



E-Clusters in the e-Society

ESRC E-Society Programme

This project is concerned with the organisation and physical location of specific industries within e-business in an attempt to investigate issues around new media clusters. The primary aim of Dr Andy Pratt and Dr Rosalind Gill (London School of Economics) was to examine the forms of co-location and socio-economic interaction within and between firms in digital content industries and a secondary aim was to explore the transformations of work experiences taking place within these industries .

- The games industry tends to locate in insular and more remote locations (primarily, not London). The production process is based around long projects (for the sector) and tight-knit small teams. The firms in this industry have a considerable amount of formal networking.
- The web design industry is clustered and tends to be London/Brighton focused. The market structure and market conditions are far more variable and the industry is more strongly linked to one off applications for particular clients. However, as a fast changing industry there has increasingly been strong links with the advertising industry which might itself be dividing the industry. There is some networking present within this industry based upon historical friendships and colleague networks.
- The special effects industry is extremely tightly clustered in London and Venice Beach (Los Angeles). It is an industry that works on a contractual basis; but the selection of clients is configured through a sophisticated quality network. Teams are increasingly established on a project basis. The tight-knit morphology of London is claimed to be of significant benefit over Los Angeles. There is a way in which the two clusters operate as one in dealing with the irregular workflow by sharing out work when huge projects are required.
- New media business location determinants relate to industry institutions (ownership and contracting relations and market structure), to labour market pooling (to facilitate re-employment of freelancers) and to local knowledge of networks of workers outside/across of the firms.
- In the transfer of tacit knowledge and 'soft' information, social networking embedded in new forms of project or freelance work is critical. There is a strong internal dynamic between labour processes, information and knowledge networks and also the linkage to specific places.
- There are significant differences in terms of institutional forms and dynamics within the digital content industries.

Background

New evidence points to the fact that new media clusters do exist, even though some work suggests that certain digital goods are 'weightless' and therefore do not need to pay high rents involved in clustering. These clusters exhibit very intense clustering characteristics, for example, the new media clusters in San Francisco (multimedia Gluch), New York (Silicon Alley) and London (Hoxon) range over a handful of streets.

Economic geographers have also argued for the importance of personal (untraded) as well as professional (traded) relationships in clustering activity, i.e. in some industries, especially the creative industries, these untraded relationships, and formal networks, which give access to premium knowledge, are more important than cost-minimisation.

Moreover, other writers suggest that these new organisational forms are found both in and across businesses. This can be seen in an emergent form of 'project based work' that characterises firms working on short term contracts that recruit personnel on the basis of particular contracts. Such firms rely upon their existence within a specialised network of like-minded producers. In project-based enterprises, the network can be as important as the firm - the reason being that organisations are constantly being formed and re-formed, expanding and contracting. Under such conditions the network is the most durable element of economic organisation.

These extra and cross firm networks may have a number of stakeholders, public and private, formal and informal and these

networks themselves may be a primary source of innovative practice and knowledge. This research sought to explore what have been termed the untraded relationships between and across firms.

The Project

The research question is an examination of the forms of co-location and socio-economic interaction within and between firms in digital content industries. The aims and objectives were as follows:

- To provide an empirical survey of seven e-clusters (specifically those in digital content industries).
- To examine the significance of different location factors for these firms.
- To explore extra-firm interactions and networks with particular attention to the transfer of tacit knowledge and 'soft' information.
- To highlight the similarities and differences within the digital content industries.
- To examine the tendency to clustering in these industries and to consider whether this represents a continuity or discontinuity with past experiences.

Seven clusters were chosen within three industries: animation and special effects, web design and computer games. The locations studied included Los Angeles, London, Bristol, Brighton, Scotland and the North West 'M62' corridor. 180

usable semi-structured interviews were carried out, based around a personal biography narrative which was linked to the employing company. Information was gathered on the company and its organisation, on the employee's organisation and work conditions, and on the geography of day-to-day operations.

Implications of the research

Location factors turned out not to be as straight forward as cost, but related more to industry institutions (ownership and contracting relations, and market structure), and to labour market pooling (to facilitate re-employment of freelancers), and to local knowledge networks of workers outside/across of the firms. Forms of social networks proved to be critical. However whilst the researchers expected this, they found that social networking was itself embedded in new forms of project and freelance, or precarious working. Thus there was a strong internal dynamic between labour processes, information and knowledge networks, and, finally the linkage to specific places.

A striking finding of the research, which confirmed the researcher's initial hypothesis, was that there were significant differences within the digital content industries. This is a point that is seldom understood in mainstream work on the sector that tends to be seen as having common characteristics. Whilst there were noted to be transferable skills and technologies that created potential labour and firm mobility, in fact, firms were rooted in particular industries. These industries had quite different histories, institutional forms and dynamics, as well as having quite different commonalities

with other 'related industries'. The linkage of web design in particular ways to advertising; and special effects to advertising is a case in point.

There are different tendencies to cluster based upon the market and institutional histories of the industries. The Games industry tends to locate in insular and more remote locations (primarily, not London). The production process is based around long projects (for the sector) and tight-knit small teams. Moreover, the firms have a considerable amount of formal networking: the classic example is the Scottish Games industry. The games industry focuses on single products for consumer markets.

The web design industry is more clustered and London/Brighton focused. The market structure and market conditions are far more variable, and the industry is more strongly linked to one off applications for particular clients. However, as a fast changing industry there had increasingly been strong links with the advertising industry that has proven the most dynamic driver of parts of the industry. Indeed it could be hypothesised that this industry is itself dividing based upon such changes. The research found some networking, but in this industry it was based upon historical friendship and colleague networks.

The special effects industry is extremely tightly clustered in London and Los Angeles. It is an industry that works on a for-contract basis; but the selection of clients is configured through a sophisticated quality network. Teams are increasingly established on a project basis. The tight-knit morphology of London was claimed to be of significant benefit over Los Angeles. London has received huge US film investment and developed a leading niche in special effects

that means that it is a direct and equal competitor with Los Angeles. Moreover, there is a way in which the two clusters operate as one in dealing with the irregular workflow by distributing work related to huge projects.

Policy Lessons and Future Research

The project findings have been used as the basis of briefings for the DCMS on the upcoming 'Green Paper on the Cultural Economy' and on future strategy for clusters.

Further analysis of all the data gathered will be required to enable the highlighting of different themes and also the focusing in part on precarious labour as well as issues of local knowledge exchange.

The development of newly established links between researchers and the policy community of clustering and new media issues will be continued and strengthened through additional analysis of the data and also attendance at future networking events.

Further Information

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The e-Society Programme

Funded by the Economic and Social Research Council and co-ordinated by the Department of Sociology at the University of York, the e-Society is a multidisciplinary programme of research that seeks to investigate how institutions, practices and behaviours are being changed by the technologies that constitute the digital age. This £5 million programme draws on the expertise of leading academics from across the UK. Launched in October 2003, the programme will run until the end of October 2007.

Further details of the projects in the programme can be found at
[Http://www.york.ac.uk/res/e-society/](http://www.york.ac.uk/res/e-society/)

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