south african cultural observatory

MEASURING & VALUING SOUTH AFRICA’S CULTURAL & CREATIVE ECONOMY
Reflexive Development Policy and the New Creative Economy: The Case for CCI Clusters in South Africa

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INTRODUCTION AND CONTEXT

• Globally, there has been a shift to a cultural and post-knowledge economy with the CCIs contribution to GDP increasing in most developed, as well as a range of developing economies.

• The 2015 EY report, Cultural Times – The First Global Map of Cultural and Creative Industries showed that CCI revenue is over $2,250-billion creating a total of 29.5 million jobs worldwide.

• A recent study shows contribution of the creative industries to GDP in the Americas varies considerably from under 2% in Chile to over 10% in Brazil and the USA.
INTRODUCTION AND CONTEXT

• In South Africa, the cultural and creative economy has expanded in recent years
  • In 2013/14 CCIs contributed 2.9% to GDP
  • In 2013/14 CCIs contributed R90.5-billion to the national economy
  • In 2014 CCI jobs made up 2.93% of jobs

• The creative economy also helped underpin the empowerment of black South Africans, women and younger people.
  • Over 50% of the creative industries and enterprises are owned by Black South Africans
  • 40% are owned by women and
  • more than 30% by young entrepreneurs.
CISAC (2014) estimated percentage of copyright-based/creative industries/media and entertainment sector to GDP, BRICS and selected countries 2000-2012.
INTRODUCTION AND CONTEXT

• South Africa has made some strides in recent decades in providing a more stable policy environment and wider support for the CCI sector.

• However, there are a series of challenges facing both government and private and third sector partners in providing structural underpinnings for expansion as well as diversification with the CCI sector.

• For South Africa to grow and develop the CCI sector far more than a technical policy exercise is entailed.

• International best practice suggests complex interplay between state and non-state actors and institutions.
## Emergent Paradigm vs. Traditional paradigm: Trends in Business Promotion and Development Policies

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CLUSTERS AND THE CCIs

• ‘Clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions in particular fields that compete but also cooperate’ (Porter 2000: 15).

• Industry clusters represent more than a grouping of firms within a particular industry or sub-sector of that industry.

• Clusters are synergistic, they embody a dynamic relationship not only between the constituent firms but also a broader partnering and networking with stakeholders in the region.
CLUSTERS AND THE CCIs

The International Experience

1. Clusters Increase Productivity and Efficiency

2. Clusters Stimulate and Enable Innovations

3. Clusters Facilitate Commercialization and New Business Formation
CLUSTERS AND THE CCIs

Key Factors Underpinning Successful Clusters

1. Long-term involvement and Commitment of Participants
2. Financing
3. Innovation Dynamics and Innovation Management
4. Prioritization and Expansion of Sectors
5. Regional Development
CLUSTERS AND THE CCIs

The Policy Dimension

While many clusters have evolved organically there is a strong rationale for public policy.

In the post-2010 period, cluster development is linked with new forms of strategies in which a multiplicity of state and non-state agencies and actors are involved.

Porter sees a shift from an old model in which government is responsible for economic development ‘through policy decisions and incentives’ to a new model.

In the latter economic development becomes ‘a collaborative process involving government at multiple levels, companies, teaching and research institutions and institutions for collaboration’
### Characteristics of Cultural and Creative Industries

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<tr>
<th>Theme</th>
<th>Characteristics</th>
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<tr>
<td>Size of companies</td>
<td>• Large number of freelancers and micro businesses.</td>
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<td></td>
<td>• Lack of medium sized companies</td>
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<td></td>
<td>• High level of entrepreneurial activity</td>
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<td>Nature of products</td>
<td>• User value differs</td>
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<td></td>
<td>• Cultural by nature</td>
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<td></td>
<td>• Content focused</td>
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<td></td>
<td>• Intangibility</td>
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<td>• Value difficult to define and linked to creativity</td>
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<td>Labour practices</td>
<td>• Diverse skills</td>
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<td></td>
<td>• Informal hiring</td>
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<td>Business processes</td>
<td>• Project based</td>
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<td>• Network based</td>
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<td>• Less structure</td>
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<td>• Proximity to clients and consumers</td>
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<td>Theme</td>
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<td><strong>Business models</strong></td>
<td>• Volatile market</td>
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<td>• Emerging business Strategies</td>
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<td>• Digital Impact</td>
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<td>• Different models</td>
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<tr>
<td></td>
<td>• (Some) close to clients and consumers</td>
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<td><strong>Sectors</strong></td>
<td>• Diversity</td>
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<td></td>
<td>• Fragmented and dynamic</td>
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<td></td>
<td>• Immature life cycle</td>
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<td><strong>Market</strong></td>
<td>• Niche</td>
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<td></td>
<td>• Limited knowledge</td>
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<td></td>
<td>• Changing environment</td>
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<td>• International dimension (global value chain)</td>
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<td><strong>Statistical variance and unsuitability</strong></td>
<td>• Lack of Suitable statistics</td>
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<td></td>
<td>• Intangible nature of the CCI</td>
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The Knowledge Pool and CCI Clusters

The question of CCI cluster embeddedness has been explored with more specificity since the early 2000s.

Because work in CCI firms draws heavily on the creative process which has an inherent portability and is often more human capital-intensive, they are less reliant on location than many traditional industries.

Paradoxically, the sense of place and associated socio-cultural attractions and connotations are generally more important to the creative industries than more conventional ones in terms of location and clustering.
The workings of CCI clusters are more conditioned than is often appreciated by the social construction of creativity and talent.

Caroline Chapain and Roberta Comunian (2010) suggest that the cluster model be integrated with a ‘knowledge pool’ perspective.

Rather than focussing too closely on the clustering dynamics of creative firms, it is thus more productive ‘to focus on the wider system that enables and supports the development of creative individuals in a specific urban and regional context’
CCI CLUSTERS

Clusters and the South African Industrial Economy

International best practice suggest that a specific CCI cluster programme should be developed. Such interventions should be undertaken with a view to rework existing approaches to industrial modernization and regional economic development.
CCI CLUSTERS

Clusters and the South African Industrial Economy

The South African experience with clusters is an uneven one. Regional and sub-national industrial strategy has seen some modest invocation of cluster approaches but there has not been much traction. The DTI and IDC subsequently maintained a watching brief in regard to clusters.

In recent years, however, there has been a something of an upsurge in interest nationally in clusters influenced in part by the revival and expansion of international thinking and practice on the subject.
Recent SACO research provides useful insights for future policy making.

The ‘heat map’ of CCI in the Johannesburg area suggests inter-sectoral clustering processes at play.
Map shows concentration of CCIs around the Johannesburg area with Newtown (Where the conference is) as the centre point for the map. The higher the concentration of CCIs the brighter the centre of the area will appear which grades to red and then black the further away from the CCI you move. The radius of the heat spot for a single CCI is 1km.
CCI CLUSTERS

Provincial Mapping of CCIs

Sanqo and Igor Litvine (2016) drawing a national sample of CCI firms show that Gauteng, the most populous province nationally contains the highest number of CCIs in the country.

Western Cape, also has a significant number of CCIs. This can be ascribed in part to:

- Urbanisation of province
- Longer-term historic layering of social and cultural expertise in the Western Cape, and
- Competitive lifestyle opportunities
Number of CCIs per province from national sample involved in select cultural domains
CCI CLUSTERS

Policy Challenges and Considerations

There is a plethora of agencies at national and sub-national level
A radical rethink of the current industrial cluster programme is required.
The current notion of industrial clusters as separate but complementary to industrial policy will need to be reconsidered
A more substantive industrial cluster policy, given international best practice, would require a significant revision of current industrial and economic development strategy
A reworking of current industrial policy should take stock of the significance of the interconnected trends internationally to smart specialization and place-based approaches to economic and industrial strategy
The relationship between smart specialization and cluster development should inform the rethinking of industrial policy
The ‘Economy of the Imagination’

South Africa has an under-appreciated milieu of innovation and creativity situated within and outside the formal national economy – a kind of ‘economy of the imagination’

‘Economy of the imagination’ is a shorthand notion to describe forms, experiences and institutions and networks of creative and innovative work and economic activity which take place within and across national boundaries.
Imagining the Economic Future

The 1990s and 2000s has seen the increased challenge of neo-classical economic orthodoxy both in terms of theory and practice, and the emergence of a variety of new and/or alternative approaches to matters of economic growth and development.

There has been a growing interest in the nature and conditioning effects of a territory or locale within regard to economic development and underdevelopment.
Millieu: Economy of the Imagination

National Economy

Related Industries:
Advertising, Architecture, Design, Fashion

Wider Cultural Industries:
Heritage services; Publishing and print media; TV and Radio; Sound recording; Video and Computer Games

Other Core Creative Industries:
Film, Museums, Galleries, Libraries, Photography

Core Creative Arts:
Literature, Music, Visual Arts, Performing Arts
South African Ingenuity Past and Present

A culture of ingenuity can be traced back into the early 20th century, linked to South Africa’s rapid industrialization.

The case of the post-apartheid defence industrial sector is also illustrative.

With modest research and development (R&D) spending, both private and public enterprises have generated an impressive stockpile of technological expertise and products.

The culture of innovation and creativity within this sector, notwithstanding declining investments in recent decades, has a broader significance for the industrial and economic sectors of the economy.
POLICY IMPLICATIONS

At a high level, the South African context is ripe for creative clustering.

To some extent it is already happening organically – both in urban nodes and in smaller creative towns.

However, the policy environment has not given adequate consideration to creative clustering, focusing rather on industrial, manufacturing and to some extent innovation clusters.
ESTABLISHING CREATIVE CLUSTERS IN SOUTH AFRICA: POLICY CONSIDERATIONS

1. South Africa has immense creative and cultural wealth and industries, but to boost these outputs, requires a combination of sound technical policy, such as a cluster strategy, and due consideration of the particularities of the South African experience.

2. South Africa’s history of ingenuity is acknowledged but there is insufficient understanding of its depth and intersections. It is critical to both chart and map this to understand its particularities and nuances to develop adequate policy frameworks.

3. South Africa needs to consider the benchmarks in best practice for creative clustering. Mainly these emanate from the European Union, which has set national and regional benchmarks that are valuable as guiding frameworks for the establishment of South African creative clusters.

4. Place and institution matter – South Africa needs to understand what drives organic creative clustering; what institutional support mechanisms are needed; and how the creative network and social capital operates to amplify it. South Africa also needs to move to have a better understanding of the creative milieu and how it generates social capital and the social glue needed for enhanced social cohesion.

5. There is scope to link what is happening in creative clusters with the broader knowledge pool and establish linkages and networks with innovation centres, other clusters and higher education institutions.

6. Creative clusters make sense for South Africa – in a time of fiscal famine – as funding can be allocated specifically to clusters rather than broader industries and outcomes monitored and evaluated more easily.
CONCLUSION

It is important to develop more coordinated and integrated approach to the promotion of CCIs.

There are a number of synergistic best practice approaches with regard to industrial modernisation, and national and regional economic development that should be taken into consideration. These include smart specialisation strategies and place-based approaches.

In both instances, the use of industrial cluster approaches comprises is central.

It would make sense to develop a specialized CCI cluster programme within a broader revised industrial cluster strategy.