultural and creative activities	(Newman & Smith, 2000): South Bank of the Thames, London (UK)
	(Hitters & Richards, 2002): Westergasfabriek, Amsterdam and Withstraat, Rotterdam (Netherlands)
	(Rosenfeld, 2004): Montana (US)
	(McCarthy, 2006): Dundee and Glasgow, Scotland (UK)
	(Porter & Barber, 2007): Birmingham's Eastside (UK)
	(Lazzaretti, Boix, & Capone, 2008): Italy and Spain
	(Zheng, 2010): Shanghai (Mainland China)

Source: Own compilation

2.4.2 Definition of Creative Clusters

The notion of cultural and creative industries cluster is even more confusing than concept of conventional business cluster. The term cluster is used interchangeably with other terms such as “district” or “quarter”. Cinti (2008) argues that there is no significant terminological difference in the use of these notions. He adds that different names are used in different regions, for example the term “district” is mostly used in US and in Italy, while

other European countries prefer to use the term “cluster” (Cinti, 2008).

Researches provide with a plenty of various definitions of the cluster notion and use it in different contexts. Scott (2000; 2004) and McCarthy (2004) treat creative clusters as a Marshallian-like districts specialized in the production of cultural and creative goods and benefiting from agglomeration economies (Scott, 2000; Scott, 2004; McCarthy, 2006). Italian researcher Lazzeretti (2003) provides with the definition of the “High Cultural local systems” concept that is very similar to how theoretical school of Italian industrial district previously defined the conventional business cluster (Lazzeretti, 2003). Creative Metropolles’ (2010) explanation of creative cluster is related with Porter’s theory of cluster (Creative Metropolles, 2010). Pratt (2004) does not provide with a specific definition of creative cluster, but he also sees creative clusters as sub-sets of business clusters that are affected by the same economic conditions and policy responses as all other industries (Pratt, 2004). In contrast, Bagwell (2008) and Evans (2009) state that creative cluster differ from conventional business clusters as defined by Porter or Marshall (Bagwell, 2008; Evans, 2009). Bagwell as well as Evans argue that creative industries have different form and aims than other industries; therefore different methodologies should be used in their evaluation (Bagwell, 2008; Evans, 2009). There are many researchers, such as Wansborough and Mageean (2000), Rosenfeld (2004), Mommaas (2004) or Porter and Barber (2007) define creative cluster merely as a concentration of creative and cultural activities and do not provide with other specifications (Wansborough & Mageean, 2000; Rosenfeld, 2004; Mommaas, 2004; Porter & Barber, 2007).

Table 2-7: Cultural and Creative Cluster Definitions

Source	Term used	Definition
(Scott, 2000)	“Cultural Industries District”	In these districts, much of the work of conception and production of cultural products is carried out by small artisanal and neo-artisanal firms, that is, by firms whose basic labor processes range from

		handicraft skills (...) to higher-order conceptual activities combined with modern digital technologies.
(Wansborough & Mageean, 2000)	“Cultural Quarter”	A spatially limited and distinct area which contains a high concentration of cultural facilities compared with other areas of a town or city. (...) Key characteristics which define cultural quarter are: central location, cultural facilities, mixed use, “cross-over” between production and consumption, public art.
(Lazzeretti, 2003)	“High Cultural local system”	“High Cultural local system” is characterized by the presence, in its territory, both of a large endowment of a set of artistic, natural and cultural resources which identify it as a High Cultural Place (HCPPlace), and of a network of economic, non-economic and institutional actors who carry out activities in respect of the conservation, enhancement and economic management of these resources and which represent in their totality the High Cultural Cluster (HCCluster) of the city.
(Rosenfeld, 2004)	“Creative enterprise cluster”	The creative enterprise cluster consists of companies that take their principal competitive advantage from a distinctive appearance, form, content, or sound that

		they embed or embody in their products or services. They include large numbers of micro-enterprises, freelancers, and design manufacturers, which loosely comprise a ‘creative enterprise cluster’.
(Mommaas, 2004)	“Cultural cluster”	Mixture of cultural functions and activities, from production to presentation and consumption and from theatre and the visual arts to pop music and the new media, are grouped together in a great variety of spatial forms. (...)While some clustering strategies are restricted to genuine artistic/cultural activities, most of them also incorporate a great variety of leisure and/or entertainment elements (...).
(Scott, 2004)	“Cultural-Products Industrial District”	The mutually beneficial effects of proximity, (...), frequently induce groups of establishments in cultural-products industries to converge together around their mutual center of gravity, thus forming specialized industrial districts. (...) industrial district (...) are all manifest in reality in the guise of clusters of producers and associated local labor market tied together in functional relations that generate complex economies of agglomeration.

(McCarthy, 2006)	“Cultural Quarter”	Areas that contain a high proportion of cultural uses and are considered appropriate for further concentration of such uses. They may involve uses related to cultural production or cultural consumption, or both, and further spatial concentration is assumed to lead to synergy, agglomeration economies and minimization of amenity loss.
(Porter & Barber, 2007)	“Cultural Quarter”	High-density mix of creative industry production and related consumption activities, often involving the renovation of historical commercial and manufacturing premises on the edge of city centers.
(Bagwell, 2008)	“Creative Cluster”	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”.
(De Propris, Chapain, Cooke, MacNeill, & Mateos-Garcia, 2009)	“Creative Cluster”	A place that brings together: a) a community of “creative people” who share an interest in novelty but not necessarily in the same subject; b) a catalyzing place where people, relationships, ideas and talents can spark

		each other; c) an environment that offers diversity, stimuli and freedom of expression; and finally d) a thick, open and ever changing network of inter-personal exchanges that nurture individuals' uniqueness and identity.
(Evans, 2009)	“Creative cluster”/“Cultural quarter”	Many creative clusters are de facto cultural quarters (not economic clusters in the Porter sense) with assorted cultural consumption, heritage preservation and the presence of not-for-profit and public organizations.
(Creative Metropoles, 2010)	“Creative Cluster”	Clusters are interconnected companies from different fields (both with the creative industries and other related fields), together with specialized suppliers, service and infrastructure providers and associated organizations.

Source: Own compilation

Cinti (2008) states that cluster concept is employed to explain completely different situations, therefore there are disparities in its definition. Creative clusters may differ in terms of their purposes, geographical extent and actors involved, financial resources, strategies of development, management and administration (Cinti, 2008).

Santagata (2002) identifies four types of cultural districts: “industrial cultural district”, “institutional cultural district”, “museum cultural district” and “metropolitan cultural district”. “Industrial cultural district” is Marshallian district specialized in the production of creative and cultural goods. “Institutional cultural district” is based on formal institutions “which allocate property rights and trademarks to a restricted area of production” (Santagata, 2002). “Museum cultural district” is composed of museum network or an art

community, usually in the historical areas of the cities. Fourth type, the “metropolitan cultural district” is concentration of mixed cultural institutions, such as libraries, museums, theatres, galleries (Santagata, 2002).

Mommaas (2004) acknowledges that clusters may have different cultural, spatial and organizational forms coming from unique backgrounds and specific development paths. Mommaas provides seven features that may help to classify clusters: horizontal portfolio of activities, vertical portfolio of activities, level of openness/adaptability or closeness/solidity of the spatial and cultural programs, financial regimes, localization of cluster within the city, involvement of the various actors in the management of the clusters, development paths (Mommaas, 2004).

Evans (2009) differentiates between cultural quarters and creative (industry) hubs. He argues that these two kinds of quarters are based on different economic, social and cultural rationales (Evans, 2009). Evans further provides with typology of cultural/creative industry quarters which includes Mono-Cultural Industry Production, Plural-Cultural Industry Production, Cultural Production-Consumption and Cultural consumption.

2.5 Reasons for Creative Industries to Cluster

The phenomenon of creative industries clustering has been widely studied but very little research has focused on why creative entrepreneurs locate in particular places and their perceptions of the attractiveness of the environment in these places. Why creative entrepreneurs choose to locate close to other creative industries? Factors influencing creative entrepreneur’s co-locations are closely related with the emergence and development of the cluster. Therefore a comprehensive analysis of those factors can provide with important insights to the successful development of clusters.

While little is known about the factors influencing creative entrepreneur’s location decision, there is some literature closely related to the subject which can offer an insight. Florida (2005) in his works promotes a notion of “creative class” consisting of “new class of scientists and engineers, university professors, poets, actors, novelists, entertainers, artists, designers, and architects as well as the thought leadership of modern society:

nonfiction writers, editors, cultural figures, think-tank researchers, analysts, and other opinion-makers...” (Florida, 2005) He also defines three necessary conditions, so called three T’s, for attracting creative workers to specific places. Those conditions include Technology, Talent and Tolerance (Florida, 2002). Florida (2002) argues that a ‘bohemian’ atmosphere (Tolerance) in an area attracts talented individuals (Talent) and that this in its turn attracts and innovates high-technology industries (Technology). Thus, according to Florida, creative individuals tend to locate in cities that offer a wide range of cultural, leisure and recreational facilities.

Hutton (2000) has distinguished differences between location decisions of creative services and those of corporate support services (Hutton, 2004). He states that corporate support services would locate in central business districts or major suburban nodes and edge cities, while creative services are likely to locate in the fringe of central business districts or inner city. Creative services also prefer converted industrial structures or low rise offices and studios, rather than high rise office towers for their location. Furthermore, creative services emphasize the importance of cultural context and ambience of social interaction rather than purely economic factors (Hutton, 2004).

Lazzeretti et al. (2009) in their study about clustering of creative industries in Italy and Spain state that creative industries tend to cluster in specific places. Lazzeretti et al. distinguish five determinants of creative clustering: historical and cultural heritage and proximity to the political power, agglomeration economies, related variety, human capital, and Florida’s creative class (Lazzeretti, Boix, & Capone, 2009).

De Propris et al. (2009) propose that creative industries cluster because of agglomeration and urbanization economies. Agglomeration economies include pooled specialized labor market, knowledge spillovers, sustained relationship between individuals and firms, and finally institutional thickness. The term urbanization economies represent the idea that geographical proximity between different sectors stimulates the exchange of knowledge, ideas and technologies. The creative mixing of these factors may spur innovation (De Propris, Chapain, Cooke, MacNeill, & Mateos-Garcia, 2009). De Propris et al. (2009) also mention Florida’s creative class as an important factor in creative clustering. “Creative professionals” tend to locate in cities or communities that demonstrate bustling

cultural life and tolerance for alternative lifestyles.

Other authors notice that “hard” factors, such as costs, pools of labor, infrastructure are secondary determinants of the location of creative firms. Even if these companies are manufacturers, however their products are highly artistic (Scott, 2000). Therefore, “soft” factors, such as trust, tacit learning or networking resulting from being in proximity to other creative firms are considered as more important determinants.

European Exchange and learning program URBACT in their study on creative clusters in Europe provides with “hard” and “soft” factors attracting artistic and creative people to particular locations. These factors include affordable space, creative milieu, entertainment, creative spaces and urban diversity (URBACT, 2011).

In conclusion, the main factors influencing the location decision of creative entrepreneurs are as follows: agglomeration economies, urbanization economies and related variety, affordable space and proximity to clients, tacit knowledge, information and ideas – “buzz”, social capital, social networks and trust, institutional thickness, unique environment, tolerance and bohemian atmosphere.

(1) Agglomeration Economies

Alfred Marshall was first to investigate reasons for firms to cluster. He argues that clusters are firms because of the importance of geographical proximity to similar firms to gain “economies of agglomeration”. Marshall suggested that there are three main reasons why firms would locate within the same area. These reasons are:

- The increased cost advantages (existence of specialized suppliers);
- The development of local pools of specialized labor;
- The flow of information and ideas (Gordon & McCann, 2000)

According to Marshall, firms would locate near each other in order to generate local services, institutions and extensive infrastructure, which small firms cannot generate on their own. The clustering of the firms can form a larger pool of workers, which will make it easier for firms to find competent employees. Furthermore, knowledge is generally believed to circulate more easily between co-located firms than over longer distances, it suggests that clustering generates the exchange of information and ideas (Spencer, Vinodrai,

Gertler, & Wolfe, 2009).

These three reasons provided by Marshall may also explain the clustering of creative industries. The increased cost advantages may play an important role in the clustering of creative industries. Creative entrepreneurs in cluster could benefit from local services or pools of specialized suppliers. Those factors are supposed to be important for small creative firms with limited their own budgets.

Concerning the employment relations in creative industries, project-based, temporary, and freelance work are particularly dominant. This requires intensive networking among skilled creative workers, as a means keeping up with information about labor-market trends and opportunities (Scott, 2004). The development of local pools of specialized labor reduces search and screening costs. Creative firms also may benefit from formal or informal contacts between members of different firms to intensify the flow of information and ideas or so called knowledge spillovers.

The concept of knowledge spillover is difficult to define. For example, Frontier Economic (2006) use the term “network spillovers” to describe the way in which the presence of creative companies in a place can offer mutual stimulation of ideas, making the place more attractive to other firms (De Propriis, Chapain, Cooke, MacNeill, & Mateos-Garcia, 2009). Østergaard sees knowledge spillovers as a diffusion of knowledge between firms through informal social networks (Østergaard, 2009). Gilbert et al. (2008) define knowledge spillovers as “the direct or indirect transfer of knowledge from one party to another. They are typically generated by firms engaging in innovation activities and are valued because they provide knowledge that is new, even novel to the receiving firm (Gilbert, McDougall, & Audretsch, 2008).” Hellmanzik in her research on cluster premiums for prominent modern artists uses term “spillovers” to refer to informal exchange, as well as collaboration and learning, or more general benefits to creating in a bohemian environment (Hellmanzik, 2009).

Evans (2009) also states that economic factors, such as cost-savings in the production chain, cross-trading and shared workspaces can attract creative entrepreneurs (Evans, 2009).

(2) Urbanization Economies and Related Variety

De Propris et al. (2009) and Lazzeretti et al. (2009) in their researches on determinant for creative firms to cluster refer to related notions of “urbanization economies” and “related variety” (De Propris, Chapain, Cooke, MacNeill, & Mateos-Garcia, 2009; Lazzeretti, Boix, & Capone, 2009).

Urbanization economies arise when beneficial externalities take place between firms representing different sectors that are located in the same place (De Propris, Chapain, Cooke, MacNeill, & Mateos-Garcia, 2009). On the other hand, the concept of localization economies refers to the advantages derived from the complementarities between firms specialized in the same sector. Thus, the main difference between the notions of urbanization economies and agglomeration economies is that the former emphasizes “diversity”, while the later stresses “specialization”.

The effects of diversity were demonstrated by Jacobs (1969). She explained diversity as a blend of uses, mixture of activities and people, market dimension and density. The co-location of diverse industries stimulates new ideas, foster knowledge spillovers, and provides valuable resources for innovation (Boschma & Iammarino, 2007). However some researchers see shortcomings in Jacobs’ theory. Knowledge spillovers and exchange of ideas between sectors is possible if only the cognitive distance is not too large. Thus, it needs “related variety” in order for successful and efficient communication to happen. Boschma and Iammarino (2007) define related variety as industry sectors that are related in terms of shared or complementary knowledge bases and competencies (Boschma & Iammarino, 2007).

In the literature on creative clusters both type – specialized and mixed – of clusters can be found. For example, Hitters and Richards (2002) introduce two creative clusters, The Westergasfabriek (WGF) in Amsterdam and the Witte de Withstraat in Rotterdam that represent a clustering of various cultural organizations and organizations indirectly involved with culture. The “mix” of agents in cluster is seen as important to developing and maintaining the “cultural atmosphere” as well as stimulating synergies (Hitters & Richards, 2002). De Propris and Wei (2007) examine the Birmingham Jewelry Quarter that is an example of specialized cluster with a pool of skilled labor, a division of labor across

specialized firms and a network of social relationships (Propris & Wei, 2007).

(3) Affordable Space

Most firms in creative industries are small or middle-sized. There is also high degree of self-employment, with creative individuals working on a project-by-project basis. Their budgets are often sporadic and unreliable. Therefore there is no wonder that usually they are looking for affordable places for living and working.

Many creative clusters in different countries are found in old industrial inner city districts. There are two reasons for this phenomenon. First, the rents in such places are usually cheap. Second, creative individuals are drawn to abandoned urban environments and the physical space afforded by old factories and warehouses can be ideal studio and exhibition space (Porter & Barber, 2007).

There are many examples in different countries where derelict and ill-maintained sites in the city were inhabited by creative individuals and firms. For example, Manchester's Northern Quarter emerged organically out of factors including cheap rents and a history of active music development in the city (Brown, O'Connor, & Cohen, 2000). The similar situation was observed by Sharon Zukin in New York's Soho industrial district, where during the 1970s artists converted former manufacturing space into residential premises. The story of Nottingham's Lace market, which is former industrial quarter of a large English city, emergence also is very similar to previously described. Creative individuals moved to the area while it was underdeveloped and cheap, and it soon become culturally and economically bustling area containing consumption and production of fashion and design, media and architecture, food and entertainment.

What is also common to all these creative clusters, is that after creative individuals uplift these places, make them trendier and safer, prices of the land and real estate start to get higher, and eventually the artists, are forced to search of working places elsewhere.

(4) Proximity to Clients

The proximity to client is a hard agglomeration factor rarely mentioned in the literature of creative clusters. One of the examples is a study on Bristol and the BBC's

Natural History Unit (Bassett, Griffiths, & Smith, 2002). In this case, an increasing tendency to subcontract production has accumulated a plenty of production companies wishing to work with BBC. In order to get this possibility, producers cluster close to the NHU, their main consumer. One respondent of this study mentioned that “you couldn’t be anywhere else because this is where the BBC is” (Bassett, Griffiths, & Smith, 2002, p. 173). Many other companies that located in cheaper areas elsewhere failed because of their remoteness from the customer.

Oakley, Kipling & Wildgust (2001) in their study on the non-broadcast visual communications sector also found that 60% of small enterprises sell most of their products within 20 miles of their location (Oakley, Kipling, & Wildgust, 2001).

Those researches suggest that, in some cases, the proximity to clients is an important factor to the location decision of creative entrepreneurs.

(5) Tacit Knowledge, Information and Ideas – “Buzz”

Although creation process in arts often is treated as an individual activity, intensive cooperation, exchange of ideas and face-to-face contacts are also very important. For example, in theatre at least director, writer and actors are involved and they can create a play only in a close cooperation. The same situation is in dance and music. The most obvious example of cooperation is Jazz improvisation. Even in the visual arts there are workshops and cooperation between artists involved.

The literature on creative clusters often mentions the concept of “buzz” that seems to be closely related to Marshalls “knowledge spillovers”. There are many various explanations of “buzz”. Some authors explain “buzz” as a learning and exchange of tacit knowledge, information and ideas that facilitate creativity and innovation. The ability to generate “buzz” is said to be one of the key determinants of successful creative clusters (Turok, 2003)

Drake (2003) refers to a “buzz” as an “unpredictability or excitement of a locality” (Drake, 2003). He states that creative firms are attracted to places where they can find inspiration or “creative buzz” embracing diverse and unique ideas and trends. Faulconbridge (2007) explains “buzz” as a gossip, rumor or discussion of industry-specific

topics facilitated when individuals work in proximity to one another (Faulconbridge, 2007).

Storper & Venables (2003) argue that “buzz” is created by face-to-face contacts. They identify four main properties of face-to-face contact: it is an efficient way to communicate; it can help to solve trust problems; it can stimulate socialization and learning; and it provides psychological motivation. For face-to-face contacts to be efficient, the co-location is necessary. Authors argue that “buzz” is especially important in creative activities where knowledge is tacit (Storper & Venables, 2003).

Tacit knowledge refers to “an information system which is simultaneously free and circumscribed within a geographic and communitarian space as defined by individual personal experience (Santagata, 2002, p. 3).” In contrast to codified knowledge, tacit knowledge is difficult to transfer, since it cannot be written, but should be experienced. The exchange of tacit knowledge between individuals and firms can be possible if they share common social context and trust each other. Trust in turn can be facilitated through frequent face-to-face contacts.

(6) Social Capital, Social Networks and Trust

Many studies on clusters emphasize the importance of social capital in the developing and sustaining a cluster. Social capital refers to various aspects of social organization of a region, such as the presence of common norms and values that facilitate cooperation among individuals and firms. Social capital can be built only if individuals are able to relate with each other and are willing to subordinate their individual interests to the larger interest of the community. Social capital develops as an accidental consequence of other activities that individuals are engaged in (Wolfe, 2000).

Wolfe (2000) highlights two aspects of social capital: one is associated with historical and cultural conditions and the other accumulated through the intensive interactions of individuals and firms engaged in related economic activities (Wolfe, 2000).

Sorenson and Audia (2000) similarly argue that location choice is influenced by social networks. They state that firms tend to cluster, despite possible competition caused by co-location, because the local area provides social resources for these firms.

Curran (2010) noticed that close social ties of firms in cluster lead to information

sharing and innovation (Curran, 2010). The existence of social networks among members of cluster makes these clusters “sticky places”. Such places attract new firms, capital and labor and manage to keep them in place (Markusen, 1996).

(7) Institutional Thickness

Research on clusters emphasizes the importance of what is called “institutional thickness”. The term was introduced by Amin and Thrift (1995) to refer to local institutions and the interaction between these institutions and creative entrepreneurs, cultural facilities and their visitors. The web of supporting organizations may include financial institutions, chambers of commerce, trade associations, training organizations, local authorities, and marketing and business support agencies (Bassett, Griffiths, & Smith, 2002).

Scott (2000) has similarly stated that creative clusters are sustained by the distinctive institutional infrastructure. This infrastructure may include training organizations, schools, workers’ organizations, specialized museums, annual festivities and other (Scott, 2000).

The importance of institutional thickness was reasserted by Hutton (2004). He argues operations of creative firms in cluster are supported by various training institutions for artists, public agencies, non-governmental organizations, and community-based organizations (Hutton, 2004).

The density of institutional networks is very important for the successful development of cluster. Such institutional support helps to create synergy effects as well as collective sense of identity and purpose within a cluster (Bassett, Griffiths, & Smith, 2002). Moreover, it facilitates interactions, exchange and collaboration among creative enterprises, and sustains creativity and innovation (Curran, 2010; Hutton, 2004).

(8) Unique Environment

Some researchers state that creative entrepreneurs may be attracted by unique environment of the place. Unique environment is a set of various attributes and includes mainly:

- Built environment
- Cultural amenity

- Environmental amenity (Hutton, 2004)

Built environment includes architecturally unique buildings and historic architecture which may be transformed into infrastructure or working spaces for creative firms. Many creative clusters can be found in former industrial or other urban heritage locations, because of their special environment and the space provided by old buildings that can be perfect studio or exhibition space (Porter & Barber, 2007).

Cultural amenity refers to galleries, museums, studios, exhibitions spaces, cafés, bars or restaurants. Whereas the first four are more related to the atmosphere of the place, the last three are especially meeting places that enable conversations and contacts between artists and creative entrepreneurs. The importance of cultural amenities to attract creative individuals to particular places was also emphasized by Florida.

Environmental amenity includes parks, squares, and other distinctive spaces that help to create the identity of cluster as well as provides opportunities for social communicating and exchange (Hutton, 2004).

Drake (2003) states that there is relationship between place and creativity, therefore creative firms tend to locate where unique qualities, appearance and atmosphere of the place may inspire their creativity. Ley (2003) similarly states that artists tend to locate in authentic, symbolically rich places.

Distinctive place can serve not only as stimuli for creativity but also provides additional value to the artistic product. Curran (2010) states that artistic products created in authentic places are more attractive than those produced in other places (Curran, 2010). Drake similarly states that special atmosphere of the place is not simply a source of inspiration but also serves as a brand for creative products (Drake, 2003).

Chapter 3 Research Methodology and Limitations

In this chapter, the methodology used in this study will be discussed. The outline of the chapter is as follows. The chapter starts with a description of the conceptual framework. Subsequently, the used research methods will be discussed, as well as data gathering. After the discussion of conceptual framework and methods, the analysis of the gathered data will be assessed. The section ends with some remarks on the generalizability, reliability and validity of the results.

3.1 Research Methods

Studying clustering of creative industries is relatively new field of research. This makes qualitative research a very appropriate research method, because of its inductive style, a focus on the individual meaning, and the importance of rendering the complexity of a situation (Creswell, 2009). The other studies on clustering of creative industries also show a tendency to use qualitative methodology. Quantitative data mostly appears in policy publications, such as creative industries mapping documents (DCMS , 2001; Mazeikis, Cerneviciute, Scigliniskiene, & Tatarune, 2005). Oakley (2001) states that utilizing a purely quantitative methodology can only achieve the objective of stating whether cluster exists, but it does not help to understand the ongoing processes in those clusters.

Creswell (2009) distinguishes five main strategies of inquiry associated with qualitative research: ethnography, grounded theory, case studies, phenomenological research and narrative research. This research employs the strategy of case study that is defined as an empirical inquiry that investigates in depth a contemporary phenomenon (program, event, activity, process, or one or more individuals) within its real-life context, especially when the boundaries between phenomenon and context are not clearly defined (Yin, 2009; Creswell, 2009).

Case study evidence can come from many sources. Yin (2009) distinguishes main six of them: documentation (letters, documents, agendas, administrative documents, news clippings etc.), archival records (service records, maps and charts, survey data etc.),

interviews (in-depth interviews, focused interviews and survey), direct observation, participant observation, and physical artifacts (Yin, 2009).

Most studies of the creative industries do not rely solely on secondary data as it raises the definitional continuum of the creative of the creative industries and the difficulty of acquiring reliable statistics on the subject. Furthermore, creative industries cluster is very new field of research in Lithuania and there is a very limited amount of secondary data on this topic. Consequently, this research mainly based on interviews as the most relevant instrument of data collection.

Since this research is aimed at studying both personal choices and social structures, it makes interviewing the best option. There are three main types of case study interview: in depth interview, focused interview and survey (Yin, 2009). This study mainly based on focused interviews, though other two types of interview also have been employed. In-depth interview has been used in interviewing key respondents. These informants were selected because of their expertise in fields, which are important to the research. The purpose was to ask key respondents about the facts of a matter as well as their opinion about events. The information key respondent provided was used as the basis for further inquiry. The interviewees also suggested other persons for further interviews, as well as other sources of evidence. Focused interviews were used in interviewing individual artist and members of creative firms in Uzupis. Interviews have been conducted by using topic list. One “framework” topic list was prepared and then has been altered for the different respondents.

The third type of interview, survey, was also employed in this research. The main purpose of using survey was to collect initial information about creative entrepreneurs in Uzupis and select informants for focused interviews. Information obtained from surveys also served as a clue for further inquiry. Survey includes close-ended and open-ended questions, that range from personality questions to the questions related with research topic. The usage of survey in this research is based on Yin (2009) statement that survey can be used in case study and produce quantitative data as part of the case study evidence. The difference between this type of survey and regular survey is the survey’s role in relation to other sources of evidence (Yin, 2009).

The other sources such as documentation, archival records and direct observation also were employed. Documents used in this study include written reports of events, administrative documents and articles appeared in the mass media. The most important use of those documents is to support the outcomes of the interviews. It also provides with information about important events in the cluster and persons related with those events. Archival records include maps and survey data, previously collected about cluster's participants. Direct observation is limited to a field visit, during which other evidence, such as photographs, was being collected. Observational evidence is useful in providing additional information about the cluster and helps to understand the context in which it operates. Photographs taken in the site help to convey cluster characteristics to outside observers.

3.2 Data Gathering

The empirical study has been conducted in the Uzupis district in Vilnius, Lithuania. Uzupis is partially located in the Old Town of Vilnius, on the Eastern side of the Vilnia River. The investigated creative cluster is defined as the gathered creative firms and individual artist in Uzupis district. The clustered individual artist and creative firms are located in this area and represents various sectors of creative industries.

Some respondents for interviews were traced using secondary data, such as written reports and articles appeared in the mass media. The so called snowball method was also employed. Some respondents were found and selected via other contacts/respondents. The main disadvantage of this method is that results can be subjective, because all respondents could be part of the same network. In order to avoid bias, it was attempted to select a mix of different respondents and organizations.

Individual artist and creative firms for interviews were selected by means of survey. It was decided to concentrate on creative firms and individual artist that are included in the Map of Uzupis Creative Industries. The website introducing the map provides with key information about 130 creative industries and individual artist located in Uzupis district.

The invitations to online survey were sent to those creative industries and individual artist that provided with their electronic mail addresses. Survey was started on 1/7/2010 and

ended on 2/12/2010. The invitations to online questionnaire were sent two times. At first link to survey was sent to 50 creative industries and creators. Second time link to online survey was sent to those, that did not respond to first invitation. There were altogether 17 respondents that filled the questionnaire, 15 of them were willing to participate further in the research and to be interviewed. All 15 respondents represent a variety of sectors of creative industries and are different in their business types. Diverse group of respondents makes it possible to investigate if there are common patterns for all creative firms and individual artists and if there are distinctions between different sectors of creative industries and business types. However, because of time and distance restrictions only 9 respondents were interviewed. Table 3-1 below gives basic information about respondents.

Table 3-1 : Information about Respondents

Informant number	Name	Title
A001	Vytautas Ratkevicius	Information Minister and Sheriff of the Republic of Užupis
A002	Dalia Mikoliunaite	Actor and one of the founders of private theatre troupe "Teatriukas"
A003	Giedrius Bagdonas	Painter, watercolorist, one of the initiator of "Uzupis Art Incubator"
A004	Rima Steikūniė	The owner of "Uzupis' Antiquarian Shop"
A005	Mantas Vokietaitis	Musician
A006	Gintautas Dūdėnas	The owner of "Little Shop of Various Things"

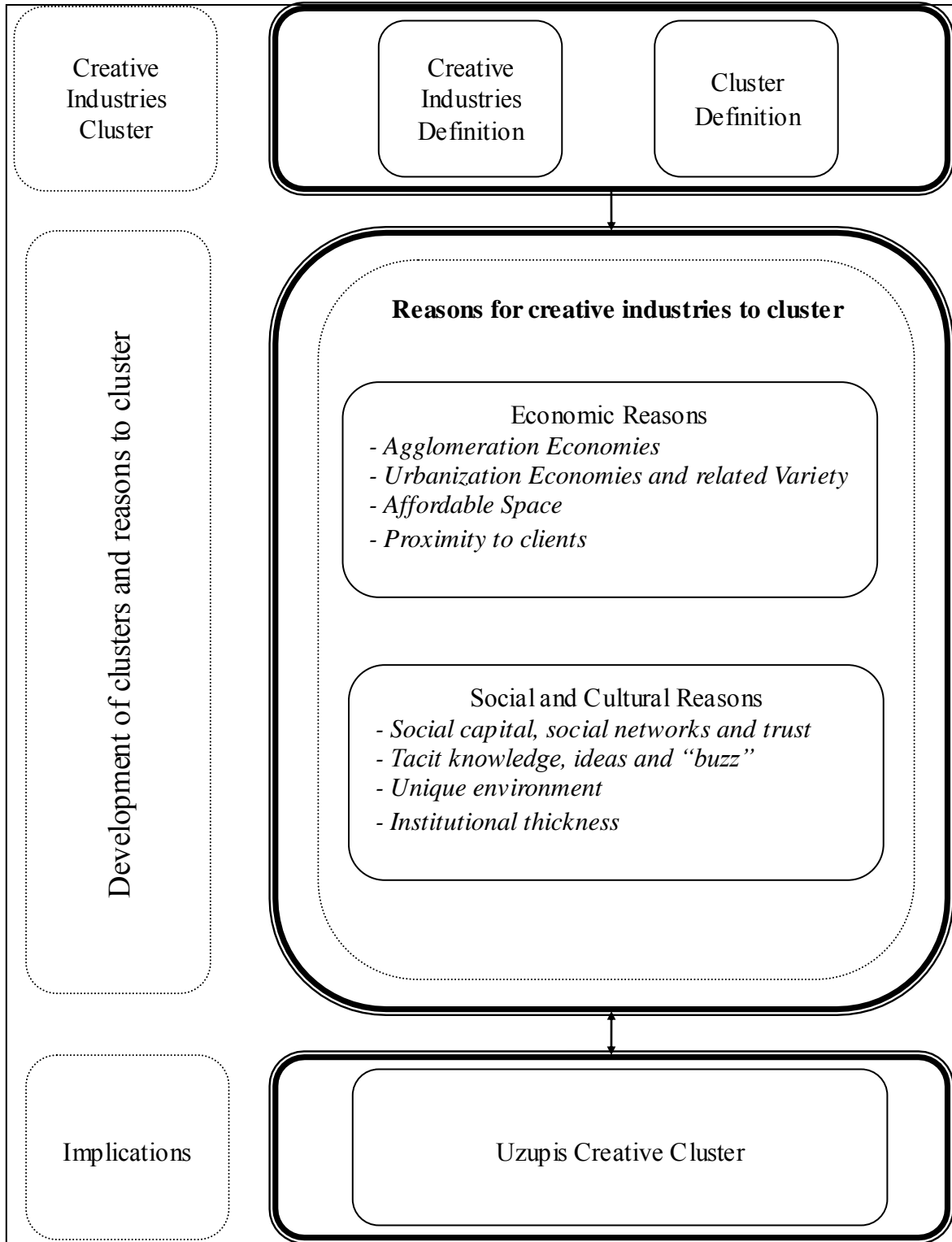
A007	Romas Ramanauskas	Essayist, organizer and presenter of television and radio programs, teacher of theatre arts.
A008	Irena Dauksaite Guobiene	Engraving artist and book illustrator
A009	Vaidotas Skolevicius	Graphic designer, advertising artist

Source: Own compilation

3.3 Research Framework

The research can be summarized into conceptual model based on the results of literature review. The main unit of measurement in this model is creative entrepreneurs. The theoretical reasons for these creative entrepreneurs to choose a particular area can be divided into economic-reasons and cultural/social-reasons. Consequently, economic reasons include Agglomeration Economies, Urbanization Economies and related Variety, Affordable Space and Proximity to clients. Cultural/social-reasons encompass Social capital, Social Networks and Trust, Tacit Knowledge, Ideas and “Buzz”, Unique Environment, Institutional Thickness, Tolerance and Bohemian Atmosphere. These location factors depends on the characteristic on particular industry, therefore the nature of creative industries and clustering phenomenon have to be analyzed. This step is represented in first bloc of the model. Finally, after examining reasons to cluster, implication for further creative cluster development can be provided. This stage is represented in third block of the model.

Figure 3-1 : Conceptual Framework



Source: Own compilation

Chapter 4 Research Results and Discussion

This chapter starts with a general background to the studied area. First, a description of the entire city of Vilnius will be presented. Second, the creative industries in Vilnius city will be discussed. After this description of Vilnius, the Uzupis district will be presented. This part on Uzupis starts with general introduction, followed by discussion on creative industries in Uzupis. After the description of studies area, the reasons for creative entrepreneurs to cluster in Uzupis district will be discussed on the basis of the results of interviews. This discussion is divided into seven paragraphs. The first paragraph examines the influence of “agglomeration economies” to location decision. The second paragraph deals with “urbanization economies” and related variety. The next paragraph is about the importance of affordable space and proximity to clients. Subsequently, the significance of tacit knowledge and ideas exchange will be discussed. The fifth paragraph deals with the role of social capital, social networks and trust in location decision. In the sixth paragraph is about the importance of institutional thickness. Finally, the significance of unique environment will be discussed and a summary of the main outcomes will be presented.

4.1 Creative Industries in Vilnius

The city of Vilnius had a strong impact on the cultural development in Eastern Europe. It's beautiful Old town is included into UNESCO World heritage list. The half of all Lithuanian Cultural and Creative Industries are located in Vilnius. The city demonstrates all key features required for creativity – the concentration of creative talent, cultural diversity and a strong social infrastructure. According to the Guidelines of Vilnius Municipal Cultural Strategy 2010-2011, the clustering of creative economy in Vilnius is due to a number of economic and social reasons. Vilnius has the highest GDP per capita and the fastest growth rates. The city attracts the biggest part of all direct foreign investments in Lithuania. There are many important academic institutions in Vilnius. Nearly one-third of the capital citizens have university degree. A quality of social and economic life of Vilnius populations is better than the average in Lithuania.

In comparison with other cities in Lithuania, Vilnius Creative Industries are especially developed and active. According to Ministry of Statistics Department of Republic of Lithuania in 2009, there were 3,127 companies working in the Creative Industries activities in Vilnius. It constitutes almost half (47.8%) of all Creative Industries companies in Lithuania. Despite the economic crisis, the number of Creative companies continues to grow. In 2009 they received over 4 billion LTL income and employed over 35,331 employees. The most economically prospering types of creative activity include creative services companies, new media companies, publishing and media companies as well as audiovisual companies. Vilnius most visible and vital are these groups of the Creative Industries: Arts groups (high-level arts professionals, professional staff, arts organizations of Fine and Performing Arts subgroups and festivals, forums and other events of this group in the city); Media groups (attracting the largest audience for a lot of festivals and business projects); initiatives of creative and civil communities.

Regarding the export of Vilnius creative industries companies, they represent 48.8% of the total Lithuania creative industries sector exports. The highest export rates are in creative services companies, book publishing as well as jewelry and related articles manufacture.

According to The Map of Vilnius Creative Industries, 91% of Vilnius Creative Industries businesses are focused in four parts of Vilnius – Old Town (including Uzupis), Naujamiestis, Snipiskes, and Zirmunai. Most companies are located in Old Town – 33%. Creative Industries often concentrate where is a good business infrastructure, high cooperating companies concentration and easy accessibility to consumers. The Old Town of Vilnius is suitable place for Creative Industries Companies as it is an area where arts and cultural heritage as well as many cultural institutions are located. It includes the theaters, public concerts institutions, museums, centers of culture and arts, private art galleries, and libraries. Vilnius Old Town is the largest tourist attraction center in the city. Uzupis is also a part of Old Town, but it has its own identity and characteristics.

Vilnius city also has several arts incubators those are supposed to be the main kernels of Creative Industries clusters. The main incubators are Art Press, Creative Industries Park Architectural Center, Uzupis Arts Incubator and Audiovisual Arts Industry Incubator (AMII). The main goals of these institutions are to stimulate the development of creative

industries by providing creative individuals and firms with workshop and studio spaces as well as training, consulting and so on. According to The Map of Vilnius Creative Industries, these incubators are still in the stage of early development. They act more as arts organizations and they lack strategy how to develop synergies that would bring added social and economic value.

The Map of Vilnius Creative Industries states that examples of successful Creative Industries companies are rare in Vilnius. The document argues that the Creative Industries companies do not tend to collaborate because of the lack of confidence for the partners, competition for small market, lack of entrepreneurship, etc. The lack of funds and complicated legislation are the biggest obstacles for business development of enterprises. The absence of strong coordinating leadership also results into disorganized and chaotic situation. There are a lot of different Creative Industries activities and events in the city, but many of them are overlapping and do not have any significant influence for the city's social economic life, although they create a so-called creative milieu. According to The Map of Vilnius Creative Industries, the collaboration and clustering of Creative Industries companies are necessary to and enhance the abilities of developing new forms of products and services.

Summarizing the situation of Creative Industries in Vilnius, it can be claimed that they play important role in city's social and economic life. Vilnius city has a bustling and dynamic cultural atmosphere, which itself is suitable for further development of Creative Industries. However there is a lack of skilled, innovatively-minded entrepreneurs, and strong leadership as well as willingness to collaborate.

4.2 Background to Uzupis

The study was undertaken in Uzupis district, which is a part of Vilnius Old Town. The area lies across the Vilnele River, and because of it the district is called Uzupis, which means "across the river". It occupies an area of a few square miles and has about 7000 inhabitants.

Uzupis became suburb settlement of Vilnius city at the end of XVI century. The district was settled mainly by Russian and Belarus merchants. Until now there are few

buildings, architectural elements that evidence the influence of the first inhabitants' foreign culture. In the XIX century the area was expanded and the majority of residents were manufactures' workers. Architectural heritage from that time is rather simple and non-impressive. During Communist occupation Uzupis was inhabited mainly by factories' workers that also were unconcern about aesthetic value of architecture. In the course of time district declined and become a shelter for marginal elements of society.

Nevertheless old architectural heritage as well as beautiful landscape made Uzupis very unique place. Distinctiveness and romantic character of the place has been noticed by the artist of Vilnius city. Actors, painters, architects, students started to acquire flats in Uzupis in 1994-1997. At that time Uzupis was the most undesirable area in the city with high crime and flats with no heating and water. Due to dilapidated urban environment and unattractive social atmosphere prices for real estate in Uzupis were much lower. Therefore it made possible for not so wealthy artists and cultural workers to settle there. This young and creative generation of Uzupis created a very positive milieu of the area. Since then Uzupis got a name of Vilnius "Monte Parnasse" and became one of the most socially and culturally active parts of the Old Town. Various performances, exhibitions and festivals organized by local residents became a tradition.

Uzupis now has a strong and active community of creative people. Their initiatives helped to create a unique physical, social and cultural environment as well as distinctive image. Uzupis often is called as artist "republic", a state within the State. It has its own Constitution, Flag, Hymn, Calendar and so on. Such initiatives can be seen as fun and entertaining, but actually it helps to connect local community, as well as to create a unique character of the place.

4.3 Uzupis as Creative Cluster

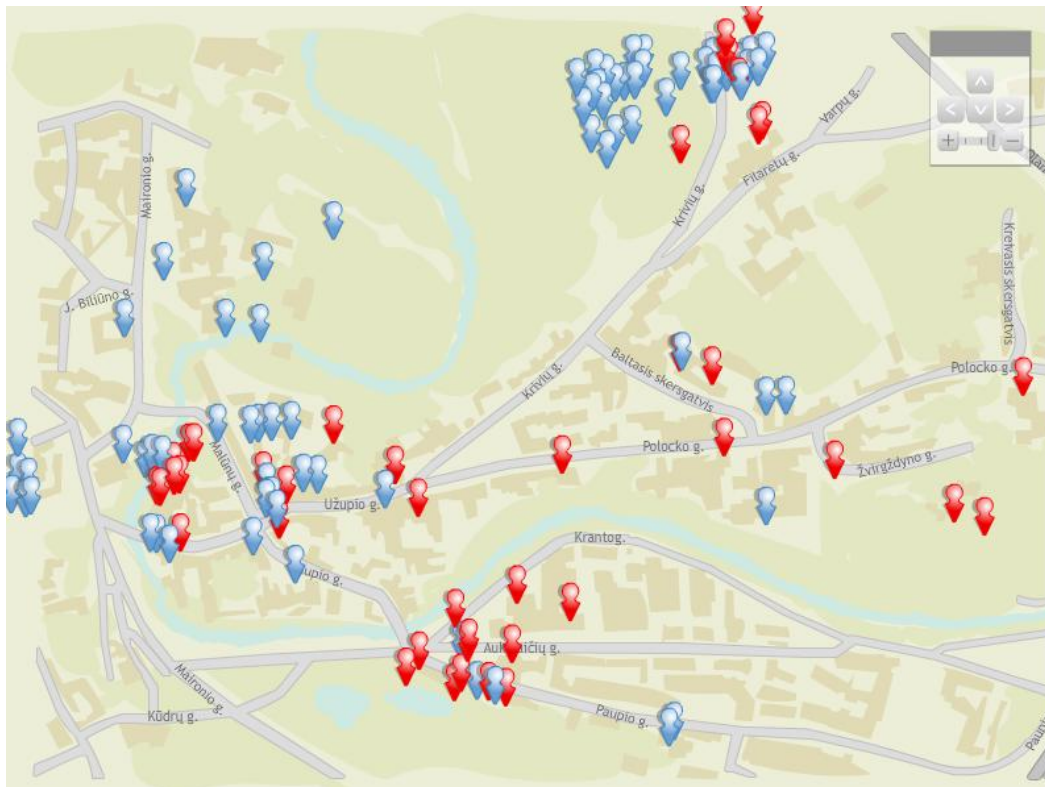
Uzupis cluster is an example of spontaneous cluster originated in a bottom-up approach. Abandoned buildings in Uzupis provided a natural incubator for small creative enterprises and individual artist who gradually converted the place into culturally and socially active area. Affordable spaces were adapted for studios and workshops as well as live-work accommodations. Now area contains more than 250 creative industries, ranging

from individual artists, producers, art investigators, managers to museums and galleries. The cluster includes both creative production as well as consumption activities. The main initiators of cultural activities in cluster are local inhabitants, artists and creative companies.

Near Uzupis cluster are located such institutions as Vilnius Art Academy, Lithuanian Music and Theater Academy, which also contribute to the cultural life in the district. Some respondents of this research also mentioned that Vilnius municipality supports the idea of Uzupis creative cluster and various creative projects in this area. However it is hard to find any official information about this support.

Uzupis cluster has Art Incubator establish few years ago with support from city municipality. The main goal role of the incubator is to stimulate the development of creative industries by providing creative individuals and firms with workshop and studio spaces as well as training, consulting and so on.

Figure 4-1 : Map of Uzupis Creative Cluster



Source: (Uzupio ziniuos)

4.4 Reasons for Creative Industries to Cluster in Uzupis

4.4.1 Survey Results

In this paragraph the data obtained from survey will be presented. The purpose of survey was to collect initial information about creative entrepreneurs in Uzupis and select informants for focused interviews. Information obtained from surveys also served as a clue for further inquiry. Survey includes close-ended and open-ended questions, that range from personality questions to the questions related with research topic.

From 17 respondents that filled the questionnaire, 11 responded that they are individual artist and 6 are members of creative enterprise. Most of them moved to Uzupis more than 10 years ago, starting from 1975. 53% of respondents agree that their income from creative activity and number of customers recently increased. Their clients come from different groups of age and various places, including Uzupis district itself. Most respondents state that they work together with other individual artists and creative entrepreneurs, but only 21% cooperate with other creative entrepreneurs in Uzupis. 26.67% of respondents indicate that they belong to organizations or association unifying other residents or firms in Uzupis, such as “Uzupis Community” and “Uzupis Art Incubator”.

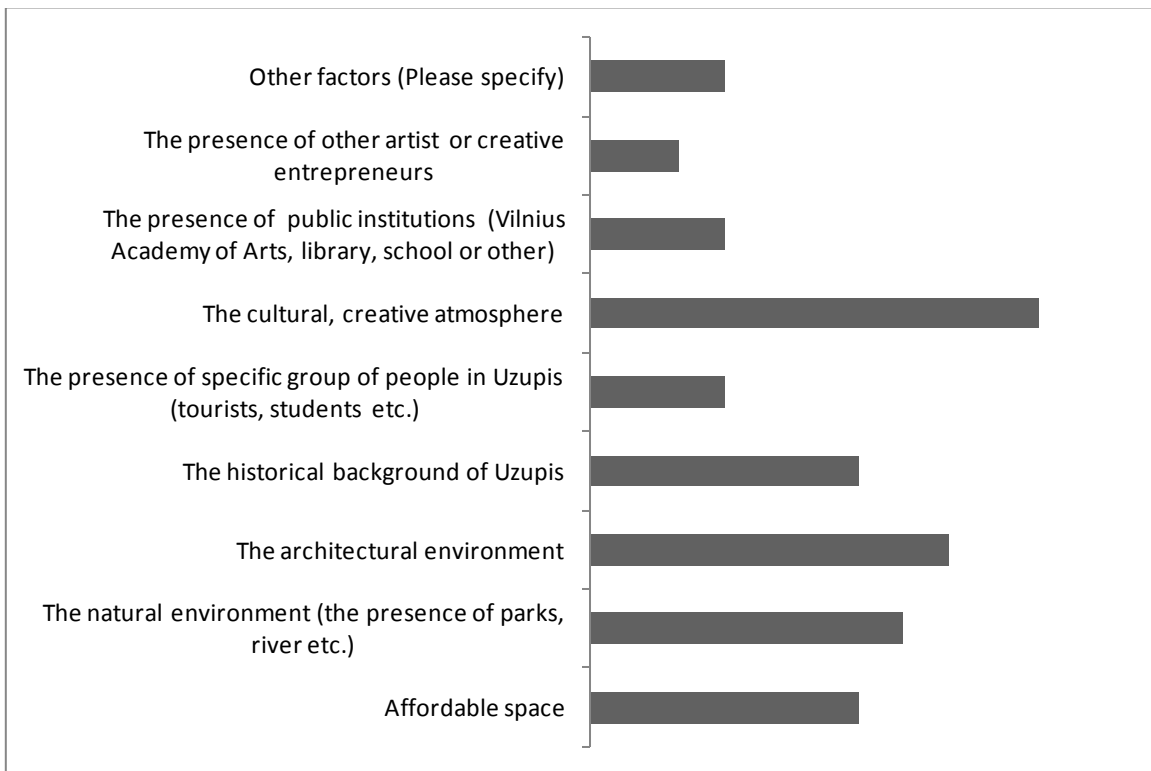
Most of the respondents respond that they are active members of Uzupis community, and attend various festivities and events in cluster. The reasons for willingness to attend those events are seeking of fun, meeting friends and neighbors, keeping a feeling of community and other. Some of the answers are presented below.

- *We want to keep creative and original atmosphere of Uzupis.*
- *It is an opportunity to share creativity with friends and neighbors.*
- *All the activities are in the neighborhood and it is fun.*
- *It is a way of my life.*
- *Because of personal reasons. Those festivals are very interesting and funny. I can meet friends, old classmates, colleagues. It is pleasant to be the part of such community, because it is a place where I was born. In those festivals you are involved in joined activities; children also have their own “tasks”. There are also beautiful concerts and so on.*

- *I am a citizen of Uzupis Republic, I am a patriot and ambassador of this place.*
- *Because to keep a feeling of community. And it is fun too.*
- *I support a position of being an active part of community.*

Regarding factors that influenced location decision of creative entrepreneurs and individual artists in Uzupis, the most prevailing factors were the cultural, creative atmosphere (18.52%), the architectural environment (14.81%), the natural environment (12.96%) and the affordable space (11.11%). The presence of other artists or creative entrepreneurs and proximity to public institutions has only a little influence to location decision. The results are presented in a Figure 4-2 below.

Figure 4-2: Survey Results: Clustering Factors



Source: Own compilation

The results obtained from this survey served only as background information for further research and for constructing interview guide. The results from interviews are

presented in a following paragraph.

4.4.2 Interview Results

(1) Agglomeration Economies

“Economies of agglomeration” have a remarkably small role in the location choice of the respondents. All three aspects, including the increased cost advantages (existence of specialized suppliers), the development of local pools of specialized labor and the flow of information and ideas were rarely mentioned by creative entrepreneurs. None of them perceived the increased cost advantages, such as an existence of specialized suppliers, as important in their co-location decision. Actually, Uzupis cluster does not provide an extensive pool of specialized suppliers and creative entrepreneurs find them elsewhere. The advantage of specialized workers or employment does not play any role in the location decision of the creative entrepreneurs either. Acquiring employees usually takes place on a higher scale and is not of influence on the entrepreneurs’ location decision. The opportunity for exchange of information and ideas had a small role in their location decision. None of the entrepreneurs perceives this opportunity as decisive, for some of them it had a small role in their location decision. Some respondents state that the presence of other artist or creative entrepreneurs gives a special creative atmosphere to the place and opportunities to create together, but none of them found it economically beneficial.

“The presence of other creative people was somehow important in my decision. Here are many creative people around, who not only creates individually, but also do some collective creative projects, such as Uzupis republic or other. (...) I am working with other artist in Uzupis, not because of economic reasons, but because of art.” (A003)

For example, one of the respondents, working as an actor in a theatre troupe for children, mentions that they organize events with other creative firms in Uzupis. It can be seen as a kind of cooperation, but without any economic implications.

Some respondents vaguely mentioned that they have business relationship with other firms in cluster, but they were not willing to provide with details.

“Yes, I have some business partners in Uzupis. But it’s hard to make a difference between business partners and friends. Some projects are based on friendship and usually for free. And there project based on business too, but I don’t want to specify them.”(A009)

Some respondents when asked about information exchange and cooperation with other artists strictly denied any kind of cooperation. It seems that this question for them sounds like questioning the originality and uniqueness of their work. These respondents would say that they are individual artists who work alone and do not need cooperation.

“Maybe younger artist are more likely to communicate with each other and create something together. There are many artists living and creating in my neighborhood, but I rarely meet them. (...) Artists are individualists. We create separately and we do not influence each other.”(A008)

In conclusion, all three Marshallian aspects of clustering played little role in the location decision of creative entrepreneurs in Uzupis. His statement, that small firms would locate near each other because of need to generate local services, institutions and extensive infrastructure cannot be validated in this research. Even if all the firms in Uzupis are small and have limited budgets, none of these hard economic factors are seen as significant. The third factor of clustering, included in Marshall’s theory, played a small role. Both formal and informal contacts between creative firms in cluster were observed, but respondents do not acknowledge these contacts as economically fruitful. The flow of information and ideas or so called knowledge spillover maybe exists, but it is hard to observe them. Hellmanzik (2009) in her research suggested that the main benefit of such “spillovers” is the creation of bohemian environment. This statement suits very well in case of Uzupis district.

(2) Urbanization Economies and Related Variety

Urbanization economies and related variety have very slight influence to the location decision of creative entrepreneurs in Uzupis. It is a fact that most businesses in Uzupis

belong to creative industries sector or service sector. Therefore it might seem that the scope of urbanization economies or related variety is very limited.

However creative industries sector is very broad and contains many subsectors. There are two types of creative clusters – specialized and mixed. Activities in specialized cluster concentrate on one sector, for example, Birmingham Jewelry Quarter or Natural History Film Making in Bristol. While mixed clusters contains various sectors of creative industries, for example, the Westergasfabriek (WGF) in Amsterdam and the Witte de Withstraat in Rotterdam. Consequently, the advantages of urbanization economies and related variety are more characteristic to clusters which contain a range of various creative activities. Uzupis cluster is the best example of mixed cluster. It contains many different creative industries sectors ranging from design to architecture, performing arts to visual arts and so on. Therefore Uzupis creative cluster has a potential for advantages of urbanization economies and related variety.

Indeed, it can be observed that the most prevalent model of cooperation in Uzupis is vertical, rather than horizontal. Entrepreneurs tend to cooperate with business from different sectors. For example, one of the respondent working in a graphic design sector mentioned that he creates posters, advertisements for other creative firms in Uzupis. The respond from another participant also confirms previous statement.

“It can be said that creative industries companies somehow collaborate. For example, if I need help to design a poster or to illustrate something, I will ask someone from Uzupis. Because we know each other and I can be sure they are good specialist. It’s very natural.”(A009)

Another respondent, working in an antiques field, indicated that when she needs a help from painters or designers, she always give priority to those who are in Uzupis. She appreciates that there are a wide range of creative firms in the area and acknowledges the advantages that this mix of activities brings to her business.

“We are restoring and selling antique furniture. Sometimes we need to change color or

design, to renew ornamentations and etc. Then we collaborate with painters, designers and other artist. Since we live in Uzupis, where is a huge concentration of various artist, we can find help immediately and right here.”(A004)

There are also some very unexpected and original kinds of collaboration in Uzupis. Every Sunday there is ecological market organized in Uzupis area. It became very popular place not only among Uzupis inhabitants, but also among people from other areas of the Vilnius city. The musician, creating electronic music, mentioned sometimes he cooperate with organizers of this ecological market and play music there.

“I am a only one musician in Uzupis. It’s hard to find with whom to collaborate. (...) However, last time one company in Uzupis, that organizes ecological market, asked me to play music in their event. It’s kind of collaboration. (A005)

However the advantages of urban economies and related variety were mentioned only by few entrepreneurs. And this influence is rather abstract and difficult to measure. The main advantages of the concentration of mixed creative industries are not economic, but rather cultural and social.

Of course, I communicate with other creative people in Uzupis, coming from different sectors of creative industries, but our communication is personal, rather than professional. However, such communication also stimulates new ideas and inspires.” (A005)

Summarizing the answers of respondents, it can be said that most of them perceives urbanization economies and related variety as important to developing and maintaining the “cultural atmosphere” as well as stimulating energies. Only few of the respondents accept that the variety of creative companies is beneficial for their business. However none of the creative entrepreneurs mentioned that urbanization economies and related variety had a considerable influence to their location decision.

(3) Affordable Space

Most creative firms in Uzupis are small and have very limited budget, thus it is no wonder that most creative entrepreneurs mentioned the availability of space and affordable prices as one of the important factors in their location decision. The importance of affordable spaces is mentioned in many previous studies and a case of Uzupis confirms it.

More than ten years ago there were many unoccupied spaces in Uzupis, and their prices were lower in comparison to other locations in the city. Affordable prices attracted creative individuals and firms to locate there despite the fact that area was famous for high rate of criminal accidents and houses were in dangerous conditions.

Most respondents mentioned that they came to Uzupis soon after graduating from universities. At that time they obviously did not have any saving and they were looking for a cheap apartment or studio. Uzupis seemed as a best option, not only because it was affordable, but also cool or had sentimental value.

“I was looking for a place in a downtown, where I grew up. I always dreamed about coming back here. Unexpectedly I found a quite cheap place in Uzupis. (...) I think this place is luxurious, because it is in the middle of the city, but also surrounded by nature. (...) I chose this place because it was affordable and suitable for my nature.” (A007)

Another entrepreneur even mentioned that the price of space in Uzupis was the most important factor for his location decision. He wanted to start own business and were looking for an affordable space. The bank which provided loan for his business also suggested premises in Uzupis district. Thus, the decision for location was based purely on economic reasons and cultural/social factors become important later.

“The reason why I chose Uzupis is very prosy. There are no legends about it. I was looking for a cheap place for my business and bank suggested this place. I came here, looked around and I liked it. There were other places I could choose, but this was the cheapest one. So, the main reason is money, other reasons are of secondary importance.” (A006)

Although most entrepreneurs have chosen this location for its good price, one entrepreneur indicated that recent changes in real-estate prices in Uzupis had an opposite effect to location decision. After the atmosphere and image of Uzupis started to change, the rent prices raised considerably. During the economic crisis, incomes of small businesses become considerably lower, but rent price remained the same or even become higher. Some entrepreneurs perceived the price as too high for them and they chose to leave Uzupis.

“We left Uzupis because of financial reasons and economic crisis. Rent became unaffordable for us. The prices remain the same as before crisis, when prices in other locations in the city became lower.” (A004)

This is a perfect example of processes happening in most of creative clusters around the world. Abandoned areas in the city attract creative individuals who are interested in low costs. They generate area and attract other business such as shops or restaurants. Consequently, these areas become noteworthy for project developers, which in turn raise prices of the land and real-estate, and eventually creative firms are forced to move elsewhere.

Most of the other entrepreneurs acknowledge these processes and agree that prices in the area have risen considerably. However, most artists are not planning to move elsewhere, because prices are still in a good proportion to the quality. They all mention, that unique natural architectural atmosphere as well as the centrality of the location are worth to stay in Uzupis despite the high prices.

(4) Proximity to Clients

Another factor mentioned by previous researches is proximity to clients. None of the entrepreneurs perceived the proximity to clients as important in their location decision. Uzupis is on the edge of the Old City, which is a bustling cultural and commercial area, as well as tourist attraction center. Although Uzupis is a part of Old City, at the same time two areas are separated and have its distinctive character. Uzupis, comparing with other parts of

Old City, does not attract a flow of customers or tourists. Creative entrepreneurs have very different views towards customers' flows in Uzupis. Some of them think that it would be better if more people knew about creative businesses in Uzupis.

“Most people think that Uzupis is a place for artists. Only few of them know that here are many shops, restaurants, events in Uzupis, where they can spend their time or buy something unique. There is too less attention from other businessmen and clientele. Uzupis is quite private and self-contained place. It has advantages and disadvantages too. It is good that you know everyone you meet on the street. But it is bad for business when all clients are locals.” (A004)

Some creative entrepreneurs have quite opposite opinions about clientele flows in Uzupis. They explain that too many people in the area would negatively affect a cozy and peaceful atmosphere in Uzupis. Some respondents mention that not the quantity of customers is important, but the attitude of those clients:

“I have enough clients. Too many of them are not good for my business. I think it is very important to talk with everyone who comes to my shop, to introduce my goods, maybe to drink a cup of coffee with them. If there are too many people in my shop I start to feel nervous. My goods should be introduced; otherwise people would not understand their true value. On the other hand, my shop is not for everyone, some people perceived my shop as too strange, but usually they do not dare to come in.” (A006)

In conclusion, most creative entrepreneurs mentioned that the proximity to clients is not on their priority list. They indicate that there are many other more efficient ways to find potential customers, such as internet, via friends and acquaintance and etc. Consequently, this research does not conform to the finding in the studies of Bassett et al. (2002) and Oakey et al. (2001). These studies indicated that clustering of creative firms occurs around sites of production, based on issues of production. In Uzupis case, customers of creative industries are dispersed over a wide area, ranging from Uzupis district to international market,

hence there is no need to locate close to them

(5) Tacit Knowledge and Ideas – “Buzz”

Most creative entrepreneurs mentioned that cultural and creative atmosphere was important in their location decision. Drakes (2003) defines “buzz” as an “unpredictability or excitement of a locality”. He states that creative companies are attracted to places where they can find inspiration or “creative buzz” embracing diverse and unique ideas and trends. Therefore it can be stated that what creative entrepreneurs in Uzupis refer to “cultural and creative atmosphere”, it also can be called “buzz”. However, the phenomenon of “buzz” and the exchange of tacit knowledge, information and ideas are very hard to measure. Most respondents mentioned that Uzupis has a special atmosphere, which is hard to define, but can be felt.

“Even if artists don’t communicate to each other too much here, that special atmosphere, which is hard to define, can be felt. It is here naturally, without any intentional actions.”(A005)

Many of the creative entrepreneurs in Uzupis mentioned that the proximity to other artists is very important to them. Not because they can collaborate or work together, but rather because of the inspiring atmosphere. Some respondent said that the exchange of ideas happens naturally, rather than intentionally. Creative entrepreneurs may meet each other on the street, in the same grocery shop, in the same coffee shop or at the festivals in Uzupis. This is how so called “buzz” happens.

“The real communication happens through face-to-face contacts, when people can talk to each other, see each other. If you want to meet other artists here, you can go to coffee shop, or to gallery. It is how we, artist, communicate. Those who work in offices or banks, communicate in different way - within the working hours.”(A007)

There are many annual festivals and events in Uzupis cluster every year. For example,

such festivals as April 1st or so called Independence Day of Uzupis's Republic and April 13th or so called White Table Cloth Day were mentioned by most respondents. They all agree that those festivals also help to create "buzz" and provide with a good chance for face-to-face contacts.

Summarizing the answers of respondents it can be observed that creative and cultural atmosphere plays an important role in their decision to locate in Uzupis. Even if the importance of tacit knowledge, information and ideas exchange or "buzz" in creative entrepreneurs' location decision is hard to measure, most respondent appreciate the existence of face-to-face contacts with other creative individuals and acknowledge the social and cultural importance of such communication.

(6) Social capital, Social Networks and Trust

Most creative entrepreneurs mentioned that social capital, social network and a sense of community were very important to their location decision. They mentioned that Uzupis has its own rules, norms and values and everyone is expected to follow them. According to information obtained from interviews, social structure in Uzupis can be associated with historical and cultural conditions as well as interaction of individuals and firms inside cluster. Most respondents mention the ideological leader of Uzupis, Romas Lileikis, who was responsible for Uzupis Republic establishment, Uzupis constitution creation and many other projects. Respondents argue that these projects helped to connect everyone in Uzupis as well as to create common rules and values.

Some of the respondents describe Uzupis as a village in the middle of the city, and perceives it as an advantage. They compare Uzupis with other parts of the city by saying that people in Uzupis are close and connected, while those living in other part of the city do not know even their neighbors.

"We like Uzupis because it is somehow separated from the city's life. It's a small village in the middle of the city. It's a community, which have its own traditions, the way of living. Uzupis is very different than other parts of the Vilnius city." (A004)

Most creative entrepreneurs agree that it is very important to be a part of social life in Uzupis, to do something for the sake of community. However, in reality, only few of them are active actors in the projects in Uzupis. Those who do not contribute to the organization of the project, argue that they are too busy with their personal or business life.

“I would like to be a part of Uzupis community activities, but I don’t have time. I have my business and three children. Maybe later, when I will have free time, I will be more active member of Uzupis community.”(A004)

Uzupis creative cluster has its own radio, newspaper and website. Those initiatives were very important in creating community feeling in Uzupis. However, there is no funding for these projects and they are based mainly on personal investments and enthusiasm. However, organizers of these projects complain that it is very difficult to continue these initiatives. They say that only a small part of creative firms in Uzupis are willing to do something for the sake of this cluster. Some are too busy, other expects economic benefits. One respondent, co-author of Uzupis community radio station and internet site, indicated that Uzupis radio was closed because of lack of help from other creative firms in Uzupis.

“People in Uzupis community radio were playing good music and had a crazy world outlook. We were trying to be different than other radio stations. We didn’t talk about politics and we didn’t discuss topicalities. We were joking about how everything is wrong in the world, and everything is perfect in Uzupis republic. (...) We need a help to keep internet site working, but maybe because we do not pay money, nobody wants to waste their time.” (A007)

Another one organization, called “Uzupis community”, is also playing very important role in maintaining the development community. This organization was created by a group of creative individuals living in Uzupis. This initiative, the same as other projects in Uzupis is also based on personal investments and enthusiasm. All main projects, festivals and events in Uzupis were initiated by this organization. At the beginning this organization was

very active and has regular meetings, but recently has lost its previous vitality.

“Our organization has official meetings only few times a year, usually before festivals. But we often meet each other on the street, in the coffee shop or gallery. Uzupis community is like a village community, everyone knows each other.”(A003)

When asked about the reasons for these changes, most of the respondents were not able to provide with clear answers. Some of them mentioned problems with leadership, lack of financing or enthusiasm. One creative entrepreneur said that he would like to do something for the sake of Uzupis community, but he does not know how he could help and whom to ask. This respondent also mentioned that Uzupis community needs stronger leadership.

“I would like to help. I want to be involved in Uzupis community life. But no one tell me what can I do. There are some people who organize projects in Uzupis, but they didn't ask my help. I think, there are problems with communication in Uzupis.”(A005)

In conclusion, Uzupis cluster shows a presence of strong social capital, including common norms and values. Various initiatives, such as Uzupis radio, newspaper, website, annual festivals, Uzupis constitution helped to develop social capital. The respondents did not mention that this strong social network in Uzupis directly influenced their creative work or led to information sharing. However, it seems to be true that the existence of social networks among members of cluster makes these clusters “sticky places”. Such places attract creative entrepreneurs and keep them in place. However, most respondents mentioned that previously active social initiatives in Uzupis recently started lose their vitality. It is important to keep in mind that social capital can be built and maintained only if individuals are willing to subordinate their individual interests to the larger interest of the community.

(7) Institutional Thickness

Most creative entrepreneurs state that institutional thickness played a relatively small role in their location decision. However, most of them mentioned that proximity to various cultural institutions became more important later. The term “Institutional thickness” refers to the web of supporting organizations including financial institutions, chambers of commerce, trade associations, training organizations, local authorities, and marketing and business support agencies. In case of Uzupis, only institutions related with creative and social activities were mentioned. Respondent often referred to such institutions as “Uzupis community” organization, “Community Building Consultants”, Uzupis Art Incubator, Art Academy, Uzupis High School and other.

“Uzupis community” is private initiative and is responsible for social life in Uzupis. Most respondents agree that “Uzupis community” is important for keeping the community sense in the area. Even though, only few of them are willing to be active actors in the activities of this organization.

“Community Building Consultants” is also social initiative. This organization was responsible for mapping of creative industries in Uzupis and promoting the idea of creative cluster. Some respondents mentioned this organization and appreciate their plan to make Uzupis more visible and to develop it as a successful creative industries cluster.

“I hope that the activities of “Community Building Consultants” will help Uzupis to become more visible, to attract the attention of other business people and consumers.”
(A004)

Art Academy is located near the Uzupis cluster. Many of the creative entrepreneurs in Uzupis are graduated from this academy. Some of the respondents mentioned that the proximity to their alma mater has a sentimental value. One respondent said that he works in Art Academy, therefore it is very convenient.

The proximity to Art Academy was not of great importance, but now I can see the advantages, as I am working there. I was a student of this academy long time ago and at

that time I spent a lot of time here in Uzupis. So there are many good memories. A009

Uzupis High School is located in the middle of Uzupis cluster. Some of the respondents work in this school as teachers, while other mentioned that they have attended some projects organized by this school. Those projects usually mean discussions with students about decorative arts, theatrical art and so on.

Uzupis Art Incubator is one of the most active organizations in Uzupis, having support from city municipality. It is responsible for organizing cultural events, exhibitions, providing artists with affordable studios and so on. Most respondents perceive it as important for cultural and artistic atmosphere of Uzupis as well as a possibility for face-to-face contacts with other artist and creative entrepreneurs.

Summarizing the views of respondents about the importance of institutional thickness in Uzupis, it is observed that proximity to various cultural institutions played very small role in their location decision. However, most of the respondents agree that those institutions become important later. They acknowledge that various cultural and social organizations in Uzupis facilitate exchange and communication among creative individuals. Even so, the interaction between those institutions and creative entrepreneurs is very limited.

(8) Unique Environment

The importance of unique environment was the most prevalent factor among creative entrepreneurs in their location decision. All three main attributes of unique environment were mentioned, including built environment, cultural amenities and environmental amenities. Uzupis is a part of Vilnius Old Town, therefore it has specific architecture, which dates back to the 19th century and the beginning of 20th century. Most of the respondents mentioned that unique architecture of Uzupis was important to their locations decision. One of the respondents, living in an old wooden house in Uzupis, appreciates the feeling of history and is happy to have its own yard.

“I live and work in one of the most authentic place of Uzupis, where you still can find

wooden architecture. I am happy to have my own yard. It feels like a small village.” (A005)

Architecture in Uzupis is very different than in other areas of Vilnius city, especially those constructed during Soviet times or new, modern ones. Some of the respondents perceive this difference as very important for their location decision. They say that they cannot imagine themselves living in other parts of Vilnius.

“Architecture in Uzupis always fascinated me. I hate those grey multi-storey buildings in other parts of the city. Here, in Uzupis, architecture is very different.”(A009)

Uzupis contains many derelict and abandoned buildings. Some of the respondents perceive those abandoned buildings as inspiring and beautiful. One artist mentioned that she feels sorry about the reconstruction works and new modern buildings in Uzupis. She is afraid that one day the authentic Uzupis will disappear.

“I have a studio in Uzupis. Few years ago this place was full of abandoned and derelict buildings. But I am interested in the aesthetics of ruins. I see beauty in it. Recently Uzupis has become like a beautiful sweet picture.”(A008)

Most creative entrepreneurs perceive cultural amenities as very important for creative atmosphere in Uzupis, but only few of them admit that it had influence to their location decision. Coffee shops and restaurants in Uzupis, such as “Torres”, “Uzupis pizzeria” “Uzupis coffee shop” etc., act as meeting points for local people, where they communicate, discuss business, exchange ideas and etc. Some respondents even have kind of classification system for coffee shops in Uzupis: one shop is for younger generation, second is for the older generation, third is for people from other places, fourth is for locals etc.

“I go to my beloved coffee shop every day. I even have a discount there as a regular client. I drink coffee, read papers and talk with other local artist. During the years we formed kind of club there.”(A007)

The environmental amenities were on the most prevailing factors influencing location decision. Most respondents admit that beautiful scenery, a lot of greenery, the proximity to river and parks had an important role in their location decision.

“Where else you can find such river, old real parks? Of course, there are many beautiful and stylish places, but here everything is natural and organic. Uzupis symbolizes the harmony between nature and man, and it is in the middle of the city.”(A007)

In conclusion, the importance of unique environment in location decision was confirmed by most respondents. All attributes, including built environment, cultural amenities as well as environmental amenities have played an important role. It seems that Drake’s (2003) theory about relationship between place and creativity is verified in this research. Most respondents agrees that Uzupis environment has inspiring value, however no one mentioned that authentic place serves as a brand for their products.

Summarizing all the results from interviews, it can be observed that the most prevailing factors influencing creative entrepreneurs’ decision to locate in Uzupis were the affordable space, social capital, social networks and trust as well as unique environment. The proximity to other creative actors played only moderate role in the entrepreneurs’ location decision. Proximity to clients, institutional thickness, urbanization economies and related variety influenced location decisions very slightly or become more important later. Agglomeration economies were insignificant in the location decision of creative entrepreneurs.

Table 5-1 : Summary of the Interview Results

Factors	Importance
Agglomeration Economies	Low
Urbanization Economies and Related Variety	Low
Affordable Space	High
Proximity to Clients	Low
Tacit Knowledge and Ideas – “Buzz”	Moderate
Social Capital, Social Networks and Trust	High
Institutional Thickness	Moderate
Unique Environment	High

Source: Own compilation

Chapter 5 Conclusions and Implications

In this concluding chapter, the results of the examination will be discussed and the research questions will be answered. The chapter will start with the discussion of the results and end with implications for further researches on reasons for creative entrepreneurs to cluster.

5.1 Conclusions

“Economies of agglomeration” appeared to have a very slight impact in the location choice of the respondents. Cost advantages, such as specialized suppliers, did not play a role in the location decision, at all. Actually, Uzupis cluster does not provide any cost advantages to creative entrepreneurs, and they did not mention it as a disadvantage. For none of the entrepreneurs, the presence of specialized workers has played a role in their location decision. The acquiring of employees usually takes place on the scale of Vilnius, or even on a whole Lithuania. The opportunity for exchange of information and ideas had a slight influence in location decision of some entrepreneurs. However, none of the entrepreneurs perceives this opportunity as decisive or economically valuable. The above statements show that the economic reasons for clustering, such as distinguished by Marshall, have not been important for the creative entrepreneurs. Explanation for the prevailing ignorance to the economic factors can be based on the nature of creative industries. It is generally perceived, that creative industries tend to emphasize cultural and social values rather than economical and respondents of this research verify it once again.

“Urbanization economies” and related variety did not have significant influence on the location choice of the entrepreneurs. Only few entrepreneurs mentioned that the proximity to various creative businesses has a slight influence to their business. This insignificance of “Urbanization economies” and related variety can be explained by the fact that most firms in Uzupis belong to creative industries sector or service sector. Thus the scope of urbanization economies or related variety is very limited. However the scope of creative industries in Uzupis is very broad and contains various sectors. Thus there is potential for advantages related with “Urbanization economies” and related variety.

Affordable space was one of the most prevailing factors in creative entrepreneurs’

location decision. More than ten years ago real estate prices in Uzupis were much lower than in other locations. It is not surprising that low prices are attractive to creative entrepreneurs with small business and limited income. Also, some respondent located in Uzupis soon after graduating from university when they did not have any savings. However, recently real estate prices in Uzupis become significantly higher and have a negative influence to creative entrepreneurs. In some cases, entrepreneurs are forced to move to other locations in the city.

The proximity to clients appeared to have slight importance to creative entrepreneurs' location decision. The flow of clientele is more important to those who have shops in Uzupis. Rest of the entrepreneurs finds their customers through other channels, such as internet, exhibitions, and friends.

Cultural and creative atmosphere is an important reason for creative entrepreneurs to choose for a particular location. Drake's observation that creative companies are attracted to places where they can find inspiration and pool of diverse and unique ideas and trends, so called "creative buzz" appeared to be correct. Most creative entrepreneurs in Uzupis mentioned that the proximity to other artists means inspiring atmosphere which enables natural exchange of ideas and tacit knowledge.

Social capital, social network and sense of community are perceived as significant in creative entrepreneurs' location choice. They appreciate the fact that Uzupis community has defined kind of ethical code for Uzupis insiders. The feeling of connectedness and being a part of community is important for most of the entrepreneurs, but only few of them are active actors of Uzupis community. Community leaders claim that it is difficult to carry out projects in Uzupis, because other members are not active enough.

Institutional thickness appeared to play a small role in the location decision of the creative entrepreneurs. However, most of them mentioned that proximity to some of the institutions became more important after locating in Uzupis. Respondent mentioned such institutions as "Uzupis community" organization, "Community Building Consultants", Uzupis Art Incubator, Art Academy, Uzupis High School and other. Most respondents agreed that "Uzupis community" helps to keep community atmosphere in Uzupis. "Community Building Consultants" was mentioned as important in promoting Uzupis as

creative industries cluster. Many of the creative entrepreneurs are graduated from Art Academy and mention that the proximity to their alma mater has a sentimental value. Uzupis Art Incubator is perceived it as an institution that creates cultural and artistic atmosphere in Uzupis and provides with possibility for face-to-face contacts with other creative entrepreneurs.

The importance of unique environment was the most prevalent factor among creative entrepreneurs in their location decision. All three main attributes of unique environment, including built environment, cultural amenities and environmental amenities are perceived as important. The historical and original architecture, coffee shops and restaurants, beautiful scenery, a lot of greenery and the proximity to river and parks had an important role in entrepreneur's location decision. Some of those factors are important because of their inspirational value, while others act as meeting points for local people to communicate.

In conclusion, the most prevailing factors influencing creative entrepreneurs' decision to co-locate in Uzupis were the affordable space, social capital, social networks and trust as well as unique environment. The proximity to other creative actors played only moderate role in the entrepreneurs' co-location decision. Proximity to clients, institutional thickness, urbanization economies and related variety influenced co-location decisions very slightly or become more important later. Agglomeration economies were insignificant in the co-location decision of creative entrepreneurs.

5.2 Implications and Suggestions

Research on the reasons for creative industries to cluster is important, because it provides insights in the development of clusters. If more insight exists in this development, it will be easier to find ways how to stimulate clustering. As this thesis is based on very limited information, further research is needed on this phenomenon. A comprehensive quantitative study of the characteristics shared by all creative entrepreneurs in cluster would be helpful and provide valuable insight into the reasons for creative firms to cluster. Additional research would also show if the outcomes of this thesis are only true for this particular case or are more generally valid. There are various ways in which this research

could be taken further. However, this thesis provides some valuable insights into the reasons for creative entrepreneurs to cluster in Uzupis and marks the first steps in researching an understudied area of the creative industries.

This thesis also provides with some suggestions for further development of Uzupis cluster. The research reveals that affordable space, social capital, social networks and trust as well as unique environment are the most important factors for creative entrepreneurs to locate in Uzupis. Therefore the further preservation and fostering of those factors are of vital importance for existence of Uzupis cluster. However, the prices of real estate in the researched area significantly increased and forced many creative entrepreneurs to leave. The newcomers have different objectives which are often not related to creative field. As a result, the original social structure of Uzupis is also changing. The respondents of this research suggested that it is increasingly difficult to define and pursue common goals. The unique environment of Uzupis area is also changing, as new buildings are replacing old architecture, some of the most beautiful places became privately owned and closed to public access. Arguably changes are inevitable and not necessary negative; on the contrary, it may lead to new opportunities. Still, the examples of creative clusters in other countries reveal that governmental institutions may act as important factors in controlling negative changes in clusters and providing assistance in their successful development. Currently, Uzupis cluster is mentioned in official governmental occasionally, but no real actions have been taken.

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