



Understanding the attractiveness of Birmingham and the West Midlands Region for creative knowledge firms

The managers' view

ACRE report 6.3



Julie Brown
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ISBN 978-90-75246-84-1

Printed in the Netherlands by Xerox Service Center, Amsterdam

Edition: 2008

Cartography lay-out and cover: Puikang Chan, AMIDSt, University of Amsterdam

All publications in this series are published on the ACRE-website

<http://www.acre.socsci.uva.nl> and most are available on paper at:

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Accommodating Creative Knowledge – Competitiveness of European Metropolitan
Regions within the Enlarged Union

Amsterdam 2008
AMIDSt, University of Amsterdam

ACRE

ACRE is an acronym of the international research project ‘Accommodating Creative Knowledge – Competitiveness of European Metropolitan Regions within the Enlarged Union’.

The project is funded under the Priority 7 ‘Citizens and Governance in a Knowledge-based Society’ within the Sixth Framework Programme of the European Union (contract no 028270).

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EXECUTIVE SUMMARY

This report forms part of a wider European study exploring the impact of creative and knowledge-intensive industries on the competitiveness of 13 European metropolitan regions. Through a comparative approach, the project seeks to understand the extent to which creativity, innovation and knowledge are central to successful long-term economic development.

The objective of this particular part of the project is to understand the drivers behind the location decisions of owners of firms and entrepreneurs in creative and knowledge-intensive industries to work set up their business in a particular city, in this case, Birmingham. A second and interrelated objective is to explore the role and relative importance that both 'hard' and 'soft' factors play in this decisions-making process.

The report brings together the results of qualitative in-depth interviews of 30 entrepreneurs and owners/ senior managers who work or have set up their businesses in Birmingham or the West Midlands Metropolitan region: 9 in the Motion pictures & Video activities and Radio& TV; 11 in Computer Games and Web Design; and 10 in Business and Management Consultancy Activities. Furthermore, 5 expert interviews were carried out with policy makers and expert stakeholders.

Specific sub-sectors of the creative knowledge economy were selected by the ACRE co-ordination team:

Creative industries:

- 1) 72.2: Computer games and Digital media/Web design
- 2) 92.1 and 92.2: Motion pictures & Video activities; Radio& TV activities

Knowledge industries:

- 1) 74.14 Business and Management Consultancy Activities.

The sectors included are at different points in their development in the City and the region and are influenced by different drivers. The TV, Film and Screen sector has had a long history in Birmingham which was one of the important hubs of TV production in the 1980's. The sector is strongly influenced by national public policies around the locations of the British Broadcasting Corporation (BBC) and its regional activities as well as the injection of funding in the Film industry and more recently in the New Media sector. The Games sector also has a very long and significant history in the region. Some of the people working in the region were involved in developing the very first computer games for the European market 25 years ago, and have been very influential in developing the sector in the UK, although London is now the main UK hub. The sector has matured from a 'bedroom business' to firms with multi-million pound turnovers, and extremely high GVA. However, the games industry is largely IP

driven (technology, content, and process) with large companies delivering products globally via publishers who then distribute direct to consumers, this value chain means that location is much more 'footloose' and is not dependant on proximity to a large client or customer base.

In contrast, both the Digital media/web-design and Business Consultancy sectors have a much shorter history in the city-region, and are potentially more fragile. Because internet and website technology have only really developed sufficiently in the last 5-6 years to allow for widespread growth of interactive web design, the sector is still 'fledgling' in the city region, and still very much at a formation stage. Business Consultancy has only expanded in Birmingham within the last decade as the city has shifted from manufacturing towards a more service oriented base, and this has only recently provided the client base for the sector. However, both sectors are limited in their growth by the lack of a national or international client base in the city-region. The B2B and client-interfacing business model for the digital media/web designs and Business Consultancy sectors, means that location is extremely important consideration.

Our findings show that these drivers and processes impact on the location and creation of firms in the city- region. However, personal as well as professional reasons also strongly influence the development of firms in these sectors in the city-region. At a personal level, the size of the city intrinsically ensures the presence of a certain number of creative individuals and activities as well as amenities. At a professional level, Birmingham and the West Midlands offer a sufficient local and regional market for start-up companies. Ultimately, the interview material suggests that there are important differences between the reasons for the initial location of the firm in the Birmingham city region and decisions to stay ('attraction' and 'retention').

The majority of the firms interviewed had located in the city as new start-up businesses and their founders chose to establish themselves in or near Birmingham because of existing links - because it was the area where they and their family lived or they had been born there; they had studied at university in the city or region; or they had initially moved to the area for work. Many interviewees also found it easier to settle down and buy a house in Birmingham or the region due to the lower prices in the local and regional housing market. Firms therefore had strong reasons to locate in the region that were associated with a personal connection and certain economic advantages with the location. The presence of key, established players in some sectors, especially in TV & Radio and Games as well as the public sector programmes available in the city-region, constituted important attraction factors for some firms. The overall implication of this pattern is that there were not overwhelming locational business imperatives for most of these firms.

It is important to recognise that the location chosen also satisfied requirements in terms of 'harder' market-driven considerations: the central location within the country; good transport and communication links (road, rail, airport); lower personal cost of living (than London); lower commercial property prices and rents (than London); and proximity to universities and a potential graduate workforce, were all important advantages for firms setting up in the city-region. Therefore, the Birmingham city-region satisfies crucial 'hard' business oriented location requirements.

Firms in different sectors had different locational requirements within the city-region. For some sectors which were not client-facing, such as Games, firms could choose to be located in the wider region and there was no necessity to be based in the city. Founders chose locations where they wanted to live and then based their businesses around these locations. This was also the case of some freelancers in the TV, Film and Screen sector who could work from home and chose not to live in the city. However there were other sectors where location was influenced more by the needs of the firm and by the necessity of being centrally located within the city of Birmingham. In the Digital Media and Film, TV & Screen sectors, for example, high quality office space in a prestigious, city centre development was essential in order to attract a good client-base. Locating close to other firms in the same sector also increased the collective presence of these firms as well as the potential for collaborative activity, and a cluster of new media firms has developed in the Jewellery Quarter and the Custard Factory in Digbeth. The proximity to clients was also very important for firms in the Business Consultancy sector and location was guided largely by the types of clients firms had. For example, property development, regeneration, public sector, professional services clients were all based in the city centre, whereas major consumer brands were more peripheral, therefore Business Consultancy firms would be centrally or otherwise located depending on the location of their clients. In many of these circumstances, the location of the business was very different from where employees and founders lived.

Once firms became established in the region, the professional and personal costs associated with relocation become a strong influence on why they remain. ‘Soft’ quality of life factors, which were not an overriding consideration in the initial decisions of founders moving to or being founded in the city-region, came more into play in decisions to remain in the region. The majority of interviewees had seen the transformation of Birmingham during the period they had lived and worked in the city, and the interesting developments around the Custard Factory and the Jewellery Quarter, the variety of amenities had improved (restaurants, cafes, theatres) and the atmosphere of the ‘urban villages’ around Moseley and Kings Norton were particularly mentioned, as was the ‘creative atmosphere’ and the new found sense of design in the city. Firms located in the wider region mentioned the proximity to the countryside for sports and leisure activities (golf, cycling); variety of independent shops and lack of chain stores, country pubs; good quality schools; and the ‘county town’ atmosphere.

The advantages of the Birmingham city-region compared with London were often referred to and this represents the key comparative benchmark. The smaller size and less concentrated and more varied nature of the creative sector in the city made Birmingham a more favourable place to set-up a business and get a foothold in the market than London. The creative community and networks in the city were regarded as far more welcoming and inclusive and a source of support and collaboration rather than out competition.

In other respects, Birmingham is seen to be at a disadvantage compared to London, primarily because of the dominance of the capital and the South East region in all creative sectors. The ‘brain drain’ of graduates and talented workers from the region to London was seen as one of the major problems facing all creative sectors in the Birmingham city-region. The concentration of national and international customers in the capital was also a seriously limiting factor for firms in the TV, Screen and Film, Digital media/web design and Business

Consultancy sectors. Despite the geographical proximity to London, attracting national clients up to the region to conduct business was a problem and the lack of a 'London office' for some new media firms was becoming a seriously limiting factor to firm growth. A related issue was a perceived negative image about the quality of the work that organisations located in Birmingham could deliver compared to those based in London. As a result, there was some indication that firms in the region who were dependent on business to business and client serving business models could only grow so far within the region. The relative proximity of Birmingham to London therefore appears variously as both an advantage and a disadvantage.

It is important to emphasise the differences between the sectors included in the study – difference that relate to their position in the value chain and to their business models. Games firms are perhaps unique among the sectors studied, in that they show a very clear example of location factors associated with key individuals' attachment to place. In contrast, the location of Digital media/web design and Business Consultancy sectors are most affected by 'hard' factors associated with the need to be close to their client base. For TV, Film and Screen firms, the quasi-public nature of some firms meant they had an obligation to be based in the city-region. All three of these sectors (Digital Media/web design, Business Consultancy and TV, Film and Screen)

For different reasons each of the sectors studied can be presented as fragile. While they may not be experiencing immediate difficulties, the reasons for their location in the Birmingham city-region are not so deep seated as to prevent them being attracted to relocate elsewhere, either within the UK or abroad. Indeed, in order for some firms to expand, they are already contemplating opening 'satellite' offices in London to give their business access to the markets, skills and opportunities which can only be gained by having an office in the capital. Alternatively, some of the larger Games development firms, which are extremely foot-loose, feel that there are very few advantages for them to be located in the UK, let alone the region, as the leisure games sector does not receive any public sector-level support. In some cases there is an active consideration of relocation and in others the possibility is not ruled out.

A number of factors come together to suggest that, while there are a number of advantages for firms to establish themselves and to remain in the Birmingham city-region, their growth here is not assured. The fragility associated with location away from London remains a significant threat. Even where firms have developed a strong position (as in the Games sector) they are still faced with regional skill shortages and a 'brain drain' down to London. Firms in the Digital media/web design and Business Consultancy sectors are limited by the lack of national and international client-base in the region and from the competition associated with the proximity of a globally dominating capital city, while the TV, Film and Screen sector faces a similar difficulty in attracting talented producers, script writer and established sector professionals up from London.

The region's industrial and manufacturing past still plays into its present and future. This can be both an advantage and disadvantage, depending on the sector. For example, the many niche manufacturing businesses who are established in the production chain and whose sales are not influenced excessively by marketing and promotion or the need for highly creative web-sites, have little need for creative web-design or business consultancy. For both web-design and business consultancy, access to the London market is essential for firms to grow

and survive. However, for other sectors, the entrepreneurial heritage of the region is an advantage and still influential in the development of strong networking communities, the cross-sector collaborations, the 'can do' attitude of firms in some of the creative sectors and their willingness and ability to change and adapt to new markets makes them more likely to survive.

The importance of a small number of key firms and individuals in some 'fledgling' as well as the more established sectors also adds to the overall sense of fragility. Fragility is also associated with the city-region's dynamic and varied creative and knowledge industries profile. The Birmingham city-region includes some representation in a wide range of different sectors but is not very strong or specialised in any of these. The policies pursued by different agencies involve chasing development across a wide spectrum rather than being concentrated on a few, key areas of growth. This may not be the most appropriate strategy for the city-region, as it adds to the sense of wide- spread and weak rather than focussed and strong.

1 INTRODUCTION

1.1 Introduction to report

The objective of this particular part of the ACRE project is to understand the drivers behind the location decisions of entrepreneurs and owners/ senior managers of creative and knowledge-intensive firms to choose specific places in which to set up their business, in this case, Birmingham or the West Midlands metropolitan region. A second and interrelated objective is to explore the role that both 'hard' and 'soft' factors play in the decisions to locate a business at a particular location in the city or wider region. Of particular importance is the extent to which the attractiveness of the metropolitan region for locating a business is influenced by consumption related 'soft' factors (for example, cultural amenities and leisure facilities; the atmosphere or 'buzz' of a city; the level of tolerance in the city) or by market related 'hard' factors (such as labour and property costs; the quality of local transport networks; public support services).

The selected methodology involved qualitative research in the form of semi-structured interviews with the target group in the city region. Three sub-sectors of the creative and knowledge intensive economy have been chosen by the ACRE co-ordination team. The candidates chosen for interview were either working in these sectors as freelancers or entrepreneurs or had been directly involved in setting up a company in these sectors (This will be discussed in greater detail in Chapter 3). The following sub-sectors were selected:

Creative industries:

- 1) 72.2: Computer games and Digital media/Web design
- 2) 92.1 and 92.2: Motion pictures & Video activities; Radio& TV activities

Knowledge industries:

- 1) 74.14 Business and Management Consultancy Activities.

1.2 Outline of report

The remaining section of this chapter provides an introduction to Birmingham and the West Midlands economy. Chapter 2 of the report provides an overview of creative and knowledge intensive sectors in the Birmingham economy and then provides an overview of each of the creative knowledge sub-sectors chosen for the ACRE research, profiling them in the national context and then outlining the main characteristics of each sub-sector in Birmingham and the West Midlands city region. Chapter 3 describes the research methodology, including the reason for choosing a qualitative approach; the development of the semi-structured

interviews; the methods used for data analysis and interpretation. Chapter 4 presents the main findings from the interview analysis on a sectoral basis as well as observations from policy makers/key stakeholders in Birmingham and then draws out some of the key cross-sector themes emerging from the three sub-sectors. Finally, Chapter 5 discusses the strengths and obstacles for Birmingham becoming a competitive knowledge and creative city and provides some initial conclusions based on the results.

1.3 Introduction to Birmingham and the West Midlands economy

The West Midlands has traditionally been known as the industrial heartland of the UK, with an economy heavily associated with manufacturing, particularly automotive; aeronautics; metal processing and manufacture; plastics and rubber; food and drink (especially cocoa and chocolate confectionery); electronics and telecommunications engineering; and ceramics. However, the Region has been severely affected by continuing restructuring and de-industrialisation over the last thirty years, brought about by low productivity and strong overseas competition in the manufacturing industries, which led to high levels of widespread, long-term unemployment in the region, particularly during the mid to late 1970s and 1980s. Since the mid-1980s, however, there has been a regional recovery in terms of employment and a major factor in this has been the steady growth of the service sector.

Much of this service sector growth has been focused around Birmingham, commencing with an ambitious strategy of economic and physical regeneration the 1980s and 1990s which formed the catalyst in the transformation of the industrial/financial/service base of the city. Nonetheless, it is only in within the last decade that the expanding service sector has made a significant impact on the city and region in terms of Gross Value Added (GVA) and the city has seen substantial employment growth in financial and professional services and business tourism.

Table 1.1 - Employment by sector - Birmingham, West Midlands and UK, 2005.

	Birming- ham	West Midlands County	West Midlands Region	UK
Total Employment in the Economy (000s)	495,329	1,197,722	2,376,374	26,503,143
1 Agriculture and fishing (SIC A,B)	0.0%	0.0%	0.9%	0.9%
2 Energy and water (SIC C,E)	0.4%	0.6%	0.6%	0.6%
3 Manufacturing (SIC D)	12.4%	15.0%	15.2%	11.1%
4 Construction (SIC F)	3.8%	4.2%	4.5%	4.6%
5 Distribution, hotels & restaurants (SIC G,H)	21.0%	23.0%	24.1%	24.1%
6 Transport and communications (SIC I)	5.0%	5.2%	5.6%	6.0%
7 Banking, finance & insurance, etc (SIC J,K)	21.5%	19.0%	17.5%	20.7%
8 Public administration, education & health (SIC L,M,N)	30.8%	28.5%	26.8%	26.9%
9 : Other services (SIC O,P,Q)	5.1%	4.5%	4.7%	5.2%

Source: ONS, Annual Business Inquiry, 2005.

Although there have been attempts to diversify its industrial base by developing new, high value, high growth activities such as telecommunications, pharmaceuticals, and computer software/hardware services, Birmingham remains at risk because of the continuing over-dependence on low-value manufacturing sectors and especially employment linked to the fragile automotive industry. Despite the growth in service sector, manufacturing is still more important within the economic structure of Birmingham the West Midlands than in any other city region in the UK, accounting for 15.2 per cent of employment compared with 11.1 per cent nationally (Table 1.1).

As Table 1.1 indicates, employment in service sector industries now far exceeds that in manufacturing, accounting for over three quarters of total employment. Public administration (27 per cent); distribution, hotels and restaurants (24 per cent) and banking, finance and insurance (18 per cent) all employ more people in the Region than manufacturing (15.2 per cent). This is particularly the case in Birmingham, which has developed strong service – oriented employment.

The West Midlands now has the largest business and professional service (BPS) sector outside London, although a significant share of this is concentrated in and around central Birmingham. The region is also the recognised centre of the UK software industry (also computer games) and new technologies for the medical and media sectors are crucial elements of the business base. Furthermore, the region is also becoming increasingly well-known for specialist high value added niche manufacturing.

Another significant and growing sector is the (business) tourism industry. Since the mid-1980s, the Region has tried to establish itself as an important exhibition and conference centre, notably with the construction of the International Convention Centre (ICC) and the National Exhibition Centre (NEC). The City has also benefited substantially from European structural funds under Objective 2. However the region has yet to establish itself as a premier European business location. According to The European Cities Monitor, (Cushman & Wakefield Healey & Baker, 2004), only 3.2 per cent of European business leaders were very or fairly acquainted with Birmingham as a business location compared with 40 per cent for Manchester.

The shifting economic profile of the region demands different skills sets (LSC, 2005). However, the working age population in the West Midlands is recognised as having major skills deficiencies, which are most pronounced in Birmingham. Although there are parts of the region with highly skilled and qualified populations, the general skills deficiency, low levels of productivity and competition are seen as key factors in explaining why the West Midlands lags behind other regions of the UK and Europe in terms of economic growth (Bryson and Taylor, 2006).

In 2006 (latest figures available), Gross Value Added (GVA) per capita in the West Midlands was £88.9 billion; just 89 per cent of the UK average and representing only 8 per cent of the UK total (ONS, Regional GVA First Release, December 2007). Although this figure is higher than for the North East, The North West, Yorkshire and Humber, and Northern Ireland, it shows the region lagging significantly behind the East of England, London and the South East and West of England. GVA per head in the West Midlands Region is estimated as £16, 583 in

comparison with £18,631 for the UK (ONS, Regional GVA First Release, December 2007). There is substantial intra-regional variation, however, with a growing gap between high and low productivity areas in the West Midlands¹. Within the metropolitan region, figures range from a high of £21,206 in Solihull, with £18,145 in Coventry and £17,984 in Birmingham, to a low of £12,947 in Sandwell and Dudley (ONS Regional GVA First Release, December 2007).

Both Birmingham and the West Midlands region also lag behind the national figures in terms of managerial and professional occupations – Table 1.2. Only 35.7 per cent of occupations in Birmingham are in this category compared to 41.9 per cent nationally in 2005/2006 (ONS, Annual Population Survey, 2006). On the contrary, jobs in Birmingham show higher proportion of occupations in clerical and skilled trades (26.5 per cent compared to 23.4 per cent nationally) and elementary or process occupations (21.6 per cent compared to 18.9 per cent nationally).

However, there is predicted to be a significant shift from ‘blue collar’ occupation to ‘white collar’ jobs over the long term – Table 1.2. By 2015, it is projected that around 39 per cent of jobs in Birmingham will be in the highly skilled, professional and managerial occupations. These changes will have an impact on education and training needs. For example, the ‘service-oriented and customer-facing economy is leading to an increase in the demands for staff with a wide range of transferable ‘core’ skills, which includes the ability to use IT to a basic level, solve problems, work as a team, influence others and communicate effectively’ (BEIC, 2005, p. 54).

Table 1.2 - Predicted percentage share of occupations – Birmingham; 2005-2015

Occupation	2005	2010	2015	Projected growth 2005-2015
Managers	10.8	11.1	11.3	8.6
Professionals	24.7	26.1	27.4	15.5
Administration and clerical	16.6	16.2	15.8	-0.7
Skilled trades	11	9.5	8.2	-22.3
Services occupations	16.1	18.1	19.9	28.3
Operative, unskilled and manual	20.8	19	17.3	-13.5

Source: BEIC, 2005, p. 53

Birmingham is dynamic in terms of firm formation, but a lower proportion of firms survive over the longer term in the City, when compared with the region and the rest of Great Britain. In 2005 (latest figures), 2,425 firms were registered in Birmingham, which represented 10.7 per cent of the end of year stock. This represents a higher proportion than the West Midlands as a whole (9.4 per cent) or Great Britain (9.7 per cent). At the same time, a higher proportion of firms were deregistered in Birmingham that year (9.9 per cent) compared to the region (8.1 per cent) and Great Britain (8.3 per cent) (DTI, Small Business Service, 2007).

¹ On a regional basis GVA needs to be used with care as the figure is calculated using workplace rather than place of residence data. This means that GVA does not take into consideration GVA that is created by individuals living in an area but who work in adjacent regions.

We find the same trends when we look at trends for 12 month and 36 month survival rates for firms in Birmingham and compare them with the regional or the national picture. Following national trends, survival rates have been increasing in Birmingham since 1995, from around 84 per cent to around 91 per cent of firms surviving after 12 months in 2005 (latest figures) and from just under 60 per cent in 2005 to around 66 per cent of firms surviving after 36 months in 2002. (DTI, Small Business Service, 2007). However, despite these improvements, the City still lags behind both the region and the country, both of which had 12 and 36 month survival rates of 92 per cent and 71 per cent respectively (DTI, Small Business Service, 2007).

2 CREATIVE AND KNOWLEDGE INTENSIVE SECTORS IN BIRMINGHAM

This section provides an overview of creative and knowledge intensive sectors in the Birmingham economy and then provides an overview of each of the sub-sectors chosen for the ACRE research: Motion Pictures & Video Activities, TV& Radio; Computer Games and Digital Media/Web design; Business and Management Consultancy Activities - profiling them in the national context and then outlining the main characteristics of each sub-sector in Birmingham and West Midlands region.

2.1 Creative industries in the Birmingham economy

There were 27,519 CIs jobs in Birmingham in 2006, representing 5.6 per cent of the Birmingham economy (ONS, Annual Business Inquiry, 2006). Simply looking at employment, Arts/Antiques (25.6 per cent) and Architecture (26.1 per cent) dominate, followed by Computer Software (19.5 per cent)². Of the other CIs sub-sectors in Birmingham, Music and Visual and Performing Arts (9.9 per cent); Screen Media and Radio (8.7 per cent); and Advertising (5.1 per cent) are less important in pure job numbers – Table 2.1.

Table 2.1 - Employment in creative industries - Birmingham (2006).

	number	%CIs employ	% Total employ
Advertising	1,408	5.1	0.3
Architecture	7,189	26.1	1.5
Arts and Antiques	7,042	25.6	1.4
Designer Fashion	563	2.0	0.1
Video, Film & Photography	848	3.1	0.2
Music and the Visual & Performing Arts	2,712	9.9	0.6
Publishing	863	3.1	0.2
Computer Software	5,357	19.5	1.1
Radio and Television	1,537	5.6	0.3
Total CI employ	27,519	100.0	
Total employ	491,841		
CI employ as proportion of total employ			5.6

Source: ONS, Annual Business Inquiry, 2006

² However statistics for Arts/Antiques and Architecture sub-sectors need to be interpreted with caution, as these two categories contain branches which can neither be regarded as creative nor as knowledge intensive. For example, the SIC codes covering architecture include many activities related to machinery and industrial plan design. It is difficult to extract from the SIC codes covering Arts/Antiques the creative parts of this sector, but it is likely that much of it refers to sales activities.

In 2004, Birmingham CIs contributed 8.7 per cent of national CIs GVA (Lutz *et al*, 2007). However, there are significant differences within sub-sectors – with some performing better than others. The largest sub-sectors within CIs in Birmingham as measured by GVA are Software (35 per cent) and Architecture (31.9 per cent). Radio & Television (9.8 per cent) and Advertising (6.6 per cent) are next, while Music and the Visual and Performing Arts contributes least (1.1 per cent) (ONS, Annual Business Inquiry, 2005).

In 2006, there were 3,638 Creative firms in Birmingham according to the Annual Business Inquiry (ONS, Annual Business Inquiry, 2006). This number represented around one tenth of all firms in Birmingham. Arts and Antiques (1,188 firms), Architecture (782 firms) and Computer Software (711 firms) are the sectors with most firms in Birmingham. In comparison, there are only 108 Publishing firms and 166 Advertising firms in the city.

Available national data sets do not capture small companies below the VAT threshold or freelancers. It is estimated that around a third of CIs (31 per cent) are not registered for VAT in Birmingham and there are thought to be approximately 21 per cent freelancers in the CIs sub-sectors (Burfitt *et al*, 2006). Not only does this indicate the importance of freelancers and self-employed people in the CIs sectors in Birmingham, it indicates that official figures underestimate, by nearly a third, the number of CI firms in the City.

Around 89 per cent of CIs firms in Birmingham have less than 10 employees. This is a higher proportion than found in the local economy as a whole (80.3 per cent) but lower than nationally for creative firms (92.1 per cent). Firms in Screen Media and Radio; Publishing; and Music, Visual & Performing Arts were more likely to have medium and large firms. Overall, 0.4 per cent of CIs firms had more than 200 employees in 2005 - above the national average of 0.2 per cent (ONS, Annual Business Inquiry, 2006).

The CIs sector in Birmingham is also dynamic: The majority of firms are less than 15 years old and 48 per cent of firms were created in the last 10 years (Burfitt *et al*, 2006). Furthermore, more than 5 per cent of firms were created in the last three years in Publishing, Software, Screen Media and Radio and up to 8.2 per cent in Music and Performing Arts.

2.2 Knowledge intensive industries in the Birmingham economy

Finance, Law and Other Business Services together with R&D and Higher Education are important sectors in Birmingham's economy. These sectors have been part of the regeneration strategy pursued by the City and are sectors with a higher concentration of jobs in the City than the national average. Law and Other business services dominates, with nearly half (49.4 per cent) of Knowledge Industries (KIs) employment in the city, followed by Finance (27 per cent). Higher Education and R&D makes up 17.4 per cent of employment in the sector (nearly all accounted for by Higher Education), while ICT (excluding software) accounts for the remaining 6.2 per cent of KIs employment – Table 2.2

The Finance sector accounted for 4.3 per cent of the city's employment (20,926 employees) in 2006. This was down from 4.9 per cent in 2005. However, it is still well above the national average for employment (3.9 per cent) in this sector (ONS, Annual Business Inquiry, 2006). Law and Other Business Services accounted 7.8 per cent of employment (38,346 employees).

Again, this proportion is higher than the national average (7.0 per cent of employment) for 2006. There were 13,461 jobs in Higher Education and R & D in Birmingham in 2006 corresponding to 2.7 per cent of the city's employment, which was slightly above the national average of 2.5 per cent. Finally, there were 4,839 ICT jobs (excluding software). This represented 1.0 per cent of employment, below the national average of 1.6 per cent. In total, KI employment represents 15.8 per cent of Birmingham employment, which is above the national average of 14.9 per cent.

Table 2.2 - Employment in knowledge sectors in 2006; Birmingham and Great Britain

	Number	% KI employ	% Total employ
Financial intermediation	20,926	27.0	4.3
Law and other business services	38,346	49.4	7.8
R&D and higher education	13,471	17.4	2.5
ICT (excluding software) ¹	4,839	6.2	1.0
Total KI employ	77,582	100.0	
Total employ	491,841		
KI employ as proportion of total employ			15.8

Source: ONS, Annual Business Inquiry, 2006

Notes: ¹ This calculation is based on: 3002: Manufacture of computers and other information processing equipment; 7210: Hardware consultancy; 7230: Data processing; 7240: Data base activities; 7250: Maintenance and repair of office, accounting and computing machinery; 7260: Other computer related activities; 6420: Telecommunications

There were 4,843 firms in KIs sectors in Birmingham 2006, with the majority (63 per cent) in Law and Other Business Services. Firm size varied across sub-sectors: while more than two thirds (68 per cent) of Finance firms had fewer than 10 employees, only half (52 per cent) of Law and Other Business Services firms have this number of employees. However, 7 per cent to 9 per cent of firms in both these sectors also have more than 50 employees which is higher than the average for firms in the Birmingham economy (5.2 per cent with more than 50 employees). This indicates the presence of a very mixed sector where many small firms operate alongside large, national and international branches (e.g. Ernst and Young, KPMG, Deloitte, Barclays, Lloyds, Baker Tilly, Andersons).

2.3 Overview of chosen sectors in the national and regional context

Latest UK estimates (DCMS, 2007) indicates that the CIs grew by an average of 6 per cent per annum nation-wide between 1997 and 2005, as against an average of 3 per cent for the economy as a whole over the same period. Nationally, the chosen ACRE sectors: Computer games and Digital media/Web design and Motion pictures & Video activities; Radio & TV activities include some of the most dynamic, innovative and economically significant sub-sectors of the CIs sectors. For example, the latest Creative Industries Economic Estimates Statistical Bulletin (DCMS, 2007) shows that both the 'Radio & TV' and 'Software, Computer Games & Electronic Publishing' sectors have GVA growth above the annual average of 6 per cent for creative industries as a whole between 1997 and 2007. Software, Computer Games & Electronic Publishing had GVA growth of 10 per cent p.a. while Radio &

TV had an 8 per cent p.a. GVA growth. However, among the slowest growing sectors in terms of GVA within CIs across the UK were Video, Film and Photography, which only grew by an average of 3 per cent pa over this time period, albeit still at the national average rate for the whole economy.

A similar picture emerges for employment, with employment in CIs across the UK outperforming the economy as a whole, increasing from 1.6m in 1997 to 1.8m in 2005 and 1.9 million in 2006. This comprises just over 1.1 million jobs in the CIs and almost 800,000 further creative jobs within businesses outside these industries. This represents an annual average growth rate of 2 per cent compared to 1 per cent for the economy as a whole over this period (DCMS, 2007).

Again, the Software, Computer games and Electronic publishing sector showed the greatest increases in employment between 1997 and 2006, with an average national growth rate of 6 per cent per annum (DCMS, 2007). Employment in Radio and TV grew at just 1 per cent per annum over the same period. However, employment in Video, Film and Photography declined overall by around 1 per cent per annum over this period, with a drop of 10 per cent between 2005-2006.

Furthermore, exports of services by the CIs totalled £14.6 billion in 2005 (4.5 per cent of all goods and services exported). A third (33 per cent) of all CIs exports were contributed by the Software, Computer Games & Electronic Publishing sector; while the Video, Film & Photography and Radio & TV sectors together accounted for 17 per cent of exports (DCMS, 2007).

Within the West Midlands region, these sub-sectors are also particularly dynamic, exhibiting strong growth in business formation and employment growth; a skilled and highly educated workforce; and high levels of innovation – particularly around the emergence of new, digital technologies. The Screen, Image and Sound cluster in the West Midlands - which includes TV, film, video, animation, games, other interactive media, e-learning, music, radio and photography & digital imaging - was identified as a priority for the region in the West Midlands Economic Strategy and Action Plan (AMW, 2004). The Games sector is a regional strength – nearly one fifth of the UK games workforce is employed in the region, and some of its highest profile companies are based in the region.

The Business and Professional Services (BPS) is a large and important sector in the UK and has grown a pace with the advancing service economy, although accurate statistics are extremely problematic due to the varied nature of the sector. In the West Midlands the sector is also strong and growing. It has strength across a very wide range of activities and is second only to London in its breadth. However, unlike other regions which have successfully differentiated themselves through developing expertise in a small number of key target markets (e.g. London and Leeds are known to be centres of expertise within the Financial Services Sector), the region does not have a distinctive reputation in any particular area, nor any evident unique points (AWM, 2007).

2.4 Sub-sector analysis at national and metropolitan level

2.4.1 Computer games

National context

The UK is the third largest market for computer games (hereafter referred to as ‘games’) after the US and Japan - in 2005, the UK market was worth £1.35 billion (Screen Digest/ELSPA (2005). Nationally, there is a strong history of computer games production, with a number of large, world-leading development studios, which help the country to remain a net exporter of games. The country is not as strong when it comes to the publishing, ownership and distribution of games (it is here where the structural power and value of the industry lies), which has been subject to global consolidation in recent years (BOP, 2007).

Many of the UK’s leading games companies have their roots in micro-sized ‘bedroom’ operations, established in the days when it was possible for one or two people to develop a bestselling title. Games development is now far more complex, requiring average budgets of £3m – £5m per game large workforces with specialist skills and 2-3 years of development time (Screen Digest, 2005).

The largest market for computer games has traditionally been males in their teens, twenties and thirties, but there has been a huge recent increase in the ‘casual games’ market, which appeals to other demographic groups, including women and older gamers. The ‘casual games’ market is estimated to be currently growing by 20 per cent annually (Casual Games Association, 2007).³

In addition, there is now an emerging market for ‘serious games’, software that uses games technology to fulfill learning outcomes, particularly simulation and virtual environments that train health, education, military and business professionals. The DTI acknowledges that Serious Games is a major growth area for mainstream games producers (DTI, 2007).

The games industry skills forecast notes there are seven core job roles at the heart of game development: programming, art, animation, design, audio, quality assurance and project management (Skillset, 2007). Programmers are currently the most sought-after job role. However there is a national shortage of programmers, exacerbated by a downward trend of young people studying computer science and the games industry is in competition with IT, finance and banking and other scientific and technological employers for good quality candidates. That said, the range of preferred degrees are Computer Science, Maths, Physics or Software Engineering which provide an entry route into the sector and self-taught candidates can also access employment. Further individual skill requirements are thought to include the ability to combine specialist and generalist capabilities to fit a flexible work environment (LSC, 2008, p23).

³ ‘casual’ can refer both to the design characteristics of the games which are mainly distributed online; and often feature general appeal, simple controls, fast rewards; but can also refer to the way someone is playing a game. Many ‘casual’ games are played in lunch breaks or for short periods of time so the differentiation is between the ‘casual’ and the ‘hardcore’ gamer.

The games sector in the West Midlands

Within the Software, Computer Games & Electronic Publishing sub sector, the region has strengths within computer games, employing 19 per cent of the UK workforce in this activity (1,650 people) (BOP 2007). This is the second largest regional games workforce in the UK, only slightly behind the South East of England.

Both computer games and interactive media saw strong employment growth in the region between 2004 and 2006 compared with slight declines in these areas nationally (LSC, 2008). According to Skillset (2007), the West Midlands is one of only two UK regions in which the games workforce is larger than that for internet & multimedia – the other being Northern Ireland.

Two of the country's leading games developers, Codemasters and Blitz, are based in the region. Combined, these two companies alone employ over 500 people. Swordfish studios in Birmingham employees nearly 100 staff, and Sega in Solihull, bringing another 60 jobs initially and significant inward investment. Eidos and Slam Productions also have offices in the region. Significantly, Birmingham is also home to Centresoft/PDQ, the UK's largest games distribution company (BOP, 2007).

Successful games companies have high GVA and strong export records. They also tend to employ larger workforces than in many creative sectors (where micro and small businesses predominate). Larger games companies provide a market for the services of smaller local companies, and often lead to business creation from spinouts and start-ups.

The West Midlands Skills Strategy for the Audio Visual Industries (Skillset, 2005) notes that in computer and video games, the launch of a new generation of games consoles will enable innovations in gameplay and genres, generating a need for a wide range of technological skills. This will mean, however, that the human and financial resources required to develop games for the new consoles will increase the financial risks around computer games and interactive media production.

The West Midlands is also a developing a specialism in the emerging market for serious games: for example, Blitz Games developed TruSim, a separate serious games division in 2005; Pixelearning specialises in games/simulations for business education; Digital Native Academy are working extensively in the education and social services sector. Internationally regarded Serious Games experts include Professor Ian Marshall (Coventry University) and Professor Bob Stone head of Birmingham University Human Interface Technologies' Serious Games Team.

There are three initiatives funded by the region's development agency: The Serious Games Institute at Coventry University (March 2007) is a combined academic and enterprise initiative that is the first of its kind in Europe. Activities include applied research, incubation and start-up support, teaching and networking; The '*Diversify the Games Industry*' project at Coventry University which aims to help games companies to win business in the serious games market; and '*Interactive Digital Media*', a project with BCU heading up a consortium of regional universities and commercial digital media producers aiming to develop the West Midlands as Europe's leading centre for Serious Games. Activities include applied research

into games and their learning outcomes and collaborative R&D product prototypes, establishing networks and champions and creating tools to validate the learning outcome of games.

2.4.2 Digital media

National context

For the purposes of this report, ‘digital media’ does not include computer games, which is considered separately in section 2.2.1 above. Here, we are primarily concerned with interactive digital media agencies, which make up most of the sector. These have traditionally been involved in the design and development of websites, content and applications, and can be broken down into ‘design & build’, ‘marketing’ and ‘technical’ agencies (although many provide a combination of these services, as ‘full service’ agencies).

It is difficult to obtain accurate statistics about the size and economic impact of the UK’s interactive media sector, partly because the activities of the web design and development sector overlaps with a number of other sectors, including ICT, design, advertising and marketing, publishing, business services and media. In 2005, there were 303,400 people employed in 64,000 business in Great Britain in the ‘computer software consultancy and supply’ sector, which includes web design and development companies, but also a range of other sectors, such as other forms of computer and software consultancy and games production 16. Skillset (2007) estimates that 39,750 people were employed in interactive media (excluding games) in its 2006 census of the audio-visual industries.

What is clear is that this sector continues to grow in size, value and maturity, as the market has developed and interactive digital media is now regarded as a mainstream communications channel by major commercial clients. Recent years have seen consolidation at the top end of the industry, including mergers and acquisitions between major national and international agencies. All of this activity has led to skills shortages, and demand for new talent.

At the same time, consumer use of interactive media continues to grow, driven by broadband and the new generation of ‘web 2.0’ sites and applications which combine improved technology with better opportunities for users to interact with one another and generate their own content. The long-discussed convergence of media forms and channels is now taking place, and the internet is now becoming established as a viable platform for other forms of media (e.g. video, radio, games) (BOP 2007).

Interactive digital media in the West Midlands

Based on Skillset’s 2006 census survey, the West Midlands has around 2 per cent of UK employment in interactive media (excluding games). However, comparison with Skillset’s previous census suggest high levels of regional employment growth in the sector.

The region has an increasing number of agencies that are competing at a national level to win business from major national and international clients. These include: Freestyle, New Media,

3Form, Clusta, Tamba, Made Media, TVS Media, Bit10, Fish in a Bottle, Fluid and Tak Tak. In addition there are a large number of micro businesses and freelancers.

Competition within the sector for clients is very high as is competition from other regions, particularly London, the South East and North West of England. Despite this, levels of enterprise and company formation in the region are high.

Many interactive agencies have a very strong design ethos, and much of their work is advertising and marketing-led, so there are strong links between the design and advertising sectors. The sector is also closely linked to ICT industries/ software developers. These also create many opportunities for innovation and the development of new products

2.4.3 Games vs digital media in the metropolitan region

There are significant differences between the two sub-sectors – Table 2.3, notably different company sizes, value chains, and methods of working. The games industry is largely IP driven (technology, content, and process) with large companies delivering products globally via publishers who then distribute direct to consumers, whereas the interactive sub sector is predominantly made up of SME's (small to medium enterprises) or micro business working as a service industry for regional, and national B2B (business to business) clients. While games companies in the region deal with multi million pound budgets and turnovers and have the ability to hire world class employees, digital media companies operate on much smaller budgets and are in direct competition with London for both skilled workers and for clients. The two sub sectors therefore face different challenges for organisations seeking to support the sector.

Table 2.3 - Characteristics of games and digital media sector in West Midlands

Games	Digital media
Large employment base (75-100+)	Small employment base (-5)
Small number of companies in the region	Large number of companies in the region
High turnover	Low to medium turnover
Extremely high valuation	Low to medium valuation
IP based value chain	Focused on service chains
Long product development cycles	Very short product cycles
High levels of research and development	Low levels of Research and development
Large investment in technology	Low levels of productisation & development in own IP
Technical & training developed 'on-the-job'	High level of 'on-the-job' training but combined with external technical training

Source: Digital Central Development Plan for The Interactive Media Group in The West Midlands, 2007

Games and Interactive Digital media - Geographical location/clustering

There is not a single coherent digital media cluster in the West Midlands. Instead, there are a number of geographical groupings of companies around the region. Among the principal ones are:

- A number of web design, advertising, and marketing companies in Birmingham ranging from freelance businesses with a small SME client base to large service organisations with clients throughout the UK.
- A range of interactive start-ups supported by incubation centres connected to a range of Universities (Wolverhampton, Birmingham, Warwick, Coventry universities which have academic expertise in the application of Games and Artificial Intelligence technologies, virtual reality and 3D imaging).
- A network of highly successful games companies around Leamington, which operate autonomously in relation to other digital media companies in the region. In particular, two of the most successful UK games companies, developer Blitz and Codemasters, one of the UK's few independent publishers.

2.4.4 Film and video production

National context

The UK is a major international centre for film production and post-production, supporting a significant workforce, with the largest concentration in London and the South East. The UK film industry added an estimated £4.3 billion to the economy in 2006 (a 39 per cent increase in two years), and directly employed 33,500 people (Oxford Economics, 2007).

The UK industry relies heavily on inward investment – principally from Hollywood – for much of its work. Production of wholly UK films has fluctuated in recent years (in part due to changes in tax regulation in 2005/06), but British creative talent is highly regarded, both in front of and behind the camera. Total exports of the UK film industry were £967 million in 2005 (Oxford Economics, 2007). Film distribution is dominated by a small number of companies, but most of the largest of these are not British.

The increasing digitisation of the industry is creating new opportunities in a number of areas. In production and post-production, digital film-making technologies are lowering the barriers to entry, particularly for lower budget films and short films. In distribution, online and on-demand forms of distribution will become increasingly important. The UK Film Council has also helped to support a network of screens around the country with digital projection facilities, reducing costs and creating more opportunities for a wider range of content to be screened (BOP 2007).

Film and video production in the West Midlands

The sector in the West Midlands is very dynamic in terms of employment growth business formation both of which are increasing at above national levels: Employment in motion picture and video production in the region grew by 39 per cent between 2001 and 2005 – to 500 employees (compared to 15 per cent growth in England as a whole) (ONS ABI, 2005).

An estimated 150 freelance workers were also employed in the sector (Skillset, 2007; 30 per cent of West Midlands film workforce is freelance), and the number of motion picture and video businesses grew by 46 per cent between 2001 and 2005 – to more than 200 businesses (ONS, Annual Business Inquiry, Workplace Analysis, 2005) (compared to 33 per cent growth in England as a whole).

The sector consists primarily of small production companies, some facilities suppliers and freelance practitioners. As with other regions in the UK outside London and the South East, there is a shortage of national/international distributors, major studio facilities, large commercial production companies etc.

Public support and investment has made a significant contribution to the growth of the sector. The launch of Screen West Midlands' regional location and crew service, Film Birmingham and the Locations West Midlands and Birmingham service has increased production in the region; direct investment in major film productions by Screen West Midlands (SWM) has brought filmmakers to the region, while the West Midlands Producers Forum promotes networking and collaboration between production companies in the region, helping them to identify and develop new opportunities, content and services.

2.4.5 Television and radio

National context

The BBC plays a unique role in the UK's TV industry, not only producing or funding a large share of programming, but also employing and training a large proportion of the professionals working in the industry. The BBC continues to commission the majority of original programming, but commissions from digital channels are growing in number and importance.

The independent TV production sector is also showing strong growth, and has been transformed by the 2003 Communications Act, which makes far greater provision for IP creators to exploit secondary and ancillary rights. This, coupled with strengthened and increased quotas for commissions from independent producers by terrestrial broadcasters (the BBC alone is increasing its share of outsourced original programming from 25 per cent to 50 per cent), and an increased commitment to commissioning from the regions outside London (notably the BBC's regional production quota), has created a buoyant market and increased investment in the sector (BOP, 2007).

An estimated 22,800 people are employed in the UK's radio sector, the majority of whom work in broadcast radio, with around 400 working as independent producers (Skillset, 2007). Around 20 per cent of the total workforce is freelance. The BBC's national, local and digital stations also dominate UK radio, in terms of audience share and industry employment. Large commercial operators such as GCap, Emap and Chrysalis are responsible for most of the rest of the UK's radio output, nationally and regionally. A third tier of radio activities includes community radio, which operates on a local level, generally on a not-for-profit basis (BOP, 2007).

The radio industry is undergoing technological and structural changes, in part driven by the introduction of digital technologies. Radio is increasingly accessed via other digital platforms, principally digital television and the internet. The choice of available stations is increasing too, including internet only stations, which are reducing barriers to entry for niche ‘webcasters’, and introducing new forms of personalised listening. This is an emerging potential growth sector, but the regulatory and commercial frameworks in which it operates need to mature.

Television and radio in the West Midlands

In 2005, nearly 2,500 people were employed in the television and radio sectors in the region (ONS, Annual Business Inquiry, Workplace Analysis, 2005) with an estimated 750 additional freelance workers (Based on Skillset, 2007), estimation of 30 per cent freelancers in the Screen Image and Sound sector). In radio and TV activities, the West Midlands has the 7th largest workforce, or 3.4 per cent of employment in Great Britain (ONS, Annual Business Inquiry, Workplace Analysis, 2005).

The number of businesses in the television and radio sectors in the West Midlands grew by 31 per cent between 2001 and 2005 – to around 200 (ONS, Annual Business Inquiry, Workplace Analysis, 2005). This is a faster rate of growth than in England as a whole. The high rate of business formation in the sector reflects the growth of the independent production sector. The West Midlands has a number of successful independent TV production companies including Maverick, Ragdoll, Hotbed Media, North One and Hanrahan Media. However, the BBC – at the Mailbox in Birmingham and the Drama Village at University of Birmingham – is the largest employer in this sector in the West Midlands. All BBC English regional radio stations are coordinated from Birmingham, along with the BBC Asian Network digital station. In addition, the commercial radio sector is growing, with around 26 stations in the region.

The CURS report into creative industries in Birmingham found that 63.2 per cent of firms in Screen, Media and Radio have less than 5 workers, but 15.8 per cent have more than 50 (Burfitt *et al.* 2006). The majority of companies in these sectors have a turnover of over £100k (based on a survey of companies on the Birmingham Company Information System maintained by the Chamber of Commerce).

2.4.6 Business and management consultancy

National context

The 'Business and Professional Services' (BPS) sector (corresponding to SIC 72 – SIC 74) includes a diverse range of activities – from the creative and technical, such as advertising; law and accounting services; computing; Research and Development; management consultancy; to labour recruitment industrial cleaning and call centres. However, it is an increasingly important group of industries central to the UK's future economy.

The BPS sector has grown strongly in the UK. In the past two decades they have doubled their share of GDP – from 7 to 14 per cent – and created almost 1.7 million jobs between 1986 and 2005. 'Other Business Activities' (SIC 74) generated the largest number of additional jobs - over 1.3 million, during the same period. Business services now provide more employee-jobs than manufacturing (DTI, 2007). These industries are very different but they also share common features – they service businesses rather than end consumers, hence are primarily intermediate rather than final consumption. They are more traded than most other services, and some are becoming increasingly global in their delivery and production. For all these reasons they make an interesting subject to study.

Business and Management Consultancy (SIC 74.14) is a sub-category of 'Other Business Activities' (SIC 74). The 'Other Business Activities' category accounts for a substantial proportion of the GVA (41 per cent) of the 'Business and Professional Services' sector. Latest available statistics show 'Other Business Activities' accounting for 3.3million jobs, up 4.1 per cent on the previous year with 'Business and Management Consultancy' accounting for nearly 302,465, up 7.6 per cent (ONS, Annual Business Inquiry, 2006) – Table 2.4.

Table 2.4 - Overview of Other Business Activities (SIC 74), 2006

SIC	Employment (Great Britain)
74 : OTHER BUSINESS ACTIVITIES	3,354,793
7411 : Legal activities	285,869
7412 : Accounting, book-keeping and auditing activities; tax consultancy	219,747
7413 : Market research and public opinion polling	63,398
7414 : Business and management consultancy activities	302,645
7415 : Management activities of holding companies	109,672
7420 : Architectural and engineering activities	341,591
7430 : Technical testing and analysis	41,045
7440 : Advertising	83,317
7450 : Labour recruitment and provision of personnel	761,662
7460 : Investigation and security activities	165,326
7470 : Industrial cleaning	451,048
7481 : Photographic activities	28,007
7482 : Packaging activities	25,701
7485 : Secretarial and translation services	21,273
7486 : Call centre activities	85,191
7487 : Other business activities not elsewhere classified	369,301

Source: ONS, Annual Business Inquiry (2006)

Business services firms are both innovators themselves and also support innovative activities of other businesses. For example, management consultancy firms are actively working with clients internationally to introduce new techniques and thinking into their firms. Firms in these sectors also tend to be small. In 2004 the average enterprise was reported as employing just eight people. This may reflect the nature of work in some sub-sectors – ‘*Thinking for a living*’ may be achieved more effectively in small groups (DTI, 2007).

Regional

The BPS sector is one of the fastest growing in the West Midlands and is dynamic component of the regional economy, and notably its emergent knowledge economy. Across the region 302,000 people are employed in the sector in 43,000 businesses (AWM, 2007). However, work in the sector is very broadly defined and covers a large number of different occupation levels⁴. At the level of professional occupations or associate professional and technical occupations the region overall compares less favourably with the national picture (Daniels and Bryson, 2005). Looking just at the ‘Business and Management Consultancy’ sub-category, 19,231 people are employed in the West Midlands in 928 businesses (ONS Annual Business Inquiry, 2006), representing 6 per cent of regional employment in BPS sector and 2 per cent of businesses in the BPS sector. The region accounts for only 6 per cent of GB jobs in Business and Management consultancy activities. Despite this, the share of BPS activities in the economy of the West Midlands is expected to demonstrate growth up to 2012. An estimated 101,000 increase (18.4 per cent) between 2002 and 2012 compares with 17.1 per cent for all UK regions. Nonetheless, the sub-sector remains under-developed relative to a number of other regions. This reflects the fact that few companies based in the West Midlands have developed into strong players in the national market (AWM, 2007).

BPS sector providers offer expert advice and support to all branches of the economy. However, while some regions have successfully differentiated themselves through developing expertise in a small number of key target markets (e.g. London and Leeds are known to be centres of expertise within the Financial Services Sector), the West Midlands region does not have a distinctive reputation in any particular area, nor any evident unique points. This is seen by the Regional Development Agency as one of the main sector weaknesses in the region. (AWM, 2007). Table 2.5 lists a number of identified strengths and weaknesses of the sector, identified from in-depth interviews conducted with industry representatives in the Birmingham city-region (Daniels and Bryson, 2002). This identifies four important strengths for the continued development of BPS: the quality of the expertise; the quality and cost of client service; location advantages; and the lifestyle environment.

⁴ These include (SIC codes provided in brackets): Accountancy (741), Advertising (744), PR and Media, Architecture (742), Banks, Building Societies and Financial Services (651, 652, 671), Call Handling/ Call Centres (7486), Civil Engineering Consultancy (742), Estate Agents, (701, 702), Human Resource Consultancy (745), Insurance & Pensions (660, 672), Lawyers (including Patent Attorneys) (741), Management Consultancy (741), Marketing Services (744), Property Specialists Stockbrokers (701, 702, 703), Secretarial and translation services (7485), Technical consultancy (742), Other (7487).

Table 2.5 - Identified strengths and weakness of BPS sector in the West Midlands

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Quality of professional expertise in specific areas • Client relationships • Environment – quality of lifestyle • Low cost base (rent, salaries) • Location relative to London & SE and North • Location of HQ offices of clients in region 	<ul style="list-style-type: none"> • Reputation of Midlands firms compared with London-based firms • Perception of the region – problem of communicating the region's potential • Divided region – internal conflict working against region's development • Branch office service economy – limited innovation • Skills shortages at all levels
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Development of extended regional market • New markets in London and internationally • Development of long-term united and sustained public relations campaign for the region • Multicultural population – different skills and expertise • Capitalise on region's strengths – relative low cost base, quality of expertise, attention to detail and to clients, quality of lifestyle, environment 	<ul style="list-style-type: none"> • Congestion - infrastructure • Security, safety, crime – esp. in Birmingham • Expansion of activities of London/SE into W Midlands market • Acquiring all the negatives associated with a London/SE-based lifestyle • Decline in Region's headquarters base

Source: Daniels and Bryson, 2002, based on survey and face-to-face interviews.

Spatially, there exists a high density concentration of BPS firms in Birmingham city centre, with this constituting a first-level or primary cluster within the region. However, road traffic congestion in Birmingham; a shortage of secure long-term parking available to office-based professional staff and visiting clients in Birmingham city centre; and the well-documented problems of vehicle congestion on significant lengths of the city region's motorway network and perceived security/safety problems mean that some firms are considering relocating to the suburbs, to areas adjacent to Birmingham International airport, or close to one of the key motorway junctions.

2.5 Regional sector policy

For policy in the region, TV, film, video, animation, games, other interactive digital media sub-sectors all come under the remit of the Screen Image and Sound (SIS) cluster of Advantage West Midlands, as the Regional Development Agency (RDA) (games is also attributed to the ITC cluster). Business and Management Consultancy is part of the RDA Business and Professional Services (BPS) cluster in terms of both development and policy.

The SIS cluster was identified as a priority for the region in the West Midlands Economic Strategy: *Delivering Advantage: the West Midlands Economic Strategy and Action Plan 2004-2010* (AWM, 2004). The SIS Cluster is tasked with making the West Midlands a leading region for digital content for education and entertainment. It delivers its key strategic aims through partner-led delivery projects, for example, Digital Central, which represented a major collaboration between the RDA as funder, the private sector and higher education, and was hosted by Birmingham City University's Screen Media Lab in Eastside. The project was

included as an exemplar of best practice in the 2007 *Creative Economy Programme*. The Cluster also advocates, lobbies and represents regional business in developing national policy like the DCMS's *Creative Economy Programme* and The Office of Communication's (OFCOM's) *Public Service Publisher*.

The cluster is now firmly established and AWM is currently developing a delivery plan for the next phase of development. The recent Preliminary Impact Study (BOP, 2007) examined the performance of the cluster so far and its impact on the regional economy. The report also identified 10 areas of activity as suggested priorities to enable the cluster to accelerate growth of the sector in the region. Top of this list was facilitating networks and the 'soft' infrastructure necessary to nurture firms. Connecting business with each other and with support structures and providing a channel for ideas and market intelligence was seen as forming the bedrock of support required from the SIS cluster. There is recognition that network activity is currently uneven across the cluster – there are active and effective networks in some sectors, emerging/embryonic networks in others, and a lack of activity in other sectors. Other priorities include: providing accessible information, advice and basic business skills for individuals and for micro-enterprises. Graduate retention and progression, better opportunities for students/graduates to work with regional companies and improved knowledge transfer between HE and private sector. Skills development as well as closer alignment of FE/HE courses and industry requirements, including ensuring that skills base in West Midlands is attractive to companies from outside the region.

In terms of businesses growth, a priority is to increase the number of medium-sized companies in all sectors, but it is recognised that this growth should be targeted at the small proportion of companies with the strongest growth potential. There is a need for business innovation and 'convergence' programmes - linking Creative industries to the markets, collaborators and ideas which enable them to develop new products, services and business models. Promotional platforms and external marketing showcases, events, conferences and campaigns are required to promote companies to national and international markets and promote the region to CIs elsewhere (capitalising on region's strengths and overcoming the perceived negative image of region in some quarters) as well as coordinating efforts by providers in the region to market, develop and deliver support services. Finally, and possibly most controversially, is the continued development of 'flagship' projects – these are usually based around buildings and/or technology which provide a focus and platform for CI support, for example, the continued development of the Serious Games Institute initiative.

In the West Midlands, Business and Management Consultancy activities are treated as part of the Business and Professional Services (BPS) cluster⁵. During the last three years the cluster has focused principally on the development of an extensive networking infrastructure across the region - Birmingham Forward is the sub-regional BPS network and the first network for the cluster in the region. It also established a young professional network group - Birmingham

⁵ BPS includes: Societies and Financial Services (651, 652, 671), Call Handling / Call Centres (7486), Civil Engineering Consultancy (742), Estate Agents, (701, 702), Human Resource Consultancy (745), Insurance & Pensions (660, 672), Lawyers (including Patent Attorneys) (741), Management Consultancy (741), Marketing Services (744), Property Specialists Stockbrokers (701, 702, 703), Secretarial and translation services (7485), Technical consultancy (742), Other (7487)

Future. This model has now been replicated successfully with AWM support across the region. Between Birmingham Forward and the networks funded through AWM, the BPS Cluster now comprises over 600 member businesses. Of those 600, around 170 participate in network boards, organising events, introducing new members and developing cluster policy.

The BPS Cluster has also focused on projects that will increase the availability of skilled people and enable businesses to respond more effectively to market growth. Its *Creating Opportunities for 16-19 Year Olds* project develops strong links between businesses and schools, and so far over 500 placements have taken place. The *Birmingham Professional DiverCity* project supports businesses to embrace the business case for recruiting more people from minority ethnic groups as Birmingham becomes a majority ethnic city within the next few years. The project has become a national example of good practice and is expected to support a total of some 400 businesses (AWM, 2007).

The BPS three year Cluster Plan for 2008 – 2011 identifies a need to focus much more clearly on specific markets (existing and emerging) within the region, and ensure local expertise exists to support these areas. The sub-regional BPS networks already developed are seen as key to the success of this policy initiative, and the BPS Cluster aims to encourage their expansion in order that they can meet these challenges (AWM, 2007).

3 METHODOLOGY

3.1 A qualitative approach

The methodology involved qualitative research in the form of semi-structured interviews with owners/ directors/ managers of creative knowledge firms in the city region. With this approach interviewers use a topic guide but do not rely on a rigidly structured question set. Probing techniques are used to encourage respondents to give the fullest answer possible. This technique is used to collect qualitative data by allowing a respondent the time and scope to talk about their opinions on a particular subject, although the focus of the interview is decided by the researcher. The objective is to understand the respondent's point of view rather than make generalisations about behaviour. It uses open-ended questions, some pre-defined and suggested by the researcher and some which arise naturally during the interview. The researcher tries to build a rapport with the respondent and the interview is like a conversation. Therefore, unlike a questionnaire, the wording of questions will not necessarily be the same for all respondents (see Dillon, 1990; Wengraf, 2001 for further on the methodology).

There are a number of strengths and weaknesses/limitations in the use of this methodology – Table 3.1. The method provides a depth of information through the use of open-ended questions that cannot be gained from questionnaires, and it allows the respondent to talk freely about issues and does not constrain their responses through the need to ask / answer predetermined questions. If the interview is videotaped things like body language can be studied at a later date by the researcher.

However, a focused interview is difficult - if not impossible - to repeat exactly, since not all of the questions are pre-determined and the respondent is encouraged to talk freely in depth and detail. A respondent may answer the same question in a different way depending on a number of factors (how they feel, their relationship to the interviewer, etc.) that are impossible for the researcher to control.

Finally, the depth of (personal) information created using this method may make it relatively more difficult to generalise findings from a small group of people to a much larger group. However, this may depend on the nature of the research and the type of questions used. If, for example, the research is designed to discover people's opinions about something this would be easier to generalise than if the questions were directed at discovering something more personal about respondents.

Table 3.1 - Strengths and weaknesses of semi-structured qualitative interview methodology

Strengths / Uses of Method	Weaknesses / Limitations of Method
<p>1. Positive rapport between interviewer and interviewee. Very simple, efficient and practical way of getting data about things that can't be easily observed (feelings and emotions, for example).</p> <p>2. High Validity. People are able to talk about something in detail and depth. The meanings behind an action may be revealed as the interviewee is able to speak for themselves with little direction from interviewer.</p> <p>3. Complex questions and issues can be discussed / clarified. The interviewer can probe areas suggested by the respondent's answers, picking-up information that had either not occurred to the interviewer or of which the interviewer had no prior knowledge.</p> <p>4. Pre-Judgement: Problem of researcher pre-determining what will or will not be discussed in the interview is resolved. With few "pre-set questions" involved, the interviewer is not "pre-judging" what is and is not important information.</p> <p>5. Easy to record interview (video / audio tapes).</p>	<p>1. Depends on the skill of the interviewer (the ability to think of questions during the interview, for example) and articulacy of respondent.</p> <p>2. Interviewer may give out unconscious signals / cues that guide respondent to give answers expected by interviewer.</p> <p>3. Time Consuming / expensive</p> <p>4. Not very reliable - difficult to exactly repeat a focused interview. Respondents may be asked different questions (non-standardised). Samples tend to be small.</p> <p>5. Depth of qualitative information may be difficult to analyse (for example, deciding what is and is not relevant).</p> <p>6. Personal nature of interview may make findings difficult to generalise (respondents may effectively be answering different questions).</p> <p>8. Validity:</p> <p>a. The researcher has no real way of knowing if the respondent is lying.</p>

Source: <http://www.sociology.org.uk>

3.2 Description of fieldwork, number of cases, types of organisation, firms etc

This section describes the methods used for the selection and sampling of the target groups, namely entrepreneurs and owners/managers of creative and knowledge-intensive firms.

Respondents were selected on the basis of three characteristics: 1) firms in sub-sectors of the creative knowledge economy based on pre-selected SIC/NACE codes; 2) the size of the firm (in terms of the number of permanent employees); and 3) geographical location of the firm within the city-region.

The specific sub-sectors of the creative knowledge economy were selected by the ACRE co-ordination team. The candidates chosen for interview were either working in these sectors as freelancers or entrepreneurs or had been directly involved in setting up a company in these sectors. The following sub-sectors were selected:

Creative industries:

- 1) 72.2: Computer games, web-design.
- 2) 92.1 and 92.2: Motion pictures & Video activities; Radio& TV activities

Knowledge industries:

- 1) 74.14. Business consultancy activities

A total of 30 interviews were carried out: 9 in the Motion pictures & Video activities and Radio& TV sector; 11 in Computer Games and Web Design; and 10 in Business and Management Consultancy Activities sector – Table 3.2

The size of the firms were chosen to ensure representation between freelancers, small start-up companies of less than 10 employees, and larger, more established firms with more than 10 employees. In total 6 freelancers; 12 firms with 2-10 employees and 12 firms with more than 10 employees were interviewed.

Table 3.2 - Firms interviewed by sub-sector, company size and geographic location

NACE 92.1 & 92.2: Motion Picture and Video; Radio and Television Activities		
	Inner city	Outer city/region
Freelance	0	2
2-5 employees	2	1
6-10	1	0
11-200 employees	3	0
NACE 72.2: Computer Games and web design		
Freelance	1	2
2-5 employees	1	1
6-10	1	3
11-200 employees	0	2
NACE 74.14: Business and Management Consultancy Activities		
Freelance	1	0
2-5 employees	0	0
6-10	2	0
11-200 employees	4	3
TOTAL	16	14

In addition to interviews with owners/ senior managers of creative knowledge firms, five policy-maker/ expert stakeholders were also interviewed. These experts represented local and regional government; a business enterprise; sector support agencies; and a representative of a professional network. The individuals interviewed had expertise either on creative knowledge sector generally, or in depth knowledge in relation to the specific sub-sectors chosen for ACRE.

3.3 Structure of semi-structured interviews: Entrepreneurs and owners/ senior managers

The key themes covered by the interviews were the same for all the metropolitan regions in the ACRE project. They consisted of : 1) origins of the firm, general company and interviewee background information; 2) the role of 'soft' and 'hard' location factors and their influence on the location of the firm in the city region; 3) an assessment of the city and its image as a creative environment for individuals and firms; 4) business models and markets, types of customers/clients and their geographical location; 5) knowledge and skills requirements, recruitment of skilled employees; training provision; 6) relationships and formal and informal networking of firms with other firms or individuals in the same or different sector; 7) prospects and pressures at the current location; and 8) an assessment of the policy measures and the role of local government/public support for the creative knowledge sector in the city region – See Appendix 1 and 2

While the interviews were guided by these key thematic areas, very often questions were formulated and asked rather loosely depending on the particular interview being undertaken. In many instances questions were asked rather spontaneously based on the response of the interviewee and not necessarily according to the guideline topic document.

3.4 Conducting interviews

Interviewees were selected using a number of methods: 1) using a database of known firms from previous ACRE work packages; 2) personal contacts in the chosen sub-sectors; 3) web search of firms in chosen sub-sectors; 4) referrals obtained from managers who had already been interviewed.

Interviewees were contacted initially by letter (if the firm had not been previously contacted about ACRE research) or by email or telephone to determine if they were interested in participating. Interviews with expert stakeholders were contacted in a similar way.

The majority of the interviews were conducted face to face by the ACRE researchers between March and May 2008. Two interviews in the computer games sector were conducted over the phone. All of the interviewees agreed for the conversation to be recorded.

The majority of the interviews were conducted at the offices of the interviewee, while some were conducted at a more informal common meeting place such as a café or the Birmingham International Conference Centre. The duration of interviews was on average 1 to 1.5 hours.

All interviews were made anonymous and transcribed in full. Transcription took place both in-house and externally using a transcription company based outside the region. For each interview, notes of the most important statements and details about the interview situation were also produced in addition to a full interview transcript.

3.5 Data analysis

After transcribing the recorded interviews, the data were analysed without the use of software and organised into key themes according to the areas of the topic guide detailed above.

3.6 Limitations

One limitation of this study is that the number of interviews conducted in each sub-sector is small to allow extrapolation to wider views about the sectors. Furthermore, some of the responses are very sector specific, and therefore the selected sectors should not be regarded as representative of all creative and knowledge-intensive sectors. The extent to which the results of this study can be more widely applied to the creative and knowledge-intensive industries in the city region as a whole should be treated with caution.

4 RESULTS

In this section, main results from the qualitative interviews are presented. First, we describe results by sub-sector, followed by key findings from the policy-maker and expert stakeholder interviews. Finally, we make a cross-sector thematic comparison of the results.

4.1 Motion picture, video, radio and television activities

4.1.1 Overview of firms interviewed

Nine firms and three support organisations were interviewed from the Film, Screen and TV sector. These organisations occupy various positions in the value chain of the sector, from script writers, actor agencies and film makers to production and post-production companies and broadcasters. Their detailed profiles are presented in Table 4.1.

Table 4.1 - Motion pictures, video, TV & radio firms interviewed

Interview number	Sector	Business activity	Location city /region	No employees
1	Film/Screen/ Radio/Theatre	Script training	Birmingham/ City centre	2-5
2	Film/Screen	Film maker & cameraman	Region	1
3	Film/TV/ Radio/Theatre	Casting Agency	Birmingham/ Suburbs	1
4	Film/TV	Film & TV Production	Birmingham/ Suburbs	2-5
5	Video/Web media	Corporate Production	Birmingham/ City centre	6-200
6	TV & Radio	Broadcaster	City & region.	200+
7	TV/New Media	Production company	Birmingham/ City centre	6-200
8	TV	Production company	Birmingham/ City centre	6-200
9	TV	Post-Production company	Birmingham/ City centre	2-5

The majority of companies dated back from 7 to 20 years; one of them was 50 years old. Two firms were quite recent, having been created in the last 5 years. The supporting agencies were all less than 10 years old. One of them was a support program that had lasted for 2 and a half years (2005-2008).

One interviewed firm was a large company whereas the remaining (eight) were small and medium-sized: two were sole traders, and five micro companies with one to five employees. Some of these micro companies increase their number of staff depending on production.

Most firms (six out of nine) were located within the boundaries of city centre or its fringe (Digbeth and the Jewellery quarter). Two were located in the inner suburbs of the city and one outside Birmingham in the larger metropolitan region (Wolverhampton). The three support agencies were all located in the City centre of Birmingham but two of them had a regional remit.

4.1.2 Origins of the firm

Most interviewees founded their own private companies in Birmingham or the region. Some subsequently set-up branch offices in London and two were thinking of doing so to facilitate the national or international growth of their company. The largest company has its headquarters in London but created a regional office in Birmingham with a network of branch offices in the West Midlands.

Seven out of nine companies were private organisations: two of them were start-ups, four were well established private companies and one was restructuring. The large company was publicly-funded, state supported but autonomous 'cultural bureaucracy'. Another one was a non-profit organisation whose Board was composed of a mix of private organisations from TV, Radio and Theatre, local and regional public agencies and national foundations. One company was recently bought out by an international corporation.

Among the three support organisations interviewed, one was the regional agency which supports, promotes and develops the screen media sector (film, television and digital media) in the West Midlands. The second was a regional support program, and the third a local operational support agency.

4.1.3 Core activities

The firms interviewed were occupying various stages in the value chain of the Film, Screen, Radio and TV sector. Some firms had also some links with Radio and Theatre. One interviewee was a cameraman and film maker. One firm was a local and regional casting agency whereas another covers the development and training of script writers. Four firms were producing companies: two were mainly TV and Radio production companies, one produced corporate videos and web media materials and another one was reconverting into film production. One firm's main activity was in post-production. One interviewee represented a broadcast company which commissions and produces television and radio programmes. The three policy support organisations also play a role in this value chain. One of the organisations was in charge of providing film locations in the City and the other one used to support firms working in the Digital Media industries. Finally, another one was a cultural intermediary whose aims was to support, promote and develop a sustainable and thriving screen media sector in the West Midlands.

Most organisations have undergone a shift in their activities due to changes in the local and regional structure and market, the technology, or due to changes in the public funding bodies' priorities. Market expansion towards clients outside the region also appears to be a crucial stage in their growth process.

The presence of national broadcasters, especially the British Broadcasting Corporation (BBC), in Birmingham has had a strong impact on the development of the TV and Screen sector in the City. BBC Birmingham is one of the oldest regional arms of the BBC. It was the first region outside of London to start broadcasting both the corporation's radio and television transmissions (in 1922 and 1949 respectively). Over the years, the BBC has moved into the commissioning of programmes from independent companies rather than comprehensive in-house production, which created a strong demand for local and regional production. This was reinforced by the creation of Channel 4, with a strong focus on independent production in the UK in the 1980s. However, the BBC has decreased its activity in the region in the last 20 years and this has had a serious negative impact on the local and regional sector.

'When Central Television and the BBC were bigger, there was a whole pool of people working in the industry in Birmingham. There were lots of camera people, sound people, editors around, there were lots of sound people around, and you could just hire them on a freelance basis. Since Central Television has just become very small - it's just closed more or less, there's nothing there, BBC has become a very small space in the mailbox. So that industry has gone.' (F4)

Consequently, some production companies that used to work for local TV have changed their focus over the years. For example, one of the production firms interviewed decided to shift its activity from TV production toward Film making five years ago. The strong impulse from Screen West Midlands⁶ to develop the Film and New Media sector has helped their restructuring. This focus on New Media has also played an important part in attracting the New Media commissioning arm of the London based Channel 4 company⁷ to locate in Birmingham and this could give new opportunities to regional companies.

'We realised about three years ago, four years ago, that the whole landscape of television in this country is changing, it's changing very fast. Because of all the digital channels coming online. The kind of documentaries that we were making were becoming more and more difficult to get commissions for. Because they were also set abroad, we didn't shoot hardly anything in the UK. (...) And these days there is no room for that sort of programme, nobody wants subtitled films anymore, documentaries.' (F4)

Meanwhile, other TV production companies have developed complementary activities. One company has developed a significant revenue stream (half of its turnover) from selling the secondary rights of its programme internationally. Another one is growing its activities

⁶ See <http://www.screenwm.co.uk/>

⁷ Birmingham has been chosen as the first UK 'commissioning hub' for Channel 4's new '4 Innovation for the Public' fund supporting digital media content and nurturing a new creative generation. This is a partnership with Screen West Midlands and the regional development agency. Channel 4 has committed up to £20M to the fund on a pilot basis for the next two years. Provisional equivalent funding commitments from partner agencies now mean that the fund is worth around £40M with a strategy to grow it to at least £50M.

around distribution, format sales, digital and new media. One interviewee who used to work for the BBC in London, decided to focus his company's activities toward videos for national public organisations - this was seen as more successful and lucrative choice.

Alternatively, companies dependent on public funding may face restructuring when this funding comes to an end. This was the case of one of the companies interviewed. Initially created thanks to a subsidy from the Arts Council, the company was currently trying to diversify its funding, after the announcement that its grant was ending.

All respondents noted that the emergence of new technologies had involved them in developing new processes. For instance, there had been a growth in the production of new media products. The feeling is that Birmingham could be able to develop a niche in the digital market.

Finally, the extension of activities to national or international markets appears to be a crucial component of firms' strategies or growth.

4.1.4 Importance of location factors (hard and soft factors)

Why was the company founded in the city/region?

Two of the four support organisations were located in the region because of local and regional policies. Alternatively, the third one was located in the city/region because of national media policy. This was also the case of the public broadcaster. These latter two organisations are the regional offices of London based organisations.

All commercial companies were founded in the region because of personal and family connections: *'to be close to one's home' rather than travelling the world*. Birmingham is also seen as a good place to buy a house and enjoy a good quality of life without being too far from London.

'It's a nice city to live, it's an interesting community, it's a varied community, there are terrific talents that come through the university, through the schools, you can afford to have a decent office, it takes you twenty minutes to drive in rather than, you know, have to spin the underground, it takes fifteen minutes, so they're personal advantages to living in this city. (F5)

Interviewees were from a mixed age profile, ranging from 20 to 50 years old, and had different career profiles as well as different geographical origins. Some were born in Birmingham or the region; one of them left for London and then came back to Birmingham to buy a house and be close to family and friends. Another just moved to Birmingham from London for work reasons.

Some were from the UK: one came to study in Birmingham and stayed to work. One company founder had been a senior manager in London and Glasgow with the two largest national broadcasters BBC and ITV. He took early retirement in 1994 and decided to found his company in Birmingham because he lived in the area and he was aware that there was a

strong industry there at the time and there was an emerging gap in the market for the company services ‘*we were heading towards post-production going outside of in-house production*’.

Finally, three of the interviewees were from international backgrounds. One of them, from India originally, moved to Birmingham when he was young (with his family), went back to work in India and then returned to Birmingham to start his own company with his brother. Another, originally from Zimbabwe, used to work in London and then moved to Birmingham to be with his wife. Finally, one interviewee from South Africa was an employee who had bought the company from its previous owner.

It is important to note that some interviewees lived in Birmingham either in the city centre or the inner-city suburbs, while others commuted from other parts of the metropolitan area or smaller outlying towns. Many of them commented on the many nice neighbourhoods that the city offers; some having a bohemian atmosphere like Moseley and Kings Heath.

The importance of family and personal reasons in the decision to locate in the city or the region does not mean that there were no professional components involved in these decisions as well.

‘It did at that time have two big hub broadcasters and there was a talent base there an ambience of media production at that time which was useful to be a part of’ ‘I am from the West Midlands and when I first got into this industry, you could either work in Nottingham or Birmingham, those were the two centres of employment for TV production and in fact at one time I worked in N and my husband worked in B and we bought our house right in the middle of the two. The company I then managed was in B because it had a bigger infrastructure than N, it already had facilities, editing facilities and things like that and talent, production talent and so it seemed natural for me to set my company up here’. (F6)

In addition, public support was influential in determining the location of one company in Birmingham ‘*I suppose a key driver was actually the Venture Capital money I got stipulated that I had to be based in the West Midlands.*’ (F9)

What advantages or disadvantages did the city/region offer for firm location in comparison with other cities/regions?

For the five quasi-public sector organisations all respondents felt that this question was not relevant to them because there was an obligation for them to have a presence in the region so they had not had the discretion to compare the city’s offer with other alternatives. However, because their activities had a regional remit, they all felt that being located in Birmingham, the heart of the metropolitan region, made sense.

Most interviewees prized the good transportation system of the City and the advantage of its location in the middle of the country, making most places in England and Wales easily accessible. In addition, the size of the city ensures a certain amount of activity in their sectors.

For some independent and commercial companies the presence of two existing major hub broadcasting companies in Birmingham at the time the company was set up was seen as an

advantage. The existence of a specific financial instrument – a venture capital project financed by the Regional Development Agency and the Regional Arts Council – was also an advantage for one of the production companies. Many companies stated that an advantage of Birmingham was that their company could be a *'bigger fish in a smaller pond'* because there was less competition than there was in London. Consequently, it is easier to identify gaps or niches in the sector and to start a business in Birmingham. There are also strong networking opportunities, and some people try to nurture the local pool of talents and companies.

On the other hand, the size of the sector makes it difficult to grow the business by only relying on the local and regional markets: *'One of the problems when you haven't quite got a critical mass of companies is that in order to have a successful career you inevitably have to go somewhere else.'* (Policy maker). The major disadvantage is that all the work is in London and everything outside London is perceived as of inferior quality – *'in this country there is an incredible snobbery and people tend to see Birmingham as an intellectually inferior stupid place where people work with tubes and metals and things like this.'* So you need to have an office in London if you want or succeed nationally or internationally: *'We travel to London every week but it is quite expensive.'* (F5)

Related to this, some interviewees mentioned the small size of the local talent pool and some facilities (for example studio space or post-production for 35mm films) and the fact that Film distribution is concentrated in London. The small size of the local labour pool was due to the lack of work opportunities in the city and the fact that good local talent was being drawn to London – a world city and creative city. However, this disadvantage can be overcome by some of the production companies due to the nature of their business. They only need people with specific skills for a limited amount of time.

'All the talent is in London, all the companies that you would need to work with, casting directors, heads of department, photographers, actors, they all live in London. (...) but these days it doesn't matter. Communication is so easy now. We don't even need to go to meetings, we can have phone conferences, email, and everything is just so much simpler. It's just that when you come to make a film, when it's time to make it, then you have to think about bringing all those people here. And then your hotel costs obviously go up, because they're all staying in Birmingham. But that's good for the local economy, for the region, so.' (F4).

The recent decision to relocate much of London based BBC production to Manchester was seen to disadvantage Birmingham as a location. This development of a critical mass in Manchester was considered to have created a significant disadvantage to Birmingham as regional talent would be drawn to the increasing work opportunities there. A similar but much smaller relocation of Channel 4's New Media commissioning hub to Birmingham was seen as good news but there was acknowledgement that the BBC Manchester relocation gave this North West city a more significant advantage.

As mentioned in previous sections, the City and the region have attempted to develop the Film industry in recent years. This seems particularly successful in terms of attracting film productions as Birmingham and the West Midlands offer many advantages: *'in terms of the number of film requests you get and the number – the amount of variety of locations we have, we're easily on a par if not better than Manchester and Glasgow.'* (Policy maker). The

advantages are perceived as the following: *‘The city is not congested; it is easy to move around outside rush hours. There are small city centre with lots of diversity in terms of location as well as a mix of regeneration building and warehouses. The City has lots of parks and the countryside is very close. It is less noisy and polluted than London. The population is very diverse. It is easy to get around.’* (Policy maker). These advantages are reinforced by the cheaper costs of local and regional actors and crews.

These local and regional efforts appear to have borne fruit. One interviewee noted: *‘There is a film maker’s community in Birmingham, around 20 people but always expanding, so it helps in terms of collaboration.’* (F2). The presence of the BBC drama village, where one of the BBC’s daily dramas, ‘Doctors’, is filmed, is seen as a very positive achievement for the City in terms of image and as a potential attractor; even if some uncertainty remains on the lasting presence of the show in Birmingham.

‘We’re quite fortunate because BBC ‘Doctors’ – well, BBC only really have three series that they film regularly that are on sort of every day or every week. And the first is Eastenders which is filmed in London; the second of which is Casualty and Holby City which are filmed in Bristol, and the third of which is BBC Doctors which we’ve got, so you know, we’re up there with London.’ (Policy maker)

Lastly, the presence of important health and education sectors in the City is seen as an advantage as they generate some demand in terms of corporate productions. On the contrary, although the local and regional public support to companies in the sector is strong, this support tends to take the form of subsidy and grants, rather than public procurements.

Particular advantages of inner city vs fringe /suburbia?

The public broadcaster (BBC) as an organisation that needs to be seen as accountable to the public (its licence-paying stakeholders) had recently moved to a city centre mixed use regenerated site from a ‘leafy’ suburb (Edgbaston). This had been a conscious decision because the new location was associated with inner-city diversity. This physical relocation had reinforced the image of the BBC as a more inclusive and less elitist institution.

The availability of custom built space in a high quality mixed use building in a major regeneration site with good public access was also important. The post-production company had chosen its city centre location because it wanted to position itself as a support service for the emerging corporate financial services sector. The firm had taken a conscious decision to be located in proximity to this sector, rather than being based in the Eastside ‘cultural quarter’, an area that was linked to ‘alternative lifestyle creative companies’.

The location choice (Jewellery Quarter) of some production companies was influenced by a mix of factors like the availability of good cheap space, good transport links, the artisanal image of the area and/or the proximity to other production companies:

‘We are located in the Jewellery quarter because of rent, parking and easy access and image (...) it’s a lovely area with nice buildings and it’s grounded in artisan crafts, which

we kind of regard ourselves as doing so it's nice to have that kind of historical heritage'
(F5)

One company was highly critical of what it perceived to be a clumsy dirigiste attempt to encourage it to locate into a policy led 'digital media quarter' in Digbeth. On the contrary, one company had located in Eastside because premises were cheap and it was an organic emerging centre of start-up creative companies at that point. This organic emerging effect has been reinforced since with the creation of the Custard Factory. A sole trader started its business there and then relocated at home due to the nature of its business. Another company had moved there to be close to other companies and expand its activities. The location of the larger established broadcasting companies nearby also meant that access to the talent pool was easier.

'Before we came to Custard Factory I think our world was more limited anyway, probably to do with the expansion of our business is, it starts the process of us moving. I think probably we would have made those connections anyway, but the fact of being in the Custard Factory made it much easier' (...) 'I think within the industry it is seen as a good hub.' (F1)

Other interviewees were located in the inner-suburbs or the wider region because of personal reasons; their business being less dependent on the City centre's activities on a day-to-day basis.

Relative importance of hard vs soft factors for firm location

As it emerges from the previous sections, both hard and soft factors played a role in the firm location in Birmingham or the region.

Quality of life factors: Cultural/leisure/recreation facilities

These were considered important, especially at the personal level and for the attraction of film productions. However some respondents felt that generalised quality of life 'liveability' and a well-managed city were attributes that were a baseline that all sectors would expect. No organisation felt that these were particularly important as drivers of location in the sector. The exception to this was the presence of a lively cultural scene as this was considered something that was an important attractor of young creative talent to the city. Another 'soft' location factor that all respondents spontaneously discussed was the ethnic diversity of the city. This was considered an important asset in the city because it widened the talent pool and offered the potential for the city's capacity to generate a more diverse and genuinely innovative creative product.

Interestingly, the diversity of the population seems more important to those with non-BME backgrounds. The only person we interviewed with a BME background noted: *'I think most cities in England now are pretty multi cultural. I mean, if you go up further north towards Manchester, Bradford, very multi cultural. Bristol is pretty multi cultural. So, I mean, I don't think that in terms of demographically there is nothing special.'*

Hard factors: Availability of sites/property, cost of property, transport/connectivity, labour force, etc

These classic factors were all seen as very important, as is evident from the reasons given in earlier sections about why the companies had decided to set up in the city: easy transportation access, cheaper rent costs...

4.1.5 Sector at the location: image of the city

Is the city/region an important location for the sector in the national / international context?

The sector in Birmingham and the West Midlands is not considered an important national player. Due to its size, the city benefits from a regional market but London dominates the sector, as it does for most other creative industries. The BBC's decision to move part of its business out of London to Manchester has diminished even further Birmingham's position as a regional TV production centre. However all respondents mentioned that Birmingham had an embryonic and growing position nationally in the niche market of new media production. The decision of Channel 4 to locate its commissioning hub for this niche in Birmingham was seen as a significant and encouraging development. The Film sector also seems to be growing and is benefiting from key support institutions like Screen West Midlands, Film Birmingham and recognised specific venues like the Lighthouse⁸, a Film and media-centre, located in the metropolitan region.

What advantages or disadvantages does the city/region offer for the sector in comparison to other cities/regions?

Interviewees perceived the following advantages from locating within the city-region:

- Low costs of production and costs of living;
- Central location in the country;
- Mix of urban and countryside landscapes for living and as film locations;
- Relative youth and ethnic diversity which creates a potential workforce that is interesting;
- Presence of good universities;
- Strong screen agency and supportive Regional Development Agency – not all regions have these;
- Strong networking and collaboration among actors in the sector;
- Established high quality network production outside of the M25 which is easily accessible for commissioners who are legally obliged to source production from non-London locations.

The perceived disadvantages were as follow:

- Lack of specialist skills – falling behind 'creative hubs' of London and Manchester.
- Although the proximity to London was seen as an advantage it was also seen as a big disadvantage by all respondents: *'Too close to London'*; *'London is a major international*

⁸ See <http://www.light-house.co.uk/>

creative city and outside its dominant position there are four or five major cities in the UK Birmingham, Cardiff, Manchester, Bristol that are on a par with each other and we're all battling it out for a slice of the market'. (Policy maker).

What is the image of the city for this sector?

There was universal agreement that in general the city's image was poor and based on outdated perceptions of it as a primarily manufacturing city and this had serious spill-over effects on the industry: *'The overall external image of Birmingham as a place is terrible.'*

Two respondents mentioned that the city was perceived as a place with a declining traditional TV production sector. Others considered that provincial cities as a whole suffered from the dominant London-centric media world view which considered all non London centres as second-rate: *'The sector is London focussed, London is the centre of the industry and anything outside of London is seen as second division.'*

However there was a recognition that the image is not consistently bad:

I think in traditional broadcast media it's one of decline and I think in the new media there are encouraging signs of growth which I think are recognised outside the Midlands so I think it's a twin-track story.'; 'We're seeing that as we get successful and commercial success and creative success people start to recognise that, actually, cities like Birmingham can be good places to do business.' (F7)

There was a feeling that the city was struggling with an outdated image, but that this was starting, albeit slowly, to change. The rise of new media and the move by channel 4 to the city was seen as being a positive factor contributing to this image improvement: *'This is great because Channel 4 as a broadcaster is a brand that is very very much established as a young, innovative cool brand. Now if they want to base their commissioning hub for their new really cutting edge digital media fund in our city, that says quite a lot about Birmingham actually and that will do more for our reputation than press releases.'* (Policy maker)

4.1.6 Business models and markets

How many/what type of clients/customers? What do customers do?

The organisations presented various business models and types of customers. Most organisations had a variety of clients. The script company was working with confirmed and aspiring writers, theatres, Radio and TV. The casting agency was working with actors, theatres, corporate production companies and Radio. The independent TV companies produced programmes for public service and commercial broadcast companies. One also sold its product to new media buyers and hired out its facilities and equipment. The corporate production company was producing CDs, DVDs and web material for health and education organisations as well as private companies. The post-production company provided services for production companies. The broadcaster produced its programmes directly for viewers. Two companies were involved in Film making and their clients/customers were film

producers and distributors. Two of the support organisations produced services to support, promote and develop the sector. Another provides locations to Film productions.

Where are clients/ customers located (city/ region/ national/ international) What size is the market?

All organisations served various geographical markets. Two of the three support organisations served the sector in the region while the other one focuses on Birmingham. The broadcaster served local regional and national audiences. As explained previously, most companies, if they want to survive and grow, need to explore the national market. The production companies had a strong national focus and were heading toward the international market. One had a 50 per cent regional/50 per cent national split. Another had 80 per cent of its clients in the national market, 10 per cent local and 10 per cent international. Another one was generating half of its revenue for selling its programme rights to international broadcasters. The post-production company was largely regional. The script company and actors' agency's clients were 50 per cent national and 50 per cent local/regional. Finally, the film making company had a strong international focus in terms of their film distribution.

4.1.7 Recruitment/Labour force

What types of people with what skills/knowledge are employed?

Interviewees employed a range of people according to the current project requirements. Generic business skills e.g. finance, administrative, business development and health and safety knowledge were needed for all successful companies irrespective of sector basis. All respondents reported that they needed specific technical and craft skills as well as creative thinkers who could produce original ideas and concepts. That is why research skills could be important as well. A key consideration was flexible individuals who are prepared to work across traditional job boundaries. There are important generational differences with younger people being seen as being more prepared to multi-task and keep on top of technological changes.

A key issue was the lack of training in terms of practical production skills. Most interviewees complained about the inappropriate training received in media courses: *'for a company like us you need practical skills, we need guys or women who can work camera systems, sound systems, who can edit, you know, construct a story, you know, we don't need the more theoretical stuff. In fact, often when I look and see somebody who has a media degree I run a mile...'* (F5)

In addition, the casting agency stressed the importance of skills other than acting like music, sports... One of the challenges for the development of local and regional actors was the lack of an actor centre in Birmingham compared with Manchester and London.

How do firms recruit employees (universities (in region or elsewhere), word of mouth, employment agencies, direct from other firms etc)?

Most companies used a range of sources to recruit. Employment agencies were not popular but specialist websites for TV recruitment were cited as a good recruitment channel by one respondent. The broadcaster always advertised while others used more informal routes like word of mouth or other companies. Universities were cited as providing a pool of skilled people but again there was a criticism about 'media-skills' graduates being insufficiently prepared for employment. However, university graduates were good researchers. The broadcaster and the commercial sector recruited staff from temporary employees and internships paid or unpaid: *'Like most broadcast companies we do actually recruit some people who have come in on a very casual basis and grow them on from there and this is not an unusual route into broadcasting.'* (F6)

Geographical location of recruits (city, region, national, international)?

For some companies, most staff come from the region. Nevertheless, when looking for high value skills like web media or 'famous' actors, editors etc., they tend to recruit from London. It is important to note that the sector is characterised by project works which require hiring freelancers. Most companies drew on a mix of locations depending on the nature of the projects and the skills required:

'It depends on what they're looking for. It's very dependent on the projectparticularly with digital media absolutely (there is) international sourcing of skills but with film and TV it tends to be where you find a hub of activity.' (Policy maker)

'We've had some international, the majority are regional but there's also a good percentage that are national. The media industry is very transient they'll go where the work is, it's not that concept of people having a job for life or having a home for life, it just doesn't apply and they go where the high quality of work is.' (F7)

Some interviewees noted the importance of keeping a local pool of talent: *'And if a production company is coming to the end of a production and they haven't got any work they will help those employers – the employees find work at other production companies, 'because they'd rather keep that labour market in Birmingham than lose it to another city, so...'* (Policy maker)

What types of training do firms provide?

The sector is highly technology intensive and there was a high commitment to up-skilling employees to maintain and develop their competence in the use of new technologies. Some of the interviewees were not particularly skilled in terms of internet and new media but were relying on their young workforce to provide the necessary skills.

All firms provided a range of training. The type of training depended largely on the nature of the projects they were working on and the skills gaps in the workforce. Most companies were

prepared to train up talented people with the right attitudes and potential for professional development.

4.1.8 Networks and forms of co-operation/Collaboration

Do firms collaborate with other companies (same sector other sector) in the city/region?

Inter-sector collaboration was taking place: *'We know each other, we are probably part of a media network and we probably exchange talent and if there's a gap in one company's production cycle then perhaps people can go to another company and pick up work there and rock and roll between companies, that does happen.'* (F7)

'Sometimes it's simply sharing staff or we come to the end of a production and I'll ring company X and say 'we've got some great staff if you've got something coming up' so we can keep them in the city. Other times we are specifically working with companies who've got a skill that we haven't got for example in digital media, web design or an editing facility.' (F8)

Most interviewees were particularly positive about the strength of networking within the region: *'And everybody in the city is pretty much on first name terms with all the other people you know, that work in the industry.'*; *'...[firms] are very well networked. We are constantly getting comments from people who come to our region who say 'God, you've got a great partnership going on.'* (Policy maker). This strength was also reflected in the capacity to lobby and grow the sector: *'...once everyone kind of gets it and is on message and they understand what it is all about, then it's quite easy to start then influencing policy... regional and actually national policy because we're all working towards the same goals.'* (Policy maker)

However, some interviewees found the local and regional TV sector very competitive:

'The bigger [TV] companies are always busy, they've always got commissions. They've always hired people from London, from Manchester, to come and direct their films or projects, they've never asked us. And you kind of think, I'm sitting here, I'm not doing anything, I'm free! They've got all this work but nobody is talking, nobody is saying; 'Why don't you come and do this film or' – They're getting people from outside but not in the region.' (F4)

On the contrary, local regional people involved in the Film industry have developed a strong collaboration in the past few years among actors in the emerging Film industry. Starting as an informal gathering, this collaboration has been institutionalised as the Producer's Forum⁹.

'About three years ago, when we wanted to move into films, we found other people who were also trying to do that. And we thought, ah, there are other people as well, we're not the only ones. So why don't we set up a group to network amongst each other, ourselves. That's how it started. We started meeting regularly, once a month, in a pub, have a drink,

⁹ See <http://www.producersforum.org.uk/>

talk about what we're doing, how can we help each other, where is funding, where is not funding, how can have applications, things like that. That was known as the Producers Forum. And then it started growing, other people started joining. People heard about it. And then we thought, oh this is becoming quite big to manage. It's no longer just go down to the pub. Let's invite companies from London to come and talk to us, industry executives, tell us what you do in London, how - what can we do to make films. So then we started inviting people to come and they came. (...) Then we thought, this is just too big, so then we applied for money from Screen West Midlands to have a full time person to manage the forum. And slowly and slowly that got approved. And now the Producers Forum is a big thing in Birmingham. It still meets once a month but every two or three months there is enough money to have a special event on distribution, or exhibition or - we're going to do a casting event.' (F4)

Do firms collaborate with other organisations in the region (universities/ research institutions, business organisations)?

Firms collaborate with a variety of organisations depending on their needs: staff, product development, funding, etc. These include universities (Warwick, Wolverhampton University, University of Birmingham and Birmingham City University, Birmingham School of Acting, Technology Innovation Centre), business organisations (Chamber of Commerce, Business Link¹⁰) as well as specific support agencies (Film Birmingham, Screen West Midlands) and the regional development agency: *'We have specific relationships with a number of universities. With Birmingham University to try and generate opportunities for university talent. We have a relationship with Warwick in terms of developing a number of projects. We probably have relationships with all of them but I think they are peripheral to our operation which is a commercial company trying to create work.'* (F7)

Some interviewees play a role of mentor for aspiring TV producers or film makers. Many interviewees also mention the importance of linking with the regional media-centre - the Lighthouse, as a training and distribution centre.

There is also good collaboration between the sector and other sectors. For example, the legal profession has been a particularly significant supporter of the sector.

Do firms have formal co-operation agreements?

Collaboration tends to be mainly informal, but in certain cases – if relating to funding or legal support or research – may need to be more formal: *'In terms of the Chamber of Commerce we have to use them if we film abroad because there are issues of various bits of paperwork that we have to have.'* (F8); *'We have formal co-operation agreements with the University of Birmingham and the Regional Development Agency.'* (F7)

¹⁰ The national organisation channelling support for firm.

How important are informal links (in terms of competitiveness, innovation etc)?

Sole traders and freelancers have strong informal links with each other and with some larger companies and tend to trade services. However, trust is an important component for the sustainability of these links: *'I'm making a film in Birmingham next week and I need crew members, so you can make contacts that way with networking events as well in Birmingham, like Creative network and the Lighthouse in Wolverhampton as well so you see the same faces again in, get to know, you know, other people and their skills and, I guess it takes a number of years to build up a team of people that you can trust and work, collaborate with so it's not quick thing I'd say it takes time.'* (F2)

There are many informal networks in the city; *'you could be out every night if you so wished'* Nonetheless, there was a range of opinions about the importance of informal links. They were not considered very important by the biggest companies, whereas they were highly valued by other interviewees, especially if they had an important local and regional market.

One respondent was passionate about the need for Birmingham to develop a real creative community which had critical mass and creative collaboration across companies: *'If you've got a critical mass of creative and cultural companies from small jewellery designers or makers through to the broadcaster or to the independent producer or film production company or the animator or the props designer or hair and make-up company or design company, if you've got that range of companies offering then that's where the results come from I think in terms of creative collaboration across companies.'* (F7). He felt that the city *'despite real progress and quite of lot of time being spent on trying to bring together creative, cultural and business knowledge and encouraging those network... the UK and this city still suffers from silos and fragmentation.'* (F7)

What informal networks are in place in the city or region?

There are mainly informal in Birmingham. Some are very ad-hoc and others are connected to other more formal bodies: *'In terms of other networking we're all on different committees, because we're such a small community everyone tends to be on something and so you meet people there.'*

The role of the internet community and blogging has been growing recently. For example, the blog site Created in Birmingham¹¹ displays a list of creative events in the city and refers to organisations in various parts of the creative industries.

What types of knowledge /information are exchanged in informal meetings?

Market intelligence was being exchanged through informal networks: *'It's to do with how we're all doing usually and that can be as revealing as anything else because we tend to be quite an honest group, but because we all know each other, it's such a small community one*

¹¹ See <http://www.createdinbirmingham.com/>

person will hear that the BBC's looking for a say gardening programme they tend to share that information.' (F8)

One interviewee commented on the difference between exchanging knowledge in informal networks and trading knowledge: *'Exchanged knowledge is fine but traded is a different matter. I think yes there's a lot of networks and people chatting about what they're up to and the latest design, the latest Web 2.0 idea, there's a lot of that exchange and chat going on, that's good, that's very good, the it's because they haven't been transferred into products and that's the next stage which I think is a different matter, that's not informal, that's formal.'* (F7)

4.1.9 Prospects and pressures at current location

What are the future prospects for firm at the current location? Opportunities/Constraints

Views were mixed on firm prospects with some companies more optimistic than others. One of the support organisations thought prospects were *'hugely exciting'*, with significant new funding coming into the region and particular opportunities around digital media; *'We've got a £10 million fund we're launching in July and we've got £4 million that we're investing over three years.'* (Policy maker)

The broadcaster was also upbeat about the prospects for growth in new media: *'I think the big possible area of growth is in new media where I think Birmingham is developing a good reputation we have quite a lot of new media based here and I think we need to get cleverer at linking up with new media organisations ...I think that's the main area of potential for the future.'* (F6). The innovation rate and prospects for growth due to the development of the new media sector were commonly cited as opportunities.

Another support organisation also highlighted the potential for Birmingham to become a major player in the Digital industry. However, the interviewee had some doubts about what this meant exactly and how long it would take to make such reputational change: *'The big drive, the vision of a strong digital... And we have a digital film and media event coming up in November. But doing reputational change you know, is a long term thing so I can't – I'll be able to see a clear long term plan and what we need to do now is to make sure the reputation has been changed by, I don't know what it's going to be by, is it ten years?'* (Policy maker)

Film was also seen as one important opportunity for the future, especially the attraction of productions into the City and the region.

Some independent commercial companies were more pessimistic. The down-sizing of the original two large broadcasters (ITV and BBC) was seen as a big problem for the independent production and post-production companies. This had led to a dispersal of the talent pool with local talent being drawn to London or Manchester. It was also leading to a more competitive working environment where costs were being driven down and free-lancers having to undercut one another:

'The prospects in the city centre in the long term are not good we will probably need to move to an out of town site, where we can have a studio of our own, because of the nature of the programmes we are now making. So may companies have closed in the city and we don't have studios any more so I might end up in Leeds because they've got studios.'

The company that had just become part of larger organisation remarked on his company's prospects: 'The firm in Birmingham will grow but that growth will as part of bigger growth of the whole company in a national and international context, in X years time the company will be at least X times the size it is but I don't think the Birmingham office will be 5 times the size it is.'

As already mentioned, other constraints were mentioned like the limit of the local labour market and the lack of a skilled workforce. Some interviewees also noted the lack of political will and poor city marketing, which failed to change the negative city image. There was a feeling that the City needed an important investment in the sector which would have some form of national recognition:

'You could see how the city kind of got it wrong and everything, by just relying on that convention culture in the 90s. And also it tried to think of itself as a place to come and visit for tourists. And I just think that does not work and actually the creative industry has created a much more win, win situation because I think if you have a creative industry you don't want to live in the middle of a tourist resort.' (Policy maker)

'Part of the problem is that Birmingham is always trying to reinvent itself. Always trying to renew itself, they are always building things and knocking down things and new ones being built and that's for as long as I can remember that's always been the case. And in a way that's good but it never feels sort of settled, like, now we've got a beautiful city and isn't it brilliant and let's celebrate that.' (Policy maker); *'I do think we could build some things that would attract them, you know, like a centre of learning, a new centre of learning, like one or two or three significant major conferences.'* (Policy maker)

4.1.10 Role of local government/ public support

How important is city/regional public support to firm/sector? What types of support has your firm/sector received?

There was evidence of support to both individual firms and the sector generally. One of the independent TV companies had located in the city specifically because of an innovative investment vehicle from the public sector (the Creative Advantage venture capital fund¹² developed by the RDA and West Midlands Arts). One organisation was strongly dependent on public support as it was receiving a grant which covers 50 per cent of its budget. Most interviewees had received some forms of public support either to help them with some business advice, their office rent, and their marketing strategy or in the case of film makers to produce their films:

¹² See http://www.creative-advantage-fund.co.uk/sign_in.asp

'We've received some EU support to develop the premises and we've had some support for innovative new media development'; 'The sector has received an increase in public support over the last 5 years when it has been business focused it's been extremely successful...we've seen within the film production sector and we're just now seeing the digital media sector participation by the public sector with the private sector to promote immediate innovation.' (F7)

Some interviewees felt that this support was very important while other did not:

'I think there's a fair amount of public support for this sector...There is a commitment politically to try to develop... I have no complaints about the level of commitment to us or to the sector in general and I believe that there is a genuine political will to boost the creative sector in the West Midlands.' (F6)

'Public support in this region is amazing. I mean, the only reason our projects are where they are, and we manage to make this transition is because of the public support. I mean, Screen West Midland, they're incredible. I mean, everybody in the UK is very envious of our region.' (F4)

'We've won a few creative city awards so we've got that, we've got some creative city grants, which have been really useful, say for moving or for getting networking, you know, small grants to do that sort of thing. I wouldn't say it's a key determinate but it's a nice gesture, and they are local initiatives that are helpful, there's Screen West Midlands, there's the Creative Cities Fund which has been useful to us.' (F5)

What area(s) of public support (firm/sector) need(s) to improve?

A plea for more balanced cross –sector funding support was made by one of the independent TV production companies:

'The problem that the TV community's got in this city is that there's a lot of money put into film and there's a lot of money going into digital media and there is £300,000 we can bid for as TV companies to help our development and we have to share that with film as well and I think that is really not enough to help, I mean this city needs to sustain the TV industry and it's not doing enough to do it, and soon it will have none, it is really very bad out there at the moment. You know, there's a lot of smaller companies that are closing.'

Although the regional screen agency was widely praised for its competence and leadership there was criticism about its distribution policy. The post-production manager repeated the independent TV production company's dissatisfaction with the targeting of support funds arguing that current practice was a constraint of the growth of a sustainable, resilient, commercially successful sector.

'...very little [funding] is geared towards actual commercial entities. It's geared towards freelancers and guys who then seem to make a serial living out of grants...what we really could use is to choose two or three businesses that are doing well that could be accelerated into high visibility, high growth...if we did that we would end up with a much more visible creative industry....that's not to say take away the funding...90 per cent of

the funding seems to go to one man bands. There's nothing wrong with that but a lot of them are working on a very unsustainable level... and they are offering rates that are not competitive they don't have the same overheads... there's a huge turnover of people that are in the industry that are starting up small companies and then before you know you hear they've gone out of business.'

Interestingly, the production company which decided to shift its activities from TV to Film mentioned that it could not have done so without the support of Screen West Midlands, which, by giving them part of their funding, ensured that other funders took their project seriously. A smaller film maker, on the contrary, remarked on the lack of small packages of funding available.

There were also specific complaints made by some commercial companies about the poor quality of City council's location finding service or the fact that the City Council's funding is very difficult to obtain. Business Link was also singled out for criticism because of its rigid and overly cumbersome bureaucratic approach to providing advice and support. One interviewee also mentioned the lack of enthusiastic support received from a representative of Business Link who tried to put her off her project.

One interviewee noted that the creative commercial organisations felt that they did not have a sufficiently strong collective voice within the existing professional lobbying organisations or the Creative Birmingham cultural agency strategic alliance. This was being rectified by the foundation of a sector specific body called Creative Republic¹³.

Most interviewees highlighted the need for: *'greater efforts to grow a genuine creative community in the city'; 'Showcasing of the successful creative and cultural production in the city and region'; 'Dramatically improve the city's marketing to improve the overall perceptions of the city as a place to live and do business in.'*

4.2 Games and digital media

4.2.1 Overview of firms interviewed

As discussed in section 2.2.3, there are some significant differences between the games and digital media sub-sectors, notably company sizes, value chains, and methods of working. These factors have an influence on the relative importance of location factors to firm location. For this reason, the following analysis will be made on a sub-sectoral level.

Six games firms and five digital media firms were interviewed as part of the study – Table 4.2, although there was a certain degree of cross-over with some of the firms for example, some firms involved in developing games were also involved in digital media and design. The sample was chosen to represent a range of firm sizes, ages and also locations.

¹³ See <http://www.creativerepublic.org.uk/>

Three of the six games firms interviewed were located in Leamington Spa/Warwick to the South East of Birmingham, which is the main cluster for the games sector within the region. The only games firm currently located in Birmingham - based in the suburbs of Edgbaston, was also interviewed. The remaining firms were located in Wolverhampton to the North of Birmingham and Coleshill to the East of Birmingham.

The geographical grouping of digital media firms in the region is focused on Birmingham, and all of the firms interviewed were based in and around the city: Three firms were located within the city core (Jewellery Quarter and near the Custard Factory in Digbeth); while one of the entrepreneurs interviewed was based in North Birmingham but seeking to relocate to the Custard Factory. The fifth firm was based to the North of Birmingham in Walsall.

Table 4.2 - Games and interactive digital media firms interviewed

Interview number	Sector	Business activity	Location city/region	No employees
1	Games	Games development (online)	Region	1
2	Games	Games distribution and publishing	Region	6-200
3	Games	Games development (video)	Region	6-200
4	Games	Games development (educational)	Region	2-5
5	Games	Games development (video)	Region	200+
6	Games	Games development (video)	Birmingham/ Suburbs	6-200
7	Games/ Digital media	Games development/3D design/ web design	Region	2-5
8	Digital media	Digital media agency	Birmingham/ City centre	6-200
9	Digital media	Web design /consultancy	Birmingham Suburbs	1
10	Digital media	Graphic and web design agency	Birmingham/ City centre	1
11	Digital media	Web design/ online interactive systems	Birmingham/ City centre	2-5

4.2.2 Origins of the firm

Games

All six games firms were start up companies and all firms were founded within the West Midlands region, apart from one which originated in the South West of the country. The owners of this firm made the decision to move to the West Midlands when the company was in an embryonic state, in order to benefit from being close to their publisher (Codemasters).

Digital media

All five digital media firms interviewed were start up companies, and all were founded within the West Midlands region.

4.2.3 Core activities

Games

The games industry is ruled by two major segments: development and publishing, and both play a key role in the industry. Interviewees were therefore chosen to cover both these areas, with a focus on games development as there are a greater number of development firms in the region.

Games development involves design, research, implementation, testing, and mastering and is heavily dependent on the technical skills of high level programmers as well as artistic skills of designers, animators and illustrators. Four of the six firms interviewed were traditional developers involved in all of these activities.

Games publishers generally commission and pay for the development of a game. As they fund the majority of projects, they control which products reach the market, on what formats, and at what time of the year the games are released. Beyond commissioning the games, publishers often handle the marketing and distribution of games. Distribution requires negotiating deals with retailers to get the title to consumers. One of the games firms interviewed was the international sales distribution and marketing arm of an independent games developer based in Germany. The firm also acts as publishers for other games development companies in their affiliate sales department.

An online game is a computer-based game played over the internet. There are broad similarities with traditional games value chain, however online games use non-traditional paths to market. The value chain starts with the developer who produces a game. The game is then made available to the consumer by the developer either directly hosting the game on their own website; the game being hosted on a games consolidator site who provides customers with access to a wide variety of games from different developers at a single source (for example Minichip, MTV's site Addicting games, and Mousebreaker); or via a publisher who may also provide access to one or more games. The retail and distribution end of the value chain is therefore bypassed. Money is made mainly through advertising or sponsorship. The consumer usually plays for free but views pop-up adverts or sponsorship notices for companies. Rather than selling a finished product, the challenge for online games is to generate enough advertising/sponsorship revenue to cover development costs and to make a profit.

One of the firms interviewed develops online games for the casual games market, which are either hosted on his own arcade website or hosted on game consolidator sites, with income generated through advertising.

The core activities of games firms have remained the same, but recent technological advances have significantly affected the types of games produced and the markets have changed:

- 1) **Technological advances** have seen more complex and realistic games being developed as well as games being developed for different platforms, for example, games for mobile phones. The widespread availability of the internet and high speed broadband connection has also seen the proliferation of online gaming.
- 2) **The current high cost (in terms of finance and time) of developing games**, where a single game can cost several million pounds and take a large team of developers 2-3 years to complete, requiring hundreds of thousands of units sold to recoup this investment; the low success rate (games are either a 'hit' or a 'miss' and game sales are subject to consumer tastes). Many smaller, independent developers are struggling to remain profitable. Developers are therefore reverting back to the original style of games that were produced quickly and with much smaller budgets and personnel costs:

'We've found a niche again which is essentially writing games which are old fashioned in nature so they have a feel of being late 80s, early 90s type games. We can produce them very, very rapidly. They aren't particularly complex so we're finding an audience in different people, so rather than going for what is termed in the business as a hardcore gamer... we're now targeting our products at a much more family orientated market place and we seem to have caught a wave.' (G3)

- 3) **The explosion of casual games** (typically involving simple gameplay, and including puzzle games, card games, board games and Brain Training games) and the diversification of the games market to include an older (25-40 age group), more female and family oriented demographic has made a huge difference to the types of games demanded and developed.

'The traditional games industry has sort of gone full circle. It's different markets. It all used to be primarily boys 10 to 20 odd but Popcap sell something like 80 per cent of their games to women over the age of 50.' (G1)

The games industry is therefore divided into big development firms who can afford the outlay of hiring a large team of developers for 2-3 years to create an Xbox or Nintendo game, and smaller firms who cannot compete with these large development budgets and have gone back to developing smaller budget games using simpler technology or exploiting the emerging casual games market.

Digital media

The firms interviewed in this sub-sector range from pure web design companies, to 'full service' agencies, involved in the design and development of websites, content and applications ('design & build'), marketing and technical consultancy. One of the firms interviewed specialised in developing web 2.0 applications and social media Specialist roles include design, animation, and programming. All firms were B2B service oriented.

The core activities of the firms interviewed had not changed, in that firms were still predominantly designing web sites. However, peripheral activities had changed, sometimes quite significantly, over time.

Technological advances also mean the sector is very dynamic and fast moving, so clients are now demanding different things from web-design firms and are frequently making use of more interactive technology, such as web 2.0 to communicate to customers. Therefore firms have to be highly adaptive to changing market demands.

As the demand for web-design has become more mainstream in the last few years, other sectors, particularly advertising and marketing, are becoming increasingly aware of the advantages of the internet for brand awareness and are devoting more resources away from traditional TV, Radio and print media to online activity. One of the firms interviewed was now acting as technical partner for advertising agencies that were dealing with national and international blue-chip clients, and developing advertising banners and micro sites for specific products as well as e-commerce sites.

For one of the firms interviewed, the change in peripheral activities had been significant and was facilitated by the diverse nature of the digital media sector in the region which had enabled a move into video and music for the web

4.2.4 *Importance of location factors*

Why was the company founded in the city/region?

There did not appear to be any strong reason for locating in the West Midlands, and it appeared to be almost accidental that firms in both sub-sectors were established here rather than anywhere else. The main reasons for the company founder being in the region were:

- Went to university in region and then remained here for work
- Was offered a job in the region and developed personal/professional networks
- Partner had family in region/originally from region

'I got offered a job when I graduated and so it was kind of life takes over, you sort of, I was in a relationship with someone who was also living in Birmingham, had a plan to go to London, things just kind of progressed, you end up becoming probably more comfortable where you are.' (G8)

'Originally I just sent out 20 showreel videos around the country. I had a couple of job offers but I just thought it was the place I fancied most really. The others – there were 2 in London and I don't really like London, and Newcastle was a bit far away from my parents who live in Southampton.... I never made a conscious decision to move to the Midlands.' (G1)

'I can't necessarily say that I picked Birmingham strategically, I was already obviously living here, I was married and moved here and there wasn't any reason to leave, I would say.' (G11).

'I became development director [of Codemasters] and ultimately I moved down to the West Midlands because I got fed up of commuting from Manchester to Leamington every 2 or 3 days.' (G3)

'I think the reason was that we all kind of met in Walsall through various activities. We looked at locating in London or staying here but because we all had various contacts here through our previous work lives and we had various audiences and customers, we felt that it made sense to be located here initially.' (G4)

There was some indication that interviewees chose remain in Birmingham after university or moved to Birmingham for work because of their dislike of London, due to its size, frenetic pace of life, the increased competition for work, the high cost of living, the difficulty of travelling around the city.

What advantages or disadvantages did the city/region offer for firm location in comparison with other cities/regions?

Games

Interviewees mentioned the advantages of the cluster of other games firms in the region, built particularly around Codemasters (who are one of the largest European independent video games publishers and developers) and Blitz (who are one of Europe's leading independent video games development firms), both of which have a big influence in bringing skilled people to region. Blitz itself relocated to the region because of Codemasters:

'Our publisher Codemasters was attracting a lot of talent to the area, and so it was becoming a centre for people with the right skills to make video games.' (G5)

The advantages of the games cluster seemed to be more to benefit from a source of employees and skills than any close networking or knowledge sharing activity. The games firm located in Birmingham, for example, chose this location specifically to avoid the competition for employees and 'poaching' of skilled staff. Also, the presence of Codemasters and Blitz meant that competition for available skills was very high. Therefore the clustering of firms could be seen as both an advantage and a disadvantage.

The lack of skilled experienced people in the Midlands and the difficulty in attracting skilled programmers to the region from London and the South East, or retaining good graduates from universities in the region was one of the key difficulties for the sector in the region.

'There are just nowhere near so many, if any, experienced people in the West Midlands. If I look at the other businesses that I compete with that have started out they are either based in and around the west side of London, which is where the whole resource is really. If you're talking about people who have the expertise within the computer games business already, you really want to pick someone up who's a big hitter, who's capable, you've got to be near central London out to Woking and Reading, that triangle, stacks of people and they move around all the time there, there's always people moving, but trying to draw them out of that area up to here is pretty difficult unless they are from this area and want to come back.' (G2)

One interviewee related this to the persistence of a poor external perception of Birmingham:

'There's a perception nationwide that Birmingham's not a nice place to be. If we can get them [developers] to come to interview, we can get over that, Broad Street etc. they come to the centre of Birmingham and say, 'It's really nice here'.' (G6)

However, the towns surrounding the games cluster (Leamington Spa, Warwick, Stratford-upon-Avon, Rugby) are all very desirable locations, with good quality family housing, a large variety of (often independent), pubs, shops, art galleries and some of the best schools in the region, and these towns are surrounded by picturesque, largely rural Warwickshire countryside and so this part of the region has the 'quality of place' factors required to attract skilled developers from London. The image of this part of the region is very different to the image of Birmingham and its post-industrial revitalisation. Codemasters specifically use this 'quality of life' aspect in their careers website to attract people to the region and the firms interviewed also regarded this as an important regional advantage:

Firms also mentioned the central position in the country, making the region convenient for both employees and clients to get to and for firms to get to London if they need to for meetings, conferences etc. Good road, rail and airport links (Birmingham International, Coventry Airport, East Midlands) are also advantages for all firms for locating in the region:

'I chose to be here because being born in the region, it just was logical for me to be in the region, but then the communication infrastructure became really important.' (G7)

'On a practical level the advantage of being where we are is that we're really well located in terms of the transport infrastructure, you know, we're so close to junction 9 and 7 of the M6, we're close to an international airport, we've got the rail links, so we're really well located in so far as that goes.' (G4)

The games publisher interviewed chose the area to the East of Birmingham particularly because of these strong transport links:

'the airport links were pretty crucial and then the station links were pretty crucial so rather than going up to Solihull or Sutton or further north or going into the city it made sense to be on this side, effectively on the east side of the city, so from here to the airport is 10 minutes. In fact I've just booked flights this morning to Munich next week and I know I can leave and be in the airport 10 minutes after I walk out the door here.' (G2)

For the online games firm interviewed there was no advantage to being in the midlands or any particular location as broadband internet connection was the only requirement in terms of a business location.

'For what I do, location makes no odds whatsoever, my main client is based in Barcelona and I only communicate via email. The other guys I deal with are in China, Holland and California, so no, for online games, I could be based anywhere as long as there's a broadband connection. The guys I outsource stuff are in Brazil and Brighton.' (G1)

Digital media

Interviewees stated that there was no particular advantage for digital media firms to be located in Birmingham or the West Midlands. As already discussed, the choice of location was influenced more by company founders already having settled in the region and having developed networks of personal and business contacts or partnerships with other people who were also living and working or around Birmingham.

However, firms did not feel that being based in Birmingham rather than London was detrimental to them setting-up businesses in terms of their external image or reputation of their business and so there was no reason to relocate to London:

'I liked the city, it wasn't really affecting our work, although a lot of work was London based anyway, but being based in Birmingham, it didn't really affect any reputation.....of feeling like you're out in the sticks or you're a two bit company or anything, so Birmingham had enough about it to feel that based here we could pick up plenty of London work and we did and we still do.' (G11).

Birmingham also seemed to be a particularly good location for start-up companies in the sector, compared to London or the South East. Although the sector is growing in the region, it is much smaller and less 'cut throat' and interviewees felt it was easier to 'break into'. The sector is also more varied, which was considered an advantage by interviewees when setting up their firm.

'I think it's an advantage... from a business point of view because you're not just competing against hundreds and hundreds of similar companies but also from a creative point of view, it gives you different perspectives on everything you're working on all the time. It gives you a chance to have a look at different styles and different ideas so you don't get just bogged down with the programming or something like that.' (G11)

Interviewees also felt that Birmingham was generally far friendlier than London and the creative community in the city was more welcoming and inclusive, all of which made Birmingham a far more favourable place to set-up a business than London.

'I've worked in and around London before and it just seems a lot easier to be able to interact with people in Birmingham. It's a big city but it's not overwhelming like London is and there seems to be a bit more sense of community, specialist help and specialists whereas in London it's a bit more closed off....and there are so many design firms and so many design individuals [in London], you know you can get lost in the swamp and Birmingham, although it's big, it's not on that scale' (G9)

However, there was some indication that firms in the region could only grow so far: in order for firms to expand, they needed a potential client-base of national and international companies. Being located in Birmingham was then less advantageous, as the majority of these clients were located in London:

'The vast majority of big national / international clients that are based in London and the South East are not prepared to get up the motorway and they want to still be able to be in regular direct contact with their creative suppliers and I totally understand that and I don't think there's any kind of 'well London's cool or 'London does better work', it's just

that people in London would rather be half an hours drive or you know be able to go and have a catch up meeting with someone round the corner and so I think that's the big problem is that until you get really big international clients based in and around the West Midlands you can't have the supporting service industry of creative industries to sort of supply work for that' (G8)

Particular advantages of inner city vs fringe /suburbia?

Games

For games development firms, the position in the value chain and the industry business model means that there is no requirement for firms to locate in the city. Proximity to a publisher is more important, hence the clustering of games firms that has grown up around Codemasters in Leamington, as already discussed. Equally, firms do not want to be isolated or unable to get to other locations in the UK quickly and easily:

'From a business standpoint, many industries nowadays do not need to be located in a city; but equally, we don't want to be 'out in the sticks'. Occasionally, we have meetings in London, Birmingham, Manchester and often abroad, plus we have visitors and interviewees from all over the UK, and being central with good road and rail links, makes it convenient for all our visitors. Leamington has a great train service straight to London which is very fast and convenient. Equally, we can use the M40 for very quick access to major cities and importantly the airports Birmingham and Heathrow.' (G5)

For the publishing firm interviewed, the location of the firm was determined primarily by where the owner wanted to live and proximity to good road and rail links (for UK-based customers who were outside the Midlands) and particularly good air links (for major international clients) were essential and so the firm was located to the East of Birmingham for easy access to Birmingham International airport. The firm is now considering expanding and taking on a development team, and so the locational requirements of the firm will change: quality of office space and the ease of which employees can get in and out of work will become very important in addition to transport needs, and so a more peripheral Birmingham location would be the preferred option:

'If I set up a development team, we would never set one up here. There's no chance whatsoever, they [developers] wouldn't want to come to this town at all. We'd either have to go and get into the city centre in good quality offices for them - partly due to the hours that they work, so it would have to somewhere new and somewhere very well furnished - or we'd have to go somewhere like a business park where they could drive in and out and would also need good transport so for me it would almost certainly end up on the edge of the [Solihull] business park where you can get in and out of international railway station. At the south end of it - there are good units down there and it's very easy to get in and out.' (G2)

The importance of very good quality office space was mentioned by several interviewees. Due to the intense nature of development work, the quality of the immediate working environment was considered particularly important for retaining employees.

Digital media

For digital media firms, the B2B model means that their location within the city is an important issue, particularly for attracting larger clients who are primarily located outside the region (predominantly in London). Although interviewees indicated that business relationships could be conducted remotely via the internet, as firms attempted to grow and develop a more prestigious client base, location became a more important consideration to the image and profile of the company:

'As we grow, as we get more and more known, having somewhere that's a little bit more polished, in a better location is only going to help' (G11)

Interviewees talked about the importance of having a physical presence in the centre of Birmingham 'where it's happening' and being seen to be a part of the media cluster in Birmingham, which is primarily located in and around the Custard Factory and Digbeth and the Jewellery Quarter, was important to them:

'when the Greenhouse [in the Custard Factory] opened we thought well this is good prime location we'll kind of join forces, you know establish Made because we thought we'll try and get some slightly bigger clients, we wanted to have a kind of a proper shop front, you know have a proper image, have a proper web site, all that sort of stuff so that it would put us into the market place of getting you know, kind of bigger contracts, make us look like more serious kind of proposition.' (G8)

'I will be looking at rental property in the centre of Birmingham. Even though [my] business is primarily internet based and so location is not important in that respect, a professional presence is necessary.'; *'One of the main places that a lot of design firms seem to be in Birmingham, small start up companies, is the Custard Factory and it seems to be cheap but it's also this hub of creativity.'* (G9)

A central position in Birmingham was also important in terms of getting clients from outside the region to and from offices for meetings that they could easily find and also for getting to London for meetings:

'We get quite a lot of meetings, people to see us and we go to see people and training for the websites we build and things like that so, and that's a lot of our clients from outside the region, so a lot will come and visit us, so it's very important that we're somewhere fairly easy to find.' (G11)

Although office space in the Fort redevelopment near Erdington was regarded to be very good, it was considered too far out and remote to be considered a viable option. Similarly, more sub-urban areas such as Harborne and around the University of Birmingham made it difficult to get to networking events in the centre of the city:

'Harborne and around the university area it's just a little bit too far, particularly if you want to do some of the networking and events and work with people in the city, it's a lot easier to do that when you're based in Digbeth.' (G11)

Many firms initially located in the Custard Factory, which was ideal for start-up companies and when it came to expanding into larger premises, firms preferred to locate in Digbeth as it

was easier to get to than the Jewellery Quarter. However, a lack of available and appropriately sized property either to rent or to buy almost forced firms relocate to the Jewellery quarter:

'There was nowhere to buy in Digbeth there's no business premises that were being built where you could buy units so it was just a matter of necessity and most people have followed suit, you know, there's X around the corner, Y down by St Paul's Square, there's Z, a big 3D animation, you know there's so many design..., a number of big regional ad agencies all based around here, there's X Design Consultancy, there's Y, there's, you know, all around, so there's lots and lots of design and web sort of things... obviously there's a load in the Big Peg as well if you're renting but there's lots... basically places you can buy that are being developed in the Jewellery Quarter and I think it's probably about a good 5 years ahead in that its been going through that urban regeneration process a lot longer than Digbeth has.' (G8)

Relative importance of 'hard' and soft 'quality of life' factors for firm location

From the preceding analysis, the main reasons for owners in both sectors locating their business in the region were primarily factors relating to familiarity with the region and 'hard' market-driven factors:

- Owner/founder residence nearby
- Proximity to business contacts/partners or clients
- Good transport and communication links (road, rail, airport), and central position (in the country)
- Lower cost of living (than London)
- Presence of other firms in the sector/clustering
- Size of the city

Importance of soft 'quality of life' factors for firm location

Games

Although 'quality of life' aspects were not the main reason for founders moving to the region in the first place, they have become subsequently very important in retaining firms within the region, especially for owners who are located in and around Leamington and Warwick and to the East of Birmingham. Aspects that were particularly mentioned were the proximity to the countryside for sports and leisure activities (golf, cycling); variety of independent shops and lack of chain stores, similarly for pubs; good quality schools; and the 'county town' atmosphere:

'I wouldn't move back to the North West anymore because it's [Leamington] a brilliant town and I like Stratford and I like the Cotswolds and things like that so I think the only thing that could drag me away was if the coast was a bit closer to Leamington, maybe Cheltenham – that's a bit closer to the sea isn't it.' (G3)

'We like the area we're in [Leamington] particularly, it's a beautiful town and has everything we all want such as good schools, shops, cinemas, parks, sports facilities etc. And it's surrounded by countryside, with places like Warwick and Stratford close by which are equally nice.' (G5)

'If you cross over the A46 from my house there are 30 miles of country lanes where there are hardly any cars and most of the ideas come from when I'm just cycling round. Me and my friend did a whole game design... while we were just cycling.' (G1)

'you've got from here, I don't play at the Belfry, but the Belfry is not very far away, that's a good golf club. We play at X which is just down the road which for us important and then you've got the Forest of Arden. Within 15 minutes drive of here you've probably got 6 or 7 good golf courses, so that was one of the reasons for us as well. It's not exactly a county town but it's a small town so it's attractive to come to.' (G2)

Firms who were located nearer to the North of Birmingham in the more industrialised, 'grittier' part of the region had differing views about the quality of 'soft' factors in their part of the region:

'we don't have the range of eating facilities or cultural activities and that's often the kind of emotive pull outside of a commercial pull to wanting to migrate to a big capital city like London. So no, it doesn't really tick those boxes even though we are aware that so much regeneration is going on and we can certainly say on a more positive note that it's much better than it was and we anticipate that it will only get better culturally here but it's not fulfilling, no.' (G4)

'I came to Wolverhampton and we've got two theatres with a fantastic art gallery and there was just stuff happening and instead of always having the same big chain shops - although we had big chain shops - there were interesting little shops as well and people doing things and the makers, the community of artists and the eagle works and all the stuff that was happening. Everyone here was thinking 'oh yeah it's not very good is it, why on earth did you come here from Solihull?', well it's because it's under your nose, you don't know what you've got, but it's wonderful, it's great and we should build it.' (G7)

The 'quality of life' aspects and an attractive working environment is an important aspect in terms of attracting experienced programmers up from London or the South East. Leamington Spa and the surrounding area is particularly attractive in this respect

'We have had the opportunity to set up in Coventry University's Serious Games Institute and there was various opportunities for free access to this that and the other but frankly the biggest impact on that is that we all walk to work, getting to Coventry city centre for one of the guys who lives in Warwick so the train doesn't go direct to there so it means he's stuck on a bus and ultimately we have a very nice set up here, you know it's something I personally value quite highly. Walking to work is very, very high on my agenda these days.' (G3)

Digital media

Again, 'quality of place' was not the main factor in interviewees setting up firms in the region. Most of the interviewees had arrived in the region either before or during the redevelopment of the city centre, and all mentioned the improvements to the city centre over the period they had lived and worked there and the sense that 'something was happening' in

the city, although they were not often completely sure what direction this was heading. The interesting developments, variety of amenities (restaurants, cafes, theatres) and the atmosphere of the ‘urban villages’ were particularly mentioned. The creative atmosphere of the city was also mentioned by several interviewees:

‘once you get to the city and you – I didn’t go in with preconceptions, I had no idea what it was like ... you discover there’s a wonderful kind of rich cultural seam and there’s so much creativity. I mean particularly in the jewellery quarter and the custard factory and there’s actually some good design going on. I mean Brindleyplace was being built when I first got there and seeing some really good architecture go up that was thoughtful and fitted well with the surroundings was great, you know, and love it or hate it, Selfridges is an iconic building. There is some really good design stuff going on there.’ (G10)

‘There’s enough amenities there’s enough development to keep an interest in Birmingham, there’s the obvious things like the development of the ICC and Brindleyplace and then the Jewellery Quarter in the city centre that makes it interesting, there’s enough venues, there’s enough restaurants, cafes, theatres, that sort of thing.’ (G11)

However, there was a feeling by some interviewees that Birmingham city centre was lagging behind other cities such as Leeds, Manchester or Bristol in terms of what it was aspiring to be (a ‘creative city’). The city centre, in particular, was criticised as lacking in character:

‘From a design and creative perspective you know, you see places like Bristol have got a very good design and creative sort of presence plus it’s a really cool and nice place... I think architecturally Bristol is very nice. There’s a nice kind of bar culture and you know, it’s not full of Starbucks...Birmingham is, I think, is nice in its little suburbs and there’s more interesting things, but I just think that the city centre is far too kind of commercially orientated.....there’s no individuality to the kind of retail options that are available in the city centre, no matter how nice the new Selfridges building is...’ (G8)

Interviewees felt that the ‘urban villages’ of Birmingham, particularly around the South East of the city centre, towards Moseley and Kings Norton added to the character and attractiveness of the city, and provided an alternative to going to the city centre for leisure and entertainment activities:

‘I’ve always lived in X, pretty much most of the time I’ve been in Birmingham, so I do particularly like that area. It’s got nice bars, nice restaurants, it’s a nice park, it’s slightly more cosmopolitan. I think it’s changed, I mean the house prices over the last few years, it’s gone from being a bit of a bohemian studenty sort of hippy kind of ghetto thing which was the old perception of it and it’s become quite moneyed and so I think the demographic has changed a lot there, but the fact remains that it’s got some nice streets, some nice leafy places.’ (G8)

‘You’ve also got the urban and the villages surrounding like Moseley. I live in X, so I’ve been able to go the quieter suburbs for a meal or night out and have that next to the city as well, it’s all very close, it’s a nice, it’s a nice balance of having a city life and almost not necessary village-life but you’ve got a different culture within three miles of the city centre as well, so you’ve got that option and I like that about Birmingham.’ (G11)

4.2.5 Sector at the location: image of the city

Is the city/region an important location for the sector in the national/ international context? /image of the city?

Games

The cluster of games firms around Leamington and the international importance of Codemasters and Blitz means that the sector is important in both a national and international context. However, the sector within the UK is still dominated by London and the South East. Despite the importance of the region for the leisure games industry in the UK, interviewees felt the industry image in the region was poor and unrecognised:

'Unknown. People are generally surprised that so many big name video games are made in the Midlands, so the industry image is pretty poor and unrecognised.' (G5)

The recent policy focus has been on Serious Games, with the RDA attempting to develop the region as the European centre for the serious games industry, however, the leisure games sector as very much been left to its own devices and there is little publicity of the sector within the region. Furthermore, unlike other regions in the UK, there is no Regional Games Development Agency, which could act as a voice for the sector.

Digital media

The sector is dominated by London and the South East where the majority of national and international clients are based. The sector in the region is quite a vibrant but there is not a great concentration of web design companies, mainly because of the lack of client base, so it is not important in a national or international context.

'I don't think there's the creative client base...you want kind of Nike headquarters to be in the West Midlands, or you'd like to see Diesel have a head office somewhere there, you know the kind of cool brands, the companies who seem to have strong associations with having very good creative advertising and promotion and stuff like that. Them being based in the West Midlands I think it's not there yet in terms of they just aren't here.' (G8)

The image of the sector in the city is growing and interviewees mentioned the renewed sense of design in the city, especially around the Jewellery Quarter. The sector is also much more varied *'it's more of a wider spectrum of a sector rather than a focused central web design.'* (G11).

4.2.6 Business models and markets

How many/what type of clients/customers? What do customers do? Where are clients located?

Games

Clients in the sector are national and international video games publishers. The majority of international publishers are in the USA (California) although there are some important publishers in Japan and Europe (France, Germany, Holland and now Czech, Russia, Croatia):

'We view our customers as the publishers, as they are the people who pay us - About 10 large publishers: Sony, Microsoft, Nintendo, EA, THQ, Konami, Namco. Although Apple, Google, Warner Bros., Fox, Universal and Paramount are just joining. Obviously, everyone can buy our games, pretty much anywhere in the world.' (G5)

The online games developer's clients were primarily flash game arcades who host online games. (Minichip, MTV's site Addicting games, Mousebreaker which base in Derby and is probably the second biggest in the UK), and advertising networks (Mochi Ads which is the biggest flash game advertising network), also indirect customers such as people who play the games.

The educational game developer worked for national and international mainly public sector clients, particularly for universities and the education sector

The games publisher interviewed had international and UK customers: American, Japanese and European publishers for the companies own products; 10-12 European affiliate publishers; and four main UK customers, Entertainment UK, Game/Gamestation (Basingstoke), Amazon (Slough), Play Over (Cambridge) which accounted for 90 per cent of UK sales.

Digital media

The client base crosses all sectors and basically includes any organisation who needs a website designed. The digital media firms interviewed had a primarily regional client-base, which tended to be more public sector and smaller scale projects for SMEs, or smaller commercial firms in the region although one of the more established firms was now partnering with large ad agencies to work on web sites and web campaigns for national level commercial clients.

One of the firms was rather unusual in that it had started out with a client base predominantly in London. However, this had gradually become more varied; 'it was a lot of London work but now we range from Durham and Sheffield, Nottingham, then Midlands down to London really'. Moving into the regional market posed potential difficulties in terms of competition from other leading firms in the city.

4.2.7 Recruitment/ labour force

What types of people with what skills/knowledge are employed?

Games

For smaller firms, well rounded, experienced, computer programmers were the main requirement. Other skills were often outsourced or freelancers with specific skills would be used for a particular project. For larger firms, programmers, 2D artists, 3D artists, animators, game designers, audio technicians, musicians, QA technicians, plus all the usual support staff – finance, PR, HR, admin.

Digital media

Again, top level, experienced, flexible programmers are the main requirement. University graduates needed mentoring to build practical skills and small firms did not have sufficient number of employees to be able to ‘carry’ someone during this training process;

How do firms recruit employees?

For firms in both sub-sectors, firms recruited employees using a combination of personal and industry contacts and referrals, word of mouth, and universities/placements, plus being contacted directly via website and ‘on spec’ applications or by people who work in London and want to relocate back in region. Firms generally avoid using recruitment agencies.

- **Universities in the region** were an important source of ‘raw recruits’. However, interviewees stated that experience was more important than qualifications and it was difficult to find sufficiently experienced individuals in the region. People with good 2.1 or first class degree qualifications in physics, maths and computer science were particularly sought after. Warwick and Coventry were both regarded as running a particularly good set of physics courses. People with art and animation courses degrees also important, so Wolverhampton and BCU.

Several of the firms mentioned **student exchanges/placements** as a good source of international/regional graduate recruits who were then mentored and kept on in the firm.

- **Word of mouth/personal and industry contacts:** Digital media firms first port of call was people they already knew who were working in the region and were available for work.
- **Contacted directly via website:** firm website used as a tool to attract potential employees from all over the world. Contacted daily so this is a good source. ‘Contacted two or three times a day almost so there’s plenty’.
- **Movement between developers:** The project oriented nature of the games industry means there is a high level of movement of staff between developers, which is a

source of skilled people. However, interviewees would not take a developer on part way through a project

Staff loyalty was an important issue for games firms. The issue around ‘poaching’ of employees from other firms was mentioned by interviewees, and this was generally frowned upon. The last six months of a game development project was when developers would start looking for other work, but this period was also critical in the game’s development (called the ‘crunch period’) and some interviewees stated they would not take someone on if they knew they were in this period of development. However, this was more an unofficial agreement and because most of the firm owners knew each other:

‘I would never ever take somebody on part way through a project. I wouldn’t want them to move without completing a project in the same way as I wouldn’t want them to leave us and people get a reputation and then you avoid them if you know somebody hasn’t completed a project they might do that to you as well and then just as you get this crunch period... you can’t afford to loose key people at that stage so, you know we will always - and most of the others tend to take the same policy as well - you won’t recruit somebody on a project until they’ve finished on a project and it’s done.’ (G2)

The presence of Codemasters and Blitz in the region is both an advantage and disadvantage in terms of recruitment of highly skilled people. Smaller firms are in direct competition with these large developers for best graduates from the region and they frequently lose out as they are unable to offer such high salary and benefits, or the kudos of working with such well-known, international firms. Codemasters and Blitz are also able to attract experienced and very highly skilled people to the region from London or further afield, whereas the smaller companies struggle to do this. However, both Codemasters and Blitz have exceptionally tough selection process and so other firms can benefit from the people they decide not to employ.

Geographical location of recruits (city, region, country, international)?

Games

Recruitment is region, national and international. The games firms had more of an international element to recruitment due to their reputation. Interestingly, Blitz only recruited from the UK until recently, but now have to recruit from the EU to get the quality of programmers they require

Digital media

Recruitment is more regionally based from universities and personal contact and also people who have worked in London and want to relocate back in region. Recruitment in this sector is often via ‘word of mouth’ and from personal contacts in the city-region.

What types of training do firms provide?

Games

The games sector is very fast moving in terms of technology, so constant up-skilling is required. However, form of training is very much dependant on company resources. Smaller firms rely mainly on 'on the job' training. Blitz, for example, provide extensive internal training and have a large proportion of their turnover dedicated to training and recently receive an EDGE Training Award:

'It's a very 'cutting edge' market, and we send people to conferences, get in consultants, and allow our staff time to excel in an area if they then spread the knowledge in our lecture theatre.' (G5).

Digital media

For the digital media sector, the smaller firm size meant they relied more on 'on the job' training and up-skilling from reading reference books or online subscriptions to training resources or even skills from other people they know in the sector. Attendance at conferences or training courses off-site was generally difficult in terms of balancing work schedules:

'It's mainly self teaching...I go on a few conferences.....but yeah, it's just constant reading, buying new books, finding out what other people are doing, what developers are doing, and reading blogs.' (G9)

'we've got subscriptions to on-line training, so they have things like that and a lot of skills, people we know around us have anyway, so if there is any training needed, there might be a possibility to go on a course or two in the summer, but we're generally pretty busy anyway so... generally they're quite happy with the reference books.' (G11)

4.2.8 Networks and forms of co-operation/Collaboration

Do firms collaborate with other companies (same sector other sector) in the city/region?

Games

No firms interviewed had any formal collaboration with other firms in the region. Part of the reason is because the games industry is now fiercely competitive due to its dependence on IP and the changing nature of the market, where millions of pounds are invested in a single product, so any technological advantage can make or break a business. Firms are becoming larger and adopting more professional business models and structuring, which has reduced the potential for informal sharing of information:

'We used to really collaborate, when it was smaller businesses, everyone was really sharing information around and sharing people and resources, that doesn't happen now, it has become much more professional but I suppose that's because you're investing millions of pounds in a single product, any technological edge you can get, you should really keep.' (G7)

However, the lack of collaboration was regarded as something of a ‘missed opportunity’. Some firms indicated they had talked about collaboration, and were open to the idea, but had yet to find the right opportunity.

‘we do sit on a lot of steering groups and sector specific groups where we’re always looking for a collaboration opportunity. It’s not yet collaboration with any other serious games company, for no other reason than we’re just waiting for the right thing to come along with the right collaboration.’ (G4)

Firms did, however, seem to avoid any direct/ aggressive competition, mainly because the sector in the region is small and everyone knew each other and they have all worked together in the past. Also, firms in the region tended to specialise in specific genres of games and so were not directly competing into the same market.

‘I actually go out of my way not to compete with anyone and certainly within the Leamington clique we’ve all worked together, we’re all ex-Codemasters people so these guys are all my friends.’ (G3)

Digital media

Although the sector is collaborative, and the firms interviewed were all involved in partnership working with other firms both within and outside the region, the lack of a strong client-base in the region meant that at the top end, the sector is also very competitive, as firms are all vying for the same small number of (quite often public sector) regional clients:

‘You’re all out for the same clients, you know...we get put up for proposals and you could almost list the other 4 companies, the other people who’d be invited to tender, you’d know who’d be on that list and you’d be up against the same companies, time and time again.’ (G8).

However, interviewees indicated that there is also a certain amount of collaboration on some of these projects, as firms tended to have complementary specialisms and skills.

The level of competition also depends on where client base is. For firms with London based clients, there is less competition:

‘With us at the moment working mostly outside of the region, it hasn’t been particularly competitive for us, but I can feel that becoming more so as we want to, as we push to pick up work in the region.’ (G11)

It may be that the sector in the region can only support a certain number of top-level firms due to the lack of a regional client base and the difficulty in breaking into the London market, so there is a certain ceiling on the development of the sector in the region. Successful firms are already coming up against this issue.

Professional networks in the region seem to be important in terms of collaborative opportunities, and also support, especially to younger firms who are attempting to develop business contacts and a client base:

'because of the links we've made through the Creative Republic with people, we seem to be getting more collaboration than competition, I would say.' (G11)

'I think you get a lot of support through each other. I used to think that you would be able to web design from anywhere, you know you could be out in the country, but it's great being able to network with people, learn from their experiences, share ideas and build up a community within the city.' (G9)

Do firms collaborate with other organisations in the region (universities/ research institutions, business organisations)?

Games

There was a degree of collaboration with other organisations, particularly the Regional Development Agency (AWM) but this was around serious games rather than leisure games. Current collaboration with universities was again around serious games, notably Wolverhampton University and Birmingham University. The interviewee who had collaborated with AWM stated that this had had a particular advantage in raising the company profile, and letting other people know about their work and reducing the need to always be constantly out and networking :

'A lot of what we're doing is quite viral and because we've been working on an AWM project which has involved collaboration, that's really raised our profile with regards people hearing about what we're doing and then actually coming to us just for a little bit more information and that's really helped us in terms of having to constantly push out and be on the road because we're actually doing something on a regional level.' (G4)

One of the firms interviewed had formed a variety of partnerships and were involved in research partnerships with educational institutions (Coventry University, Birmingham University) and government bodies (including AWM, West Midlands ICT cluster, Screen West Midlands, Skillset), and also regional and industry associations (TIGA, SALERO, Technology Strategy Board). However, there was no formal collaboration as yet with any of these companies or organisations:

'We have talked, and are open to the idea. But we have yet to find anything of significance...we are just looking into trying to work closer with Warwick University. We do however contribute guest lectures, professional briefs and so on to a wide range of universities nationally and are in favour of such collaboration.' (G5)

Digital media

For the digital media sector which is primarily service driven, there was no collaboration with any of the universities or regional organisations.

Do firms have formal co-operation agreements?

Games

The form of co-operation/collaboration took on different levels of formality, depending on who the collaboration was with. For example, collaboration with AWM and research institutions was formalised. However, work with other developers was generally very informal, especially in the network around Leamington, where developers would be called on to contribute to projects or would develop very ad-hoc arrangements with other firms, who were mainly friends and well known to each other.

'It's ad hoc, so in the last 5 years we've worked with X two times, Y are trying to get us to work with them at the moment, so it's just if in passing, like Y talking about doing XXXXX or whatever they're doing and they haven't got the capacity to do a particular format game then the first thing they do is ring around the people they know.' (G3)

Digital media

One of the firms interviewed had formed a partnership with another start-up company in a different but related sector (music and video). The partnership was still in its early stages of development but was likely to either be a new limited company or a partnership of the two companies. The interviewee considered that the diverse nature of the digital media sector in Birmingham facilitated this form of partnership working and was one of the advantages of working in the city:

'they were one of my clients, I did their rebrand when they first started out actually... they were looking to move into the city at the same time that we were they had interests from clients, their existing clients in moving their video onto the web and we had similar interests from people wanting to put video on their websites, so it made sense that we moved in and started talking to one another, so that's what we did, we moved in and then we spent last year developing a working relationship and now we're about ready to launch a collaborative project, called X, which is basically an on-line video event filming' (G11)

How important are informal links (in terms of competitiveness, innovation etc)?

Games

Informal networks were very important to some firms but less so to others. Some of the interviewees used their informal networks and contacts as source of employees and skills, some benefited from gaining extra work, while others used them to keep abreast of developments in sector.

As already discussed, the established firms in the games cluster around Leamington are all part of a very informal social network: they all know each other on a personal level and had worked with each other previously:

'I think they are extremely important. X have passed on work to me on numerous occasions. We've worked with Y again because we're mates...' (G3)

The usefulness of networking also depends on the firm's position in the value chain. For the games publisher interviewed, he mentioned the importance of networking for games developers but networking was not important to him as a publisher or a company owner:

'If you're running a business, no not in particular, I just need the best people we can afford and I'm not too worried about what else is going on. My job is to get a product in a box and to sell 2-3 million copies around the world and recoup the money we've invested. Their job is to create.' (G2)

There are very few formal networking opportunities specifically for the leisure games sector in the region, apart from networking through IGDA (Independent Game Developers Association) who organise quarterly meetings held in Leamington (hosted by Blitz). The IGDA meetings focus on presentations by hardware, software and service provision, and also provide a social network for individuals to come together.

However, interviewees took advantage of other formal network opportunities within the region: The Creative Networks event (hosted monthly at Birmingham City University's Technology Innovation Centre at Millennium Point in Birmingham) was an important source of contacts within the region.

The educational games firm interviewed also talked about the importance of national and international links and networks, including the annual serious games conference, and membership of national games trade associations:

'We will go to events both nationally and internationally to make sure that we're up to speed on developments and everything that's really going on in the serious games arena.'; *'We belong to a number of trade associations like TIGA etc we know a lot of the personnel there that said 'you need to talk to X person at Government level and then have a conversation with X person.'* (G4)

Digital media

Networks within the region are very important to the firms interviewed in the digital media sector. As already discussed, the networks in the city are one of the aspects considered particularly advantageous about locating in the Birmingham city-region. Networks were an important source of support and guidance and ideas and they also provided opportunities to meet up with potential partners and collaborations.

'I think you get a lot of support through each other. I used to think that you would be able to web design from anywhere, you know you could be out in the country, but it's great being able to network with people, learn from their experiences, share ideas and build up a community within the city.' (G9)

'I think – again, it's kind of the community nature of Birmingham. Because it's so inclusive I think more collaboration is possible and I think people are much more open to it than they are in other cities. I mean I'm sure it does go on elsewhere but I think it's a particular aspect of the creative scene in Birmingham.' (G10)

Informal networks were particularly important to entrepreneurs/freelancers starting out in business.

'I started accepting work and it was pretty much what a lot of freelancers do, they kind of start accepting work from friends and family and then word of mouth gets around and I was doing a few networking events in the city and meeting a few people.' (G10)

Firms that had started out in the Custard Factory seemed to particularly benefit from the networking opportunities and the contacts with other firms that they developed while working there:

'we still do a lot of work with X who were based in the Custard Factory but by and large that was cause I worked there, so I had first hand kind of contacts with key people at X. Y [business partner] had already done some work for X with his previous company so he had an existing relationship.' (G8)

One of the interviewees had been instrumental in setting up the Creative Republic, a region wide creative network, and other interviewees mentioned the Birmingham Bloggers as an important source of contacts.

Interviewees also mentioned the importance of developing links and contacts from outside the region, as these were particularly important in terms of referrals and new sources of work:

'we have a couple of people in London, another film agency that we did work for, a film director and a search engine company and then a couple of consultants who have worked with us, again in London, who refer us work from London and then there's just a few other more informal consultants, or partners or friends who work in different parts of the country, someone in Nottingham, and they will refer us work, for a commission as well, so it's just a spread of likeminded people, maybe, people who can benefit from the people they know, by bringing us work, so, a lot of our work, most of our work is brought through referrals in that way.' (G11)

4.2.9 Prospects and pressures at current location

What are the future prospects for firm at the current location (opportunities, constraints)?

Games

The leisure games industry in the West Midlands is facing a number of constraints and competitive pressures, partly because of globalisation and the costs associated with high labour and property costs in the UK. There is a national shortage of appropriately experienced people partly because universities are not providing the skills required and partly because many good programmers have moved abroad. In addition, the sector also has to compete with London and the South East and there is a difficulty in attracting and retaining a sufficient number of skilled programmers in the region. Large games developers in the region are now having to recruit internationally in an attempt to plug the skills gap and smaller firms are having to employ development teams based abroad. Within the region, there is intense competition between firms for available skilled workers. Smaller firms must also compete with the two very large games companies in the area (Codemasters and Blitz) who are

generally able to attract the most highly skilled employees. Furthermore, within the region there is a general problem with lack of high quality office space, which is an important element in retaining a workforce. Established firms who want to expand are unable to find suitable accommodation nearby.

Finally, interviewees felt there is also a lack of regional level support for the leisure games industry, and quite a lot of this was purely political because of the general public perception that 'all computer games were violent and bad' and there was an unwillingness for regional agencies to invest in the sector (this issue was brought to light again recently with the publication of the government commissioned Bryon Report into digital media and child safety); there is also no regional wide representative body and the regional agencies are more focused on developing the serious games side of the sector (both of these issues will be discussed more fully in the next section).

For the educational games developer interviewed, the setting up of the Serious Games Institute at Coventry University was considered a big opportunity for the region to spearhead the growth of the sector and to look after the region's needs and push the sector in a national and international arena. However, the lack of high speed broad throughout the region was a limiting factor for them in developing some of the prototypes they were developing and the more sophisticated solutions.

On a more positive note, one of the major opportunities for firms to the North of Birmingham, was the ongoing regeneration of the area, the development of a gigaport in Walsall and the proposed IT corridor between Wolverhampton and Telford which firms was a s a positive opportunity for bringing skills to the region:

'A lot of things are happening here locally... they're looking at having a big IT corridor, a lot of redevelopment is going on, they're going to have the kind of band width put in here which could open up a lot of opportunities for us. It's also potentially going to get a lot of inward investment because you might get big data houses setting up here, other kinds of IT establishments which of course will bring labour and if they're putting a lot of urban regeneration into Walsall, you know, it might offer the cultural activities etc. So there are opportunities on the horizon to staying here.' (G4)

Digital media

For the digital media firms interviewed, there appeared to be more constraints than opportunities to remaining in the Birmingham city-region. Again, the lack of experienced, high end flexibly programmers was expressed as a serious issue and firms had difficulty in being able to recruit very good people in region, although finding good local designers was considered less of a problem.

The Lack of national client base in the region and London-centric focus for the sector was a significant limiting factor to the sector in the region as firms had difficulty in growing above a certain level. One of the interviewees of a more established firm talked about the difficulties of expanding their business in Birmingham, and for this reason they would consider setting up a 'satellite office' in London to gain access to the London market. Interestingly, however, the interviewee did not have ambitions to move the entire business to London, mainly due to strong family ties to the region:

‘ there’s thoughts of opening a London office, so you’ve just, you know, even if it’s a person on the phone pretending to be you in London, just to give you access to that sort of market as well, but we wouldn’t think of really...personally I don’t think there’s an agenda to sort of franchise out all over the world or anything like that, it’s more we want to do as well as possible. But I am based in Birmingham, my partner is, co-director X, his family are all Birmingham based, he lives here as well.... I don’t think it’s like, we must stay in the Midlands because that’s the way the business will survive, it’s more like we’re based in the Midlands and that’s where the business is and I think it’s a good place to be’ (G8).

For firms who were located in the centre of Birmingham, lack of good quality, affordably business property was a significant constraint. This seems to be a particular problem at the moment in Digbeth, where parking and safety is also an issue, and has seen the growth of a cluster of digital media firms in the Jewellery Quarter, but even there, interviewees found it difficult to find appropriate rental property.

Nonetheless, interviewees mentioned a general trend of digital media firms moving from Digbeth to the Jewellery Quarter which was perceived as being more vibrant while Digbeth was perceived as being a bit ‘stale’. Locating in the cluster of digital media firms in the Jewellery Quarter also benefited firms from being closer to people they already worked and provided a far better opportunity of developing links with firms they hoped to work with in the near future.

4.2.10 Role of local government/ public support

How important is city/regional public support to firm/sector? What types of support has your firm/sector received?

Games

As already mentioned, interviewees felt there was a lack of regional level support for the leisure games industry and an emphasis on the Serious Games sector, most visible in the investment in the Serious Games Institute. Interviewees felt that despite their industry having multi- million pound turnovers, it was still perceived as too risky to invest public resources.

Some of the firms interviewed have not accessed public support and would not think of doing so, assuming it is too bureaucratic, and there was too much form filling and that it would detract from their ‘real work’; *‘I just don’t like a lot of the funded stuff. It’s a lot about ticking boxes.’* The public funding streams available were generally considered to be unreliable, firms who had focused on chasing European ERDF funding at the expense of clients found they were in trouble when the funding source was diverted elsewhere. Some had not been able to take up other forms available support due to time constraints of running their business; *‘I did enrol on something from the Creative Alliance, but I got too much work on and I couldn’t actually go.’*

Support received was not sector specific: the Advantage Creative Fund (funded and operated by AWM) and Passport to Export (Business Link and DTI), while one firm had received an EU technology grant, but generally firms had not received a great deal of public support.

The educational games developer had received support from AWM for Game Lab and AWM project funding stream called Interactive Digital Media (with BCU as the fund holder). *'Public funds are very important, especially for prototype development work'*. However, the interviewee noted a considerably limiting factor with this funding:

'With the AWM funding that we've received, what's really hard and difficult for a lot of these grant based schemes is that you have to expend the money before you can claim it back. So if you've won £100,000 worth of grant obviously there's a match funding issue that you've got to find but it's really the out and out cashflow. So we've all had to put in personal money ourselves just to cashflow the business although we're in the receipt of public funds. So I think the model of the funds distribution and the reclaiming of the funds really doesn't support a small business at all.' (G4)

Digital media

The Digital Media firms interviewed who had experience of applying for public sector support in the city- region were rather scathing. The support was there, but interviewees felt there was a lack of transparency of process, it was badly organised, very difficult for people to understand and find out about what help was available, and there was also a lack of information on the Birmingham City Council website:

'...there's so many funds and so many logos to stick on a thing about who's helped and assisted this that and the other but I don't think, I think they're great, but I don't think there's enough of that money going towards the end user as in the creative start up company' (G8)

'...a lot of young professionals particularly don't know that there's all this fantastic information and support and networking going on that they just don't necessarily know about.' (G10)

One firm had attempted to secure funding via the Creative Space initiative from the Birmingham Creative Partnership Board, and had found the process extremely complicated and frustrating.

Again, few of the firms had any public support. One of the interviewees had received advice and practical support on setting up in business from Creative Launchpad, run by Tribal Dundas at the Custard Factory (financed via LSC with ESF funding); another firm had attempted to secure funding via the Creative Space initiative from the Birmingham Creative Partnership Board and failed, although their partner organisation had just successfully applied for a Feasibility Grant. They also stated they would be applying for Channel 4 Four Innovation for the Public fund (4IP) funding (Birmingham is the new commissioning hub for the £10 million fund, which includes a £5 million investment from AWM matched with £5 million from Channel 4. The fund will be managed through Screen WM, with Channel 4 providing high-level support and establishing a commissioning executive team located at the Screen Agency's offices in central Birmingham.

What area(s) of public support (firm/sector) need(s) to improve

Games

The general feeling concerning public sector support for the games sector in the region is that it is not yet 'joined up'. In terms of policy, games development is grouped together with the other Screen Image and Sound (SIS) cluster sectors or else it is included as 'computer software' in the ICT cluster. It is quite apparent that the business models and value chains of computer games are quite different from these other sectors.

'It's quite hard when you've got a set of people that are looking after a whole sector. They've got numerous needs they've got to cater for and a lot of awareness raising and education to have to get out there and sometimes it may be easier for discrete companies to make those joins and those relationships and push forward an agenda more effectively.' (G4)

Interviewees also voiced the need for a regional games development agency like Game Republic which operates in Yorkshire, and acts as a voice for sector; offers opportunities for networking; part funding of demos to pitch to publishers; and provides bursaries to attend global events such as the games developers conference, and game connection:

'Game Republic which operates out of Leeds and it's partly to do with Yorkshire forward, they seem to have it absolutely spot on in terms of they have opportunities to soft loans and they have delegations from Japan come to see all the development companies and stuff. It seems to be a very slick operation. Also, if you're doing a demo as a pitch to a publisher then they'll part fund the development of that, so that would be pretty cool because as it happens I have to do those and I have to use my own money to do it at the moment.....West Midlands seems to be more focussed on serious games, which is something I've been involved in, but I think personally they've missed the boat.' (G3)

The need for assistance with R&D and Training in the sector was also mentioned as a priority for national as well as regional support:

'We do an awful lot in this area, and we talk and advise universities a lot, and we get nothing for it. We should at least get these expenses against our tax. But I believe the UK or even the Midlands need to encourage video game developers to stay, or the whole development will get moved abroad. I see a massive brain drain from the UK to video game developers abroad. Whenever I visit developers abroad, a good percentage (around 30 per cent) are ex-UK developers. They are all moving to US, Canada, Australia and New Zealand, and I cant blame them!' (G5).

Digital media

In the Media Sector, there was a general feeling that there was a lot of support already there, but that a far greater degree of co-ordination and organisation and publicity of what was available by the organisations involved was needed. Some interviewees felt that Birmingham needed to go much further in supporting start-up businesses in terms of providing much cheaper rents or rent free space:

'...there's all these grants and bursaries for getting subsidisation on your rent ... but I think it's a bit rich that.....you can buy somewhere for the same that you're paying rent. I think that makes it quite questionable and I wonder how that affects other people who are maybe, you know, maybe not turning over a great deal or just sort of at that stage to sort of not make that leap so.... that is a serious barrier, if it was a genuine sort of start up culture where you gave people free rent for 6 months or whatever, then they could sink or swim and that wouldn't be a massive pressure and it might be a big aid.' (G8).

Finally, one interviewee talked about the necessity of encouraging national companies to locate in the region and more inwards investment which was necessary for all creative industries in the city-region to grow and develop:

'....unless you were going to offer really competitive ways for encouraging companies and big companies to relocate to this region so you see like all these huge multinational companies have relocated to Southern Ireland because the tax incentives are so high....you see so many huge multi-nationals have relocated there because the tax breaks to do so, so I don't know how you would socially engineer on that level to make really big wealthy huge companies set up shop in and around Birmingham, but I think that's kind of key to having creative industries really, because we're just the sort of minnows that are going to be feeding off the money generated from much bigger - you know, we can help big businesses, creative industries could certainly be very key to helping large business succeed and profit and differentiate themselves from one type of baked bean to another.....but without them being there in the first place you can only serve the client base that is kind of available.....' (G8)

4.3 Business and management consultancy activities

4.3.1 Overview of firms interviewed

The firms interviewed for this sector spanned the range of small and medium sized enterprises in the marketing, public relations and associated communications activities, providing these services to a broad spectrum of companies in the private and public sectors. The vast majority had been set up within the past 15 years and in all cases the owners considered their companies to be beyond the start-up phase, even if they were still quite small in terms of turnover and staff numbers – Table 4.3.

All but two firms are located in or around Birmingham city centre. The remaining two firms are located in the suburbs (in Sutton Coldfield to the North of Birmingham and Hall Green, to the South East of the city centre) though the latter is planning a move to a converted building near Wythall, in the green belt just south of the conurbation. Of those located centrally, three were within the city core and expanded Central Business District (CBD) area. Four others were based in the Jewellery Quarter and Digbeth – two inner city quarters adjacent to the core, that are undergoing a transition from industrial to mixed use of creative and service sectors and residential development. The final firm is based in Edgbaston, an affluent, leafy inner suburb with a substantial business base – in many ways this is seen as an extension of the core CBD.

Table 4.3 - Business and management consultancy firms interviewed

Interview	Sector	Business Activity	Location	No employees
1	Business Consultancy	Public relations (PR), strategic communications	Birmingham/ City centre	6
2	Business Consultancy	Strategic communications	Birmingham/ City centre (virtual office)	1
3	Business Consultancy	Marketing and PR	Birmingham/ Suburb	30
4	Business Consultancy	PR	Birmingham/ Suburbs	30
5	Business Consultancy	Strategic PR	Birmingham/ Suburb	12
6	Business Consultancy	PR, Design, Events	Birmingham/ City centre	11
7	Business Consultancy	PR	Birmingham/ City centre	6
8	Business Consultancy	Marketing	Birmingham/ City centre	18
9	Business Consultancy	Marketing and PR, Events	Birmingham/ City centre	25
10	Business Consultancy	PR	Birmingham/ City centre	15

4.3.2 *Origins of the firm*

All of the firms were started locally by people who were living in Birmingham. Some had been born and raised in the city, others had come to the city to begin their careers with other companies or had come to Birmingham for university and stayed on after graduation. Whatever the route by which they came to the city, the common thread is that they were already based in Birmingham and had begun their professional careers there.

Most of these firms were set up as classic start-ups – a single person or two individuals starting up a new company from scratch. There were two main routes by which they came to this. First, some had already worked in established marketing or public relations companies in Birmingham where they gained experience of the sector and of how it operated in the city. Second, some entrepreneurs had previously worked in the marketing or communications side of firms in different sectors. One firm owner had previously managed the marketing for Birmingham's flagship regeneration project of the 1990s, Brindleyplace, and built upon that experience to launch her own firm specialising in the property, development and regeneration sectors. Another owner had many years experience of the insurance sector, and the marketing side of that business, before setting out on his own with a new firm specifically target the insurance sector and related dimensions of financial services. With both these routes, the marketing firm owners had gained some expertise in their field, and in most cases, an understanding of the marketplace in Birmingham and the West Midlands. The common thread through all of these cases was the desire on the owners' part to run their own company, and be

their own boss. Most set off on this route in their late 20s and 30s. One firm owner who had worked for years in other local firms explained:

'Why Birmingham and not London? I suppose from a really selfish point of view, for me, personally, I wanted to be a big fish in a little pond, rather than a little fish in a big pond in London, I'd really researched the PR market before I decided to set up this firm and I'd been working in Birmingham for 13 years, I knew every competitor and most of them had got me in for interviews over the years to set up or run them and I turned them all down because it thought what's the point of being Managing Director at [a major Birmingham firm], they're a secondary agency and they couldn't offer me anything else. It was opportunist thing for me and also my parents, family are here and I've always been a Brummie girl that hasn't left the region really. So it was personal things really.'
(C4)

4.3.3 Importance of location factors

Why was the company founded in the city/region? Advantages or disadvantages of the city

The firms were set up in Birmingham because of their owners' existing business and professional locations, as discussed above in 4.3.2. For them familiarity with the city, existing business networks and established contacts were very important and these are all clear advantages of setting up in Birmingham. In all cases there was little consideration given to setting up anywhere else. In terms of disadvantages, these related mainly to the limitations of the sector's scale and potential, discussed further below. Other disadvantages related to some aspects of the conditions for the marketing sector in Birmingham and some of the policy issues that are outlined later in this section.

Advantages of inner city vs fringe/suburbia; relative importance of hard vs soft factors

These two questions are discussed together as the relevant issues overlap significantly.

Most of the firms interviewed in this sector are in central locations, and this reflects the pattern of the sector in Birmingham more generally. Within the central area, firms are based in different districts with distinctive characteristics that reflect their business priorities and aspirations.

Across the firms we can detect three factors that shape the broad location decision within the city-region.

1. The decision about central or more peripheral locations are guided largely by the nature of the firms' business and the types of clients that they have: For some of the firms their market is largely city centre-based – those working for property-related or professional services clients, in the regeneration field, and for key public sector clients all cited this as a crucial factor in their decision-making. In this case, the firms felt it was essential to be based in the centre as well. Ease of access for meetings, networking opportunities, and business events all necessitate this proximity in their view as well as the prominent profile that comes with a central location. These sectors also involve much after-work socialising and business

contacts, which again puts a premium on being central. One firm owner based in the heart of the city commented:

'As in any of the consultancies you'll talk to, image is obviously important. If you can't get your own image right then you're very unlikely to be able get it right for your clients. Because of the nature of the people we're either talking to or the people that we represent - often in the public sector, often in the business community and often within professional or financial services - location and image of the location is important and so we have probably paid a premium for being here when we could have got away with a business park or carrying on at home or whatever else. But we've taken a decision that it was beneficial to have us here and also just the practicalities of lots of clients, lots of people we deal with, are literally in walking distance of where are offices are and so that cuts down on time and, to some degree, cost of getting to them.' (C1)

However, for the firms whose client base is more widely spread around the region or the country – particularly those in consumer brands – a central location was not as important and if anything would be an impediment to effective working. For them a suburban location with more ready access to the motorway network is more significant. Further, suburban offices generally offer better car parking provision, which is important for enabling clients to visit them. For both central and suburban firms, ease of access with regard to the client is the critical strand through this point.

2. Staff considerations were a second critical for location decisions. This is reflected in two respects. First, convenience of access for staff. To some extent this is set by the early pathway of the firm and its location with regard to its business mix and client base as discussed in the point above. For most firms interviewed this underpinned the attraction of a central location – particularly because of the strong public transport connections between the city centre and the wider city-region. None of the central firms cited parking issues as a problem for their firm, though the one company based in Edgbaston highlighted the better parking provision as an attraction over being based in the city core itself. The public transport connectivity was most important for those firms with a young workforce – which includes the majority of the interviewees here. One centrally based firm owner commented:

'When we moved here, we literally drew a map and put pins in where all our staff lived and a lot of the staff did live in central areas, or around central Birmingham. Some of the board of directors, when they get a bit older, start moving out to Sutton Coldfield, Solihull, etc. but younger people are often based around the city and so it was where could we move to keep everybody happy and the staff obviously are critical for us. We've just re-looked because we've come up to our five year break and things like the Fort (a suburban office development), because the image and the costs was something that we considered. But the staff actually didn't want to do that because of the car parking issues and just, there's a number of issues that we just didn't feel that would be right.' (C4)

The two suburban firms cited the importance of easier commuting by car for their workforce, avoiding city centre congestion, but they acknowledged that this commuting pattern has been set by the company's location to begin with rather than the other way around.

The second dimension of staff considerations concerns lifestyle and amenities: these factors were mentioned as important for many firms. The recent regeneration of Birmingham city centre and the expansion of leisure and retail facilities are seen to have improved the general appeal of working in and near the city centre. This is most important again for those firms with young workforces. For staff in their 20s and 30s issues of the 'buzz' and the social environment on the doorstep were important attractions. One interviewee conveyed the general sense that Birmingham's stock had risen considerably in this respect:

'It has improved. When I left college, which is a long, 28 years ago and I told my friends I was going to work in Birmingham they said 'nice job shame about the place' and honestly there was one pub that we used to go to, everybody used to go there and that was it; and one restaurant, the Galleria, and that was the lot. Social life to the young people is even more important than it was in my day, they're less motivated by money and much more interested in lifestyle and I think that it has improved dramatically in terms of the social scene in Birmingham.' (C4)

Interviewees highlighted the range of stimulating environments that Birmingham could now offer for such firms and their young workforces. The city core (including the BullRing retail centre), the Brindleyplace office district, and the more historic, character of the Jewellery Quarter were all seen by firms as providing the kind of environment that was attractive to young professionals in this field. This is particularly important in the marketing and public relations sectors, as they involve long, often irregular hours of work and social interaction is an important part of the business – being located within a stimulating night-time social environment is therefore seen as a high priority.

3. A final dimension of location decision-making is the importance of accessing networking opportunities. This links to the previous two factors. For those marketing firms working with the property, professional and public sector worlds, close proximity to the meeting places was seen as very important. The formal and informal exchange of information and the understanding of key development and business issues in the city is a vital part of effective working for these firms – so being able to access those opportunities easily is a high priority. In these cases, this means being centrally located. However for those marketing firms engaged in work with more widely dispersed national or regional clients, such immediate networking contacts are less important – however both of the suburban firms stressed that they were not so peripheral that it was difficult to get to important meetings or evening events in the city centre.

For the eight firms located in the central/inner city parts of Birmingham there were a series of more specific factors that shaped their particular location decisions.

1. Is it right for the business and how does it look to clients and outsiders? Most firms cited this perception issue as being important, though their particular take on this reflected the specific nature of their work. For one firm specialising in the property sector having a base in the city's flagship new business district (Brindleyplace) was seen to add credibility for some (particularly as the owner had been involved in the marketing of that regeneration district for many years). For one agency specialising in serving key public sector and business

organisations, having a prominent base in a high profile corner of the established commercial core (albeit in serviced offices) was seen to underpin the desired perception as a ‘suit and tie’ operation as opposed to a more edgy creative outfit. Its owner explained:

‘There’s a bit of me being committed to Birmingham as I am that says ‘okay we’ll go and move in and take some wonderful old industrial premises in Digbeth and convert them and wait for the city to reach us’ and maybe if I was an even better corporate citizen than I am then we might do that but, frankly, the world is a little bit away from Eastside happening, the world is a little bit away from the Jewellery Quarter really maximising its own potential...’;

‘I think for some of our potential clients, although not all, if they saw a Digbeth address or a Jewellery Quarter address, they wouldn’t quite take us seriously at the moment and they’d probably think we’re a bit grungey, whereas actually, we’re a quite a suit and tie type operation and people need to be convinced that we’ve got the contacts and the access to the corridors of power that we have. I don’t think, at the moment, you can quite do that from Digbeth, you can do it from Digbeth if you are very creative and you’re a very ‘jeans’ type of organisation if I can describe it that way. I don’t think you can in a pinstripe suit operation that we’re trying to be.’ (C1)

For other firms that serve a more creative client base and operate design and event management operations, the slightly more funky and distinctive environment conveyed by the Jewellery Quarter and Digbeth is preferable. However, several firms also stressed that they did not want to be based in a gritty or edgy setting. These are established businesses and want somewhere that says they are more than just fledgling start-up. Several cited the Custard Factory as a ‘start-up kind of place’ that was fine for sole traders starting up but not conducive to their business at their more advanced stages of development.

2. Safety and environment: This was cited by several firms, particularly those with large numbers of young, female staff – a common characteristic of companies in this sector. Those firms in the central districts cited this as an important consideration in deciding on which particular district to locate in. For the firm at Brindleyplace, the privately managed nature of the development gives a strong sense of security for its mainly female workforce. However those in the Jewellery Quarter and Digbeth raised concerns about the environment after dark, which is particularly important given the prominence of long hours and after-work events in the marketing field. Some interviewees cited a perception of Digbeth as being empty after dark, still very much an industrial area, and poorly lit, as an impediment to moving there. This concerned not only personal safety but security of the premises as well – one of the jewellery Quarter firms had suffered three break-ins shortly after moving to the district, though improved security measures for the area as a whole had improved matters more recently.

3. Property factors: affordability of space and value for money is a prominent concern amongst most firms. The expense of central locations (Digbeth excepted) caused some to consider moving further out from the city’s core area, but this was outweighed by the other factors already mentioned above. A desire to see a greater range of more affordable accommodation options for established but growing firms was a recurrent theme in the

interviews. Some owners also expressed interest in acquiring freehold properties, as a means of providing medium term stability for their business. However, again, the interviewees had difficulty in finding such opportunities – for one, this had led them to consider moving from the city core to the Jewellery Quarter (where freehold opportunities are more numerous). Nevertheless the lack of suitable options meant this firm stayed within the city core in expanded rental offices instead.

4.3.4 Sector at the location: Image of the city

Is the city/region an important location for the sector?

Firms interviewed for this project saw Birmingham as an important centre for marketing and public relations in a national context, but with little international significance. Most acknowledged that it had grown significantly in the past 15 years, but that this growth was closely tied to the revival of the economy overall and particularly the diversification into new sectors. Firms in this sector are highly dependent on growth and confidence in other parts of the local and regional economy. The sector has thus benefited from Birmingham's sustained regeneration and the growth of its professional services industries, the most important sources of new employment growth for the city as a whole since the early 1990s. Notwithstanding this, however, several interviewees recognised a significant lag behind Manchester, its nearest regional city counterpart, in terms of the scale and national profile of the marketing, public relations and communications consultancy fields. This was attributed to several factors discussed in the following section.

What advantages and disadvantages does the city/region offer for the sector in comparison to other cities/regions?

Birmingham is seen by interviewees as an easy place to start a business and a welcoming place in which to build up a new enterprise. Many said they found it easy to plug into business networks, to understand the city's business and professional communities and in the words of one respondent, 'how it ticks'. The city's central location in a national context was seen as advantageous in many respects. In particular its rail connections (for city centre firms) and its place at the heart of the motorway network (for suburban firms) were cited as significant benefits for the businesses.

But the firms also cited some serious limitations to Birmingham's appeal as a place to do business in this field and its role in the national context. Several interviewees noted that the sector is comprised mainly of small firms. There are several of up to 20-30 people but none on the scale of the agencies with 50, 60 or 70 people as exist in Manchester. It was noted there is a lack of nationally significant accounts, ie. in excess of £100,000, especially among the big consumer brands that drive much demand in this field. Interviewees cited three key problems that underpin this situation. These are crucial to understanding the wider circumstances and prospects of this sector in Birmingham:

1. Two structural issues that constrain the growth of the sector. The first is a small advertising sector for a city of Birmingham's size. Advertising was spoken of as being 'top of the food chain' in the marketing field as its dynamics drive client spending on marketing activities, public relations and other aspects of communications. The scale of this activity thus has a significant ripple effect for related sectors. It was noted that there are only three advertising companies of note in the wider city-region and none of those is located near Birmingham's centre (WAA in Sutton Coldfield, McCann Erikson in Henley in Arden, Cogent in Meriden).

A second problem for Birmingham is the shrinkage of the mainstream media sector in broadcast and print areas over the past 15 years. The decline of the regional ITV operations and the small size of the regional print media operations (the most important of which are owned and run by a London-based public limited company) is seen to have had a knock-on effect for other related service sectors, including through the contraction of regionally based advertising spend. In both respects Manchester is much better placed than Birmingham. It has a much more developed advertising sector with several firms ranked in the country's top 50. This was attributed by interviewees to geographical factors discussed below. And it has retained a much stronger mainstream media presence in the broadcast and print domains due in part to wider structural issues and government policies that have shaped the national media landscape since the 1990s. One firm owner, who formerly worked in broadcast media, summed it up well:

'Birmingham, frankly, is not too well serviced by PR companies, there isn't a very wide and deep PR community here, now that's to do with all manner of things... The lack of a advertising community and indeed a diminishing traditional media base, and I know only too well, have a critical impact on the trickle down potential of Birmingham and therefore because there isn't an advertising community and particularly because the advertising community that does exist in Birmingham is not actually in Birmingham, it's in Meridan, Solihull, Sutton Coldfield, it's in some other places, not even in the outer core but beyond the outer core.'

'You'll need a vibrant PR community if you've got a vibrant media community, and a vibrant advertising community, and frankly, we haven't got them in the same way that London and Manchester have got them and there isn't a concentration, there isn't a clustering, there isn't a critical mass. There's not one really serious advertising agency anywhere in the city centre, so all of those things have an impact.' (C1)

2. Birmingham's geographical setting and particularly its proximity to London compared to other major regional cities: While this proximity is an asset in some respects, it was also seen as problematic by several interviewees. The impact works in two ways. First, there exists a perception that Birmingham and the West Midlands more generally can be covered from London; this applies in the advertising/marketing/public relations fields, but also amongst potential clients in other sectors that may operate on a national scale. Birmingham's proximity and good rail links reduces the imperative to set up a branch operation in the Midlands or to source work from a Midlands-based agency.

On the flip side, the proximity to London is also seen to make it easy for Midlands companies to source advertising, marketing and related expertise from firms in the capital. This is often bound up with perceptions about the scope of expertise available in Birmingham, as one interviewee noted:

'One of the great impediments I think for us is that when our clients get particularly big or have particularly challenging things to do in front of them, they immediately think 'well I've got to go to London to get that done and I've got to go and get some great big operation that's got the most fancy boardroom in the world to be working on this rather than some guys I happen to know and I quite like who are round the corner but, you know, surely they're in Birmingham and they can't be good, I really need a serious London operator now that comes from Soho or the City or wherever. I think that is still a continuing impediment and I think therefore is something for the city authorities in its widest sense to ensure they support, protect, promote the kind of business and professional services type specialist that we've got in our companies.' (C1)

By contrast, Manchester and Leeds are seen to be more 'self-sufficient' in marketing terms, and this is attributed in good part to this geography issue. There is less scope for the kind of close, rapid connections that affect the Birmingham marketing sector. This has helped the other centres, particularly Manchester, to build up a greater critical mass and scale of indigenous growth in this sector.

What is the image of the city for this sector?

The issue of Birmingham's image in this sector relates to the geographical question discussed above. In the view of the case study firms is seen as a solid centre for marketing and communications consultancy but not as a dynamic hub – in the eyes of the sector itself and of wider business communities. One characterised this as 'dependable but lacking a creative edge'. Again Manchester and Leeds were seen to fare better in this respect, though the interviewees were sceptical as to whether their more advantageous image was justified. A couple of interviewees said they still encountered a view in the Midlands of the need to go to London for truly high quality and cutting edge services, though they recognised that this was not as prominent as in the past.

4.3.5 Business models and markets

How many/what type of clients/customers?

The number of clients varies across the firms but all have in excess of 10. The types of clients again varies widely according to the nature of the firm and its chosen specialisms within the marketing sector. These span national consumer brands, public sector organisations (with a national remit and more local ones), financial professional and insurance companies, property and residential developers.

Where are the clients/customers located?

Again this varies significantly across the interviewed firms. Many of the firms have customers whose activities are national in scope – but more often than not, the Birmingham marketing firms would work on the Midlands operations of those firms – for example major law firms or property developers that are active throughout the country or have bases in many regional centres. This geographic pattern varies by sector: work for consumer product clients is more likely to be national in scope. The one company with a specialism in the insurance and financial services sector draws mainly on clients based in other regions, including London, because it has developed national reputation in its niche, and these sectors are most heavily concentrated in southern and western regions, not the Midlands.

What do customer/clients do?

This was difficult for interviewees to clarify due the disparate nature of the client base. However a general observation is that most of their clients are what might be called the end deliverers of a product or service. Marketing and public relations activities are often brought in by clients towards the end of the value chain, but in some cases, notably those dealing with strategic communications advice, the agencies can be more integrated into the core business of the client. In this case the marketing company's work could be seen to permeate the client's activity at an earlier stage in the production cycle.

4.3.6 Recruitment/labour force***What types of people with what skills/knowledge are employed?***

The types of people being employed recruited are mainly account managers and executives (general public relations skills, inter-personal working). Other key types of employees are those skilled in graphic design, web design and maintenance, event management, copywriting and photography. Some firms aim to have these skills in-house among their full time staff, particular as their business grows and the volume of accounts justifies making dedicated appointments in these areas – particularly on the design, web and events sides. Often, however, these are bought in from small suppliers or freelancers. This is more common among younger companies where recruiting a core staff of account managers and executives is the immediate priority.

How do firms recruit employees?

Recruitment approaches obviously vary significantly across the case study firms but some common strands emerged across the interviews. A common approach is to recruit people from other local firms. This can include some previously working in-house at larger companies within a sector – for example, someone who formerly worked as a marketing/communications officer at a law firm. It can also include former media people looking to step out of that sector into the marketing/communications field, which is a traditional and still significant career path in this part of the economy. Much of this kind of recruitment comes through word of

mouth and networking relations within the region. Several firms claimed that there is little overt poaching of staff between firms in the city due to the close-knit nature of the sector as discussed elsewhere.

Some of the larger companies use specialist recruitment agencies – this is done grudgingly, due to the significant cost involved. They only entertain this route because of difficulties finding sufficiently good people through other means. A third route is to attract marketing professionals from outside the region. This mainly comprises people who have some kind of Birmingham-area connection already. Most often they want to move back to the area because of friend/partner/family reasons, and so are actively looking to continue and develop their career in the city-region.

Geographical location of recruits

Overall the majority of recent recruits to the case study firms have already been in the West Midlands region. The notable exceptions are those individuals who wanted to move to the Birmingham area for personal as much as professional reasons. Career-related re-locations from London and the South-east are relatively rare but there were a couple of examples cited.

The firms do not see Birmingham's image as an impediment to attracting people. In fact for the city centre firms, the regeneration effects since the 1990s have helped to improve the city's profile, especially among young people for whom the quality of the working and socialising environment is important. In addition, as many recruits are from the wider region, Birmingham can represent an attractive 'step up' to the big city, and there is greater familiarity with the city's reality than there is among people from outside the region.

What types of training do firms provide? Types of technology use?

Few firms report doing direct graduate recruitment and training. Some said they had had a difficult experience of this and were concerned about the quality of new graduates. Some do take on work placement postings but many were of the view that they preferred to take on people who had already developed some experience and their skills base.

4.3.7 *Networks and forms of Co-operation/Collaboration*

Do firms collaborate with other companies in the city/region?

There is a limited amount of collaboration between firms but this depends on the type of business/activity involved. Co-operation is more common amongst the smaller firms, those based in the city centre, and those working mainly for local professional services and property development clients. Very little of this is formalised in official relationships. Much of this takes the form of using specialised services and freelancers as discussed above in the recruitment section. Occasionally a marketing company might work with another that has event management expertise when it looks to put together a launch event for a new property development.

Do firms collaborate with other organisations in the region?

Several interviewees cited Birmingham Forward and Future as important organisations that they actively support. (These are the main representative and lobbying groups for the city's professional services sector and for the younger workforce within them respectively). They are seen to be important to influencing the conditions for the marketing and public relations sector, as well as influencing conditions for the growth of related sectors that are an important client base for the case study firms. Finally, these organisations are heavily involved in shaping the development and regeneration agenda in Birmingham which is directly and indirectly important to the marketing and public relations sectors. All of those interviewees mentioning these organisations also highlighted that they were very useful for networking. Four of the interviewees had held committee positions with Birmingham Forward and Future in recent years, and two have contributed directly to the latter's Young Professional of the Year awards. At the same time, two of the firms are involved with Birmingham creative industry organisations, most notably the Creative Republic representative body, but the overall engagement is much more modest than in the professional services sector.

Alongside this Birmingham-focused involvement, many of the firms are members of national marketing sector organisations and a couple of firms are involved with local universities where they contribute some lecturing and course support.

Do firms have formal co-operation agreements? How important are informal links?

Formal co-operation links are extremely rare. None were mentioned directly by the case study firms. As noted above informal links are important for some firms, especially those based in the city centre. This is mainly for the exchange of information; what's happening in key sectors and city development issues generally.

4.3.8 *Prospect and pressures at current location*

What are the future prospects for firms at the current location?

The case study firm cited some significant *opportunities* associated with growing their business in Birmingham in the years ahead:

- the most important of these was a quiet confidence in Birmingham's general economic restructuring and its ongoing regeneration; these are very important to generating wider demand for the marketing and public relations services these firms provide
- some interviewees did highlight Birmingham's improving reputation for expertise in this field; some cited an evolving critical mass of skills and services and some improvement in external perceptions of this beyond the city/region

However these were more than balanced by several *constraints* on future growth in Birmingham:

- The structural problems highlighted in 4.3.4; weak advertising and mainstream media sectors for a city of Birmingham's size, partially underpinned by the double edged sword of proximity to London
- Birmingham's unexciting image as a marketing and public relations centre & perceived lack of a 'creative edge'
- Problems with the city's physical fabric and environment, which inhibit wider economic growth and development that feeds much demand in this sector
- Limited accommodation options of the right sort in the right places within the city, particularly in the central districts
- Some skills deficits and the difficulties of finding good young people

The first four of these constraints are quite specific to Birmingham and its intrinsic qualities. The final issue concerning skills and talented people is said to be a more generic industry problem that is not particularly worse in Birmingham than other regional cities. Finally, several interviewees pointed out that this sector is still quite vulnerable to general economic cycles and especially how these affect client spend on marketing and public relations activities – these are still highly vulnerable to cutbacks when time are difficult.

4.3.9 *Role of local government/public support*

How important is city/regional public support to the firm/sector? What types of support has your firm/sector received?

The experience of the case study firms with regard to public support can be divided into direct and indirect forms of assistance. *Direct forms* of public support such as business assistance or financial backing are not seen as particularly important for this sector and are very limited for these marketing and public relations companies. There were few mentions of this at all and none had made substantial use of such support in setting up and growing their firms. However *indirect support* is seen to be very important: There are three main areas of relevance to city policy makers and planners that stand out from the interviews:

- The creation of a conducive physical environment for the growth of the sector, especially in central and inner city districts; this involves the development and regeneration of areas with a distinctive sense of place and the conditions for concentrations of firms and activities in marketing and related sectors; it also includes, more specifically, provision of suitable accommodation for small and more mature businesses
- Policies to improve Birmingham's image: in particular the external perception of the city's marketing/public relations sectors, perceptions of Birmingham as a centre for professional services and media activity more generally; also important in this regard is the holding of events and activities that generate a 'buzz' in the city
- Improving the city's transport system: especially public transport and internal connectivity within the city, particularly between different parts of the expanding central districts that house the majority of new and growing firms in this sector; this is seen as essential to facilitating easy access for business meetings and for employees in this sector

What are of public support need to improve?

The main priorities for action cited by interviewees can be summarised as follows:

1. Accommodation: there is great demand for workspace that is affordable, modern, interesting; especially for firms beyond the start-up phase of their trajectory; it is also important that this be located in a safe environment. This provision of premises relates to the next point.....

2. City environment and distinctive urban districts/quarters: there was plenty of support for the facilitation of districts that are lively and conducive to the growth of the sector, both as a stimulating place for their own businesses to be and for mutual benefits that can accrue to the sector as a whole. The idea of encouraging suitable spatial clusters of marketing and related businesses (combined with places of social and business interaction) was also seen as important for external perceptions of this sector in Birmingham. Eastside/Digbeth is seen to have potential to emerge as such as district but interviewees felt there was much work needed to improve the environment, create a sense of place, and raise perceptions of security; some cited the possible need for a suitable anchor tenant or activity to set the tone for the district and create confidence within the sector. There were some views that the city should work more proactively with the sector on this, including more established firms that could be enticed to move and help establish this critical mass. One such firm owner commented:

'There ought to be an initiative to bring things like the digital, the designers, the PRs all together so they feed off each other and that's location wise really... It shouldn't just be about supporting the one man bands and start-ups. It should be about picking out some big companies and, like ours too probably, and saying 'right, we are planning this sector, this quarter in Eastside or whatever, we feel the mix should be this because it'll feed off each other, we've got the university there and it would be great to attract your recruits and keep them there and everything and have the vibrancy of putting an ad agency there, putting PR consultancy there and giving the smaller companies room to go on the back of them and get it really feeling great.' (C4)

The importance of using high profile firms to drive such spatial concentration was echoed by another business owner:

'To use the analogy of retail, I think in the creative sector for example and, indeed, in professional services, you need anchors. You need anchor tenants and what we've got to do I think is to work like mad to get some really interesting, unique, big, important anchor tenants into different parts of the city. If you had a massive Microsoft research centre or an Apple research centre or whatever sitting in the midst of Eastside, I mean, boy you'd get other people clustering around it. So we almost need to put undue emphasis and investment in getting anchors and not just great, big shiny offices but, you know, interesting organisations which are going to act as a magnet impact on bringing the rest of that sector and the supply chain with them and so we need some serious target.' (C1)

Connectivity between different areas of growing business activity, such as the Jewellery Quarter and Digbeth, was also seen as important and in need of improvement.

3. City Marketing: several interviewees stressed the need for an approach that is much more co-ordinated, more vigorous and true to Birmingham's qualities and values; this was commonly mentioned due to the issues raised elsewhere in this section.. One interviewee echoed the sentiments of many in suggesting that Birmingham lagged its counterparts in this respect:

'Some of the cities seem to have a stronger single voice and a greater consistency of message from the people who are in senior places in other cities. Without getting into debates about mayors, and all manner of other things, I think there is a sense that we need a greater sense of unity and purpose in Birmingham, in order to keep up with the challenges.' (C1)

4. Opportunities for Networking: there was some support for provision of greater opportunities for creatives (including the more professional services end of this such as marketing and public relations) to network and interact

5. Mentoring: the one aspect of direct support that was mentioned was the value of mentoring-type support for start-ups and very small firms; this was seen as more useful than finance or more bureaucratic types of programme.

4.4 Observations from policy makers/key stakeholders in Birmingham

In this section, findings from a series of interviews with policy makers/policy influencers working across the creative sector in Birmingham are summarised. Five semi-structured interviews were conducted with senior executives working directly on the Birmingham creative city prospectus. The organisations that agreed to contribute were:

- Birmingham City Council
- Birmingham and Solihull Business Link
- Digital Central
- Film Birmingham
- Birmingham Forward

4.4.1 The creative knowledge sector and Birmingham

The general view of interviewees is that Birmingham has a relatively vibrant creative sector albeit that it is very fragmented and lacks critical mass. There appears to be a mosaic of creative activity ongoing across music, the visual arts, design, and new media with some firms having developed a degree of international profile and presence in their respective fields. The sector is defined by small firms employing less than 30 people and relative to competitor cities it has a weak advertising sector and lacks any significant presence of FTSE 100 companies.

The view is that Birmingham is slowly but surely overcoming its image as the heartland of 'traditional industries' such as manufacturing and is beginning to be seen to have something to offer across the creative sector. However, it was reported that some in the creative sector are not keen on the notion that Birmingham is now becoming known in some quarters as the 'shopping capital' of England. It was felt that both the policy community and firms in Birmingham needed to develop more confidence in terms of the way they think about the capabilities/potential of the creative sector and how these emerging capabilities could be more widely promoted at national and international level. The creative sector 'label' in Birmingham may not yet have the same cachet of the Glasgow or London 'label'. It was suggested that the image of the city at home and abroad is key to the further development of the creative sector, but that it will take time to bring about this kind of 'reputational change'. It is felt that greater ambition, stronger leadership, increased resources and policy emphasis are required in order for the city to compete with the likes of Manchester who appear to have developed a more coordinated and effective approach than Birmingham to the promotion of the sector in recent years. However, it is also recognised that Birmingham's creative sector is always going to experience the 'pull' of London in terms of the scale/potential of the capital city's business opportunities for local firms. Anchoring firms and investment locally appears to be a key challenge for policy makers.

4.4.2 The comparative influence of 'hard' versus 'soft' location factors

Affordable, good quality premises are seen as essential to the development of the sector - as is an appropriate neighbourhood offer (a generally supportive ambience, security and accessibility were mentioned as key factors). Crime/fear of crime in some neighbourhoods was mentioned as a potential drag on the development of the sector in certain parts of the city. But on the whole it was difficult for interviewees to disentangle the comparative influence of 'hard' versus 'soft' location factors. It was felt that 'hard' factors - the quality of the city's infrastructure - remained an important explanation for the location of creative firms in Birmingham. For some firms, the relative cost advantages (inexpensive office accommodation) of Birmingham over (say) London were a decisive factor. It was felt that 'hard' factors might be more important in the investment decisions taken by larger firms. But 'soft' factors of tolerance, cultural diversity, population mix and the related 'buzz' and so on were also considered important in explaining the development and growth of firms. These 'soft' factors may be more important in explaining small-scale local start-ups. Many local firms appear to have been started by former students of the local Universities or Colleges who

decided to stay in the area quite simply because of their familiarity/personal affinity with Birmingham. On balance, 'soft' factors appear to be more important than for other sectors in explaining location decisions.

4.4.3 Location patterns of the creative sector in Birmingham

Interviewees felt that there is evidence of the clustering of creative firms in some neighbourhoods in Birmingham, for example around the Jewellery Quarter, the Custard Factory in Digbeth and in the Moseley area of the city. Generally, firms are thought to be largely located in and around the city centre. Although there was some sense given of an as yet unquantified spread of firms outwards from the immediate city centre due to rising property prices. Explaining the attraction of particular neighbourhoods for certain types of creative firm is complex - but is in part due to the availability of relatively inexpensive and flexible workshop and studio space. In terms of identifying a clustering dynamic, it was felt that Birmingham was now attracting certain firms involved in games and media production for example, because similar firms were already located in the city.

4.4.4 The labour market

The labour market in the creative sectors is different from that of traditional manufacturing. Creativity is the key to firm growth but there is considerable uncertainty (with career development, business stability and so on) associated with this sector. Furthermore, many of the firms are young and only now at the point of expanding - employment skills, training, and labour market issues are only now becoming important to them, so often there is a degree of firms not knowing what skills the individuals they employ need to have. There is a need to address business management and development skills amongst growing creative companies.

There appear to be some difficulties for firms in finding the 'right' creative talent - but media graduates from local universities do appear to be entering the sector. Design firms tend to recruit locally - but games firms also recruit from universities outside the immediate region and business development skills/management skills appear also to be recruited from outside the region. However, there is a lack of research on labour mobility in the sector locally and so it is difficult to evidence precise labour market dynamics - and again this is made difficult because of the fragmentation of the sector in the city.

There is a perceived lack of job readiness and knowledge about work in the industry. Many entrants into the industry have little idea of the make-up of the industry, especially the need to have freelancer skills and readiness to be employed on short term contracts.

Much of the labour market insights appear to be derived from anecdotal sources. The industry has tended to be slow to upgrade the skills base - although many people employed in the sector would appear to be over-qualified (some 60 per cent of employees in the audio-visual sector have degrees), skills and experience are thought to be the main problems faced in recruiting rather than qualifications.

Sector experts questioned for the recent sector skills report in the region (LSC, 2008) felt that work based learning would provide a useful route for those wishing to enter the sector, but there are a number of barriers to this form of ‘up-skilling’ including:

- The sector is largely made up of small businesses for whom taking on an apprentice is to great a commitment
- The sector includes a large number of freelancers who will not remain with a single employer for the length of time to complete an apprenticeship
- The sector also makes use of short term project based contracts which again means employees will not remain with a single employer for the length of time to complete an apprenticeship
- Many young people will offer to volunteer with a company in order to gain experience in order to enter the sector. This ready availability of volunteer workers does not encourage the sector to formally take on young people through the offer of work based learning opportunities

Business change in the sector is also occurring so quickly that firms (and sector skills providers) are finding it difficult to keep pace with new and emerging skills requirements. Rapid change in the operating environment for firms implies that a greater effort may need to be made to ensure workforce skills remain relevant albeit that it may be difficult to predict these needs going forward.

4.4.5 The nature and quality of local networking

Many of the people involved in the creative sector in Birmingham know one another. The city is large enough to sustain a local market for elements of the industry - and is also small enough to allow ready contact between firms. The extent of the success of public sector sponsored collaborative practice, however, has been very patchy and differs from sector to sector. Firms in the design and digital field appear to be more willing to work together/share knowledge and expertise on commercial projects. This is less true in the visual arts sector. Generally speaking, although public bodies have sought to promote collaborative working/networking across the industry (for market development purpose, for example) this has not been hugely successful. It has been difficult to engage local firms in this work. There was a feeling that a more imaginative approach needed to be adopted locally to stimulate cross-fertilisation between the various creative sectors and other sectors (visual art meets medical technology, for example). New initiatives, including the establishment of a producer’s forum in the film industry, are aimed at bringing interested parties together from within and beyond the region. Organisations like Screen West Midlands and Birmingham City University have played active roles in promoting industry networking locally. The fact that two second tier suppliers to the Screen/TV industry are located in Birmingham has helped policy makers press the case for developing the industry with local political/policy leaders.

4.4.6 *Business prospects for the sector in Birmingham*

The general feeling across the interviews was that business prospects were relatively promising for the sector going forward, but for the sector to move to the next stage in Birmingham may require the attraction of some larger firms that could add to the overall critical mass of the industry in the city. The city's new master plan - as well as the ongoing development of creative quarters in the Digbeth and Eastside areas of the city - were considered as very necessary in providing the essential environment and infrastructure for the future successful development of the sector. What was also considered essential was the quality of the urban environment and the physical space to attract these larger established companies as well as wider issues such as transport links from Eastside to the main train stations in Birmingham and the international airport.

4.5 Main locational drivers for creative knowledge firms

This section draws out some of the key cross-sector themes emerging from the three sub-sectors of the creative and knowledge based economy already analysed. These three sectors are at different points in their development in Birmingham and the West Midlands region and are influenced by different locational drivers. Key characteristics of each sub-sector are summarised in Table A1 (Appendix 3).

The TV, Film and Screen sector has had a long history in the city which was one of the important hubs of TV production in the 1980s. The sector is strongly influenced by national public policies around the locations of the British Broadcasting Corporation (BBC) and its regional activities as well as the injection of funding in the Film industry and more recently in the New Media sector. The Games sector also has a long and significant history in the region. Some of the people working in the region were involved in developing the very first computer games for the European market 25 years ago, and have been very influential in developing the sector in the UK, although London is now the main UK hub. The sector has matured from a 'bedroom business' to firms with multi-million pound turnovers, and extremely high GVA. However, the games industry is largely IP driven (technology, content, and process) with large companies delivering products globally via publishers who then distribute direct to consumers, this value chain means that location is much more 'footloose' and is not dependant on proximity to a large client or customer base.

In contrast, both the Digital media/web-design and Business Consultancy sectors have a much shorter history in the city-region, and are potentially more fragile. Because internet and website technology have only really developed sufficiently in the last 5-6 years to allow for widespread growth of interactive web design, the sector is still 'fledgling' in the city region, and still very much at a formation stage. Business Consultancy has only expanded in Birmingham within the last decade as the city has shifted from manufacturing towards a more service oriented base, and this has only recently provided the client base for the sector. However, both sectors are limited in their growth by the lack of a national or international client base in the city-region. The B2B and client-interfacing business model for the digital media/web designs and Business Consultancy sectors, means that location is extremely important consideration.

Our findings show that these drivers and processes impact on the location and creation of firms in the city- region. However, personal as well as professional reasons also strongly influence the development of firms in these sectors in the city-region. At a personal level, the size of the city intrinsically ensures the presence of a certain number of creative individuals and activities as well as amenities. At a professional level, Birmingham and the West Midlands offer a sufficient local and regional market for start-up companies. Ultimately, the interview material suggests that there are important differences between the reasons for the initial location of the firm in the Birmingham city region and decisions to stay ('attraction' and 'retention'). These two elements are treated in turn below.

4.5.1 Origins of firms and locational choices

The firms and public support organisations interviewed have been drawn from the wider city-region and while most of them are firms located in or near the centre of Birmingham, they include some computer games firms located around Leamington some 20 miles from the city, and others on the edge of the city.

The majority of the firms interviewed had located in the city as new start-up businesses and their founders chose to establish themselves in or near Birmingham because of existing links - because it was the area where they and their family lived or they had been born there; they had studied at university in the city or region; or they had initially moved to the area for work. Many interviewees also found it easier to settle down and buy a house in Birmingham or the region due to the lower prices in the local and regional housing market. Firms therefore had strong reasons to locate in the region that were associated with a personal connection and certain economic advantages with the location.

The presence of key, established players in some sectors, especially in TV & Radio and Games as well as the public sector programmes available in the city-region, constituted important attraction factors for some firms. Individual examples of this pattern exist: a firm relocating from outside the city-region to be near another key firm in the same sector; a decision made to locate in the city-region by a national organisation that a firm was part of; a decision to locate affected by access to funding from regional agencies. However, the overall implication of this pattern is that there were not overwhelming business imperatives for most of these firms to locate in the city-region.

It is important also to recognise the importance of 'hard' factors in these location decisions. It is evident from responses during interviews that the location chosen also satisfied requirements in terms of market-driven considerations: the central location within the country; good transport and communication links (road, rail, airport); lower commercial property prices and rents (than London); and proximity to universities and a potential graduate workforce, were all important advantages for firms setting up in the city-region. Therefore, the Birmingham city-region satisfies crucial 'hard' business oriented location requirements.

Firms in different sectors had different locational requirements within the city-region. For some sectors which were not client-facing, such as Games, firms could choose to be located

in the wider region and there was no necessity to be based in the city. Founders chose locations where they wanted to live and then based their businesses around these locations. This was also the case of some freelancers in the TV, Film and Screen sector who could work from home and chose not to live in the city.

However there were other sectors where location was influenced more by the needs of the firm and the client-facing nature of the business, which necessitated being centrally located within the city of Birmingham. In the Digital media and Film, TV and Screen sectors, high quality office space in a prestigious, city centre development was essential in order to attract a good client-base. Locating close to other firms in the same sector also increased the collective presence of these firms as well as the potential for collaborative activity, and a cluster of new media firms has developed in the Jewellery Quarter and the Custard Factory in Digbeth. The proximity to clients was also very important for firms in the Business Consultancy sector and location was guided largely by the types of clients firms had. For example, property development, regeneration, public sector, professional services clients were all based in the city centre, whereas major consumer brands were more peripheral, therefore Business Consultancy firms would be centrally or otherwise located depending on the location of their clients. In many of these circumstances, the location of the business was very different from where employees and founders lived.

4.5.2 *Why firms stay*

Once firms became established in the region, the professional and personal costs associated with relocation become a strong influence on why they remain. However there are also more positive retention factors. 'Soft' quality of life factors, which were not an overriding consideration in the initial decisions of founders moving to or being founded in the city-region, came more into play in decisions to remain in the region. The majority of interviewees had seen the transformation of Birmingham during the period they had lived and worked in the city, and the interesting developments, for example, around the Custard Factory and the Jewellery Quarter, the variety of amenities had improved (restaurants, cafes, theatres) and the atmosphere of the 'urban villages' around Moseley and Kings Norton were particularly mentioned, as was the 'creative atmosphere' and the new found sense of design in the city. Firms located in the wider region mentioned the proximity to the countryside for sports and leisure activities (golf, cycling); variety of independent shops and lack of chain stores, country pubs; good quality schools; and the 'county town' atmosphere.

Interviewees often referred to the advantages of the Birmingham city-region location compared with London and this represents the key comparative benchmark. Although Birmingham is the UK's second city in terms of population, the city is far smaller than London and on a more 'personal scale', which was important in terms of interviewees' perceptions of the overall friendliness of the city. The smaller size and less concentrated and more varied nature of the creative sector in the city made Birmingham a more favourable place to set-up a business and get a foothold in the market than London. For example, it was easier to identify market gap and create creative niches. The creative community and networks in the city were regarded as far more welcoming and inclusive and a source of support and collaboration rather than outright competition.

In other respects, Birmingham is seen to be at a disadvantage compared to London, primarily because of the dominance of the capital and the South East region in all creative sectors. The ‘brain drain’ of graduates and talented workers from the region to London was seen as one of the major problems facing all creative sectors in the Birmingham city-region. The concentration of national and international customers in the capital was also a seriously limiting factor for firms in the TV, Screen and Film, Digital media/web design and Business Consultancy sectors. Despite the geographical proximity to London, attracting national clients up to the region to conduct business was a problem and the lack of a ‘London office’ for some new media firms was becoming a seriously limiting factor to firm growth. A related issue was a perceived negative image about the quality of the work that organisations located in Birmingham could deliver compared to those based in London. As a result, there was some indication that firms in the region who were dependent on business to business and client serving business models could only grow so far within the region. The relative proximity of Birmingham to London therefore appears variously as both an advantage and a disadvantage.

4.5.3 *Taking stock*

In understanding both the initial decisions to locate and the explanations for remaining in the city region, it is important to distinguish between attraction and retention factors. Attraction was mainly related to family and personal connections and familiarity with the city-region. Retention, although partly due to resistance to leave because of these same personal circumstances, was also influenced by the range of regional ‘hard’ and ‘soft’ factors which interviewees regarded as advantages to remaining in the city-region. These advantages included the presence of strong creative networking and business communities in the region.

It is also important to emphasise the differences between the sectors included in the study – difference that relate to their position in the value chain and to their business models. Games firms are perhaps unique among the sectors studied, in that they show a very clear example of location factors associated with key individuals’ attachment to place. In contrast, the location of Digital media/web design and Business Consultancy sectors are most affected by ‘hard’ factors associated with the need to be close to their client base. For TV, Film and Screen firms, the quasi-public nature of some firms meant they had an obligation to be based in the city-region. All three of these sectors (Digital Media/web design, Business Consultancy and TV, Film and Screen)

For reasons related to a combination of factors, including a lack of talent and experienced, skilled employees; limits imposed on firm growth due to a lack of national and international client-base; globalisation of markets; and the overwhelming dominance of London in all creative knowledge sectors, all of the sectors studied can all be presented as fragile. While they may not be experiencing immediate difficulties, the reasons for their location in the Birmingham city-region are not so deep seated as to prevent them being attracted to relocate elsewhere, either within the UK or abroad. Indeed, in order for some firms to expand, they are already contemplating opening ‘satellite’ offices in London to give their business access to the markets, skills and opportunities which can only be gained by having an office in the capital. Alternatively, some of the larger Games development firms, which are extremely foot-loose, feel that there are very few advantages for them to be located in the UK, let alone

the region, as the leisure games sector does not receive any public sector-level support. In some cases there is an active consideration of relocation and in others the possibility is not ruled out.

4.5.4 Limits to growth

A number of factors come together to suggest that, while there are a number of advantages for firms to establish themselves and to remain in the Birmingham city-region, their growth here is not assured. The fragility associated with location away from London remains a significant threat. Even where firms have developed a strong position (as in the Games sector) they are still faced with regional skill shortages and a 'brain drain' down to London. Firms in the Digital media/web design and Business Consultancy sectors are limited by the lack of national and international client-base in the region and from the competition associated with the proximity of a globally dominating capital city, while the TV, Film and Screen sector faces a similar difficulty in attracting talented producers, script writer and established sector professionals up from London.

The region's industrial and manufacturing past also plays into its present and future. This can be both an advantage and disadvantage, depending on the sector. For example, the many niche manufacturing businesses who are established in the production chain and whose sales are not influenced excessively by marketing and promotion or the need for highly creative web-sites, have little need for creative web-design or business consultancy services. For both web-design and business consultancy, access to the London market is essential for firms to grow and survive. However, for other sectors, the entrepreneurial heritage of the region is an advantage and still influential in the development of strong networking communities, the cross-sectoral collaborations, the 'can do' attitude of firms in some of the creative sectors and their willingness and ability to change and adapt to new markets makes them more likely to survive.

The importance of a small number of key firms and individuals in some 'fledgling' as well as the more established sectors also adds to the overall sense of fragility. Fragility is also associated with the city-region's dynamic and varied creative and knowledge industries profile. The Birmingham city-region includes some representation in a wide range of different sectors but is not very strong or specialised in any of these. The policies pursued by different agencies involve chasing development across a wide spectrum rather than being concentrated on a few, key areas of growth. This may not be the most appropriate strategy for the city-region, as it adds to the sense of wide-spread and weak rather than focussed and strong.

5 DISCUSSION AND INITIAL CONCLUSIONS

This section discusses the strengths and obstacles for Birmingham becoming a competitive knowledge and creative city and provides some initial conclusions based on the results of the analysis presented in this report.

5.1 Discussion

The picture emerging of creative and knowledge based industries in Birmingham is that it is characterised by sectoral diversity and fragility and there is some indication that it has reached a plateau beyond which the future growth trajectory is uncertain. One possibility is that this is a common pattern for second cities that operate in the shadow of national capitals. London is one of the few cities that is, without doubt, a global city - and its size and reach has an adverse impact on the growth of creative industry in other cities. While there is some room for development outside London it seems likely that strong and sustained growth beyond a limited ceiling is only likely where a distinctive niche can be developed. It is not apparent that any such niche currently exists in the Birmingham city region and therefore the prognosis is of little further overall growth but some turbulence and change within the existing size of development.

In addition to the impact of a dominant near neighbour there are a number of other factors that seem likely to act as limits on growth:

- Wider globalising factors; local successful firms become targets for takeover and their growth potential may be channelled elsewhere by companies with no local loyalty or roots;
- The overall performance of the city-region economy;
- Regional skills shortages and local recruitment problems;
- The external negative image and reputation of the city;
- The impact of national, regional and local policies and decisions by government and non-departmental bodies.

The last of these factors potentially also has some impact on the previous two and there are crucially important questions about the effectiveness of different parts of the policy community in addressing particular issues related to specific sectors or in addressing the wider environment that affects the attractiveness of the city region. Some decisions are made in London with little awareness or concern with wider repercussions for Birmingham (for example the recent downsizing of the BBC in the City). In other cases there are seen to be shortcomings in the approach adopted by city and regional agencies. They are regarded as risk adverse, strategy rather than delivery dominated and too dominated by traditional governance mechanisms that fail to join up and sustain a targeted development approach. There are gaps between key city and region players and a lack of awareness of the importance of funding not

just for attracting new businesses but also for the following stages of development and crucially, in their retention. At the same time it is important to recognise that there are examples of bolder decisions such as that related to the development of the new media sector. The cities role as host to key events has also been a source of strength although this may not sufficiently recognised as important in the context of the creative and knowledge based industries. There appears to be a 'patchy' connection between policy for the creative sector and other policy initiatives such as the Science City development agenda. New and emerging S&T projects, start-ups and related inward investment favoured by these other policy areas could offer opportunities for the creative sector (e.g.; advertising and marketing, web design and so on).

There is not one creative sector in the Birmingham city region - rather a relatively diverse 'mosaic' of businesses activity with some sense of local clustering (Eastside, Jewellery quarter, Leamington). The performance of the creative sectors reviewed in WP6 is a feature of their varied value chain, supply chain, market and innovation dynamics. There is inherent complexity across the creative sector in Birmingham and this suggests that there is no single policy model for growth and support - but that policy arrangements need to be highly adaptive, responsive to individual firm needs and in some cases more 'opportunistic'.

5.2 Initial conclusions

The creative and knowledge based industries have developed successfully up to a point in Birmingham and the city-region and reflect a variety of influences that differ in importance between the sectors involved. There are factors associated with the attraction and retention of firms and this involve a mix of 'hard' market and 'soft' quality of life factors. Birmingham meets some of the classic 'hard' requirements for location but struggles on others (particularly very good quality, appropriately sized office space; skills and graduate retention; and access to market). While the personal connection to the city-region is a strong determining factor in location choice and in both attraction and retention, 'quality of place' is also important factor in retention. The majority of interviewees had seen the transformation of Birmingham and the surrounding area during the period they had lived and worked in the city-region, the urban landscape had improved and the variety of amenities had diversified. Firms located in the wider region mentioned the proximity to the countryside for sports and leisure activities (golf, cycling); variety of independent shops and lack of chain stores, country pubs; good quality schools; and the 'county town' atmosphere. Continually improving the 'quality of place' in the city-region as well as industry co-operation with local and regional Higher Education Institutions to reinforce the provision of courses and skills to match industry needs and the retention of skilled graduates in the city-region are thus two of the most important factors to consider in terms of attracting and retaining creative businesses in the city-region. However, the impact of global and national competition may place a ceiling on the scale and type of development that will be achieved in the future. In this context the key issues facing the city-region relate to the effectiveness of the policy agencies in managing the fragility and risks faced by all creative knowledge sectors in the city-region. These include risks associated with competition from London and abroad and the wider image transformation and development of the city.

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Appendix 1

ACRE CASE STUDY TOPIC GUIDE [MANAGER/OWNER]

NB: focus should be on firm perspective in the interview

1. Short introduction of the interviewer and ACRE project (2 mins)

2. Origins of the Firm

- a. History of firm development
- b. Type of firm – start-up, buy out etc.
- c. Short career history of interviewee (only if founder)

3. Activities

- a. What are the core and other activities of the firm– what stage of CI value chain?
- b. Have these activities changed over time? How (products, processes)? Why?

4. Location Factors (soft and hard)

- a. Why was the company founded in this city/region?
- b. What advantages or disadvantages did the city/region offer in comparison with others for the firm's location?
- c. Depending on where the company is located: why in the inner city / urban fringe /suburbia?; Why not in inner city / urban fringe / suburbia?).
Probe for things like:
 - Infrastructure (transport links, IT)
 - Labour market
 - Costs (personnel, property, cost of living)
 - Policies/support by city/region
 - Quality of life
 - Leisure and cultural facilities
 - Social, religious and ethnic diversity
- d. Why has the firm remained/expanded in this specific location? Why not in X?
- e. What are your views on the city – availability of sites/property, transport, labour force, etc

5. Sector at the location

- a. Is the city/region an important location for your sector in the national / international context?
- b. What advantages or disadvantages does the city/region offer for the sector in comparison to other cities/regions?
- c. What is the image of the city for this sector?

6. Business Model and Markets

- a. How many/what type of clients/customers does your firm have?
- b. Where are your clients/customers located (city/ region/ national/ international)
- c. What do your customers/clients do?
- d. What size is your market? (proportion of city/ regional/ national/ international)

7. Inputs – Knowledge and Skills

- a. What types of people with what skills/knowledge do you employ?
- b. How do you recruit your employees? (universities, word of mouth, employment agencies, direct from other firms etc)
- c. Geographical location of recruits (city, region, country, international?)
- d. What types of training do you provide?
- e. Technology use?

8. Co-operation/Collaboration/networks

- a. Do you collaborate with other companies (same sector other sector) in the city/region?
- b. Do you collaborate with other organisations in the region (universities/ research institutions, business organisations)
- c. Do you have formal co-operation agreements (With whom? Over what?)
- d. How would you describe the quality of the relationship (satisfied with it?)
- e. How important are informal links to your firm? (in terms of competitiveness, innovation etc).
 - o What informal networks are in place in the city or region?
 - o What types of knowledge /information are exchanged in informal meetings?

9. Prospects and Pressures at Current Location

- a. What are the future prospects for you/your company at the current location?
- b. prospects of the company at the location
 - o Opportunities (employment growth, turnover, innovation rate)
 - o Constraints (competition, lack of public support, lack of skilled workforce)
 - o Are there any firm specific issues you are prepared to talk about?
 - o Would opportunities/constraints be similar at different location?

10. Public Support

- a. How important is city/regional public support to firm/sector?
- b. What types of support has your firm/sector received?
- c. What area of public support (firm/sector) need to improve?

Any other comments about what the most important local conditions are that led to the attachment of your firm to this place?

Appendix 2

ACRE CASE STUDY TOPIC GUIDE [POLICY MAKER/INDUSTRY SPECIALIST]

1. Short introduction to ACRE

2. Roles & Responsibilities of the Interviewee?

- Could you describe your main responsibilities for this sector
- How does your institution/agency work for/with this sector?

3. The creative sector and Birmingham

- Is Birmingham (the city) an important location for this sector in the national / international context?
- For the creative sector - What 'bonus' does the Birmingham location offer to firms when compared to other 'competitor' cities?
- What are the main disadvantages for the sector in relation to the Birmingham location?
- To what extent do you think that the 'image' of the city influences the location and/or the business activity of this sector?

4. Can I ask you to say a little more about the comparative influence of 'soft' versus 'hard' factors in determining the location of creative businesses:

What do you think are the most important location factors for this sector in terms of:

Hard factors such as:

- Infrastructure (housing, land and property, transport, ICT infrastructure etc.)
- Labour market
- Cost base (rental/cost of living/wage levels)
- Local policy initiatives for the sector
- Education and training facilities
- Local business tax

Soft factors such as:

- General environmental quality
- Leisure 'offer' (sports, walking, cycling, hobbies etc.)
- Local cultural scene (cinema, theatre, dance, music etc.)
- Tolerance – acceptance of diversity
- Quality of city management/administration
- Crime and security

5. More on city location patterns:

- Is there any clear pattern of creative firm location observable in Birmingham? Are firms clustering in any particular areas of the city?
- Currently, are creative firms moving into Birmingham - or out of Birmingham?
- Are there any significant numbers of new business start-ups in this sector?
- What kind of support do local creative business start-ups receive?

6. The labour market:

- Could you please describe the labour market for this sector?
- Can firms find the workers they need?
- Do firms recruit locally - or from further afield?

7. The quality of local networking:

- Would you say that firms are well networked across the city?
- Do you see much evidence of co-operative/collaborative/interdisciplinary working across the firm base?
- Are there any particularly influential/active public or private institutions/agencies that bring the different sector actors in the city together?
 - o Universities / research institutions?
 - o Business organisations?
 - o Firms?
 - o Other public bodies?
- Do you think that creative firms are satisfied with the quality of these local relationships? Or do they want to be more 'connected'?

8. Business Prospects?

- What are the prospects for this sector in Birmingham?
- What critical local conditions can be improved to help the sector survive and grow?

9. Any other final comments or thoughts?

Appendix 3

Table A1: Main characteristics of sectors examined

	Sub-sector			
	Business & management consultancy	Motion picture, video, radio & TV	Computer games	Web design
Type of creativity	Adaptive creativity: knowledge employed to seek niches in market.	Creativity linked mainly to art and culture.	Creativity linked to artistic design and development of IP	Creativity related to artistic design.
Path dependency	Dynamic development of sub-sector since mid 1990s dependent on development of finance and other service sectors.	Emerged from former public sector TV and Radio companies. Dominant role of public television and radio.	Games cluster developed in 1980s due to initial success of one firm which attracted individuals and firms to region.	Emerging sector enabled by technological advance of internet and web technologies over last 5-6 years. Strong links to graphic and other forms of design.
Ownership form	Privately owned, established by present owners.	Large public-sector companies and smaller, privately-owned firms and freelancers.	Privately owned, established by present owners.	Privately owned, established by present owners.
Labour market	Highly qualified labour force but qualifications not necessarily in specific sector field. Workload is mix of long-term clients and one-off project work.	Highly qualified labour force. Project oriented work common feature. Recruitment from local and regional market plus London. Lack of people with practical skills in the city and the region.	Highly qualified labour force. Importance of on the job learning and flexibility. Project oriented work common feature	Highly qualified labour force. Importance of on the job learning and flexibility. Project oriented work common feature
Client/customer base and market	Mainly local and regional (including branches of national firms), some national and international clients	Local, regional, national, international	National and international	Local and regional. More established firms regional and national. Not international.
Networks (formal informal)	Established formal networks through professional services organisations (Birmingham Forward, Birmingham Future). These are concerned mainly with influencing the conditions for sector growth.	Established formal industry networks (Producers Forum, Animation forum). Informal network very important and crucial for work.	Little development of networks, due to competition/ reliance on IP. No collaboration with other games firms. Some collaboration with other regional organisations and universities.	Mainly informal networks. Collaboration and partnership working with other firms common. No collaboration with other regional organisations or universities.
Location pattern	Market driven, location closely tied to customer location. Strong preference for city centre and inner city with significant clustering in city centre core, Jewellery Quarter, Digbeth and Edgbaston.	Primarily city centre for larger public and private companies and suburbs for smaller private firms/freelancers. Clustering around city centre/Edgbaston and Moseley.	Not market driven. Location primarily 'soft' factor driven and preference for small town/regional location rather than city. Clustering around Leamington/ Warwick.	Market driven. Preference for central Birmingham location where clients can easily reach and important for image and profile of the company. Clusters of firms found centrally in Digbeth and Jewellery Quarter.

Location factors (hard)	Presence of dynamic financial and service sector, and urban regeneration activity. Labour market and well-educated labour force play important role.	Public companies require regional presence. Cost of operation lower than London/ SE; favourable geographical location and good transport network/ less congestion important. Development of a new media cluster and presence of national TV companies for production companies. Strong health and education sectors for corporate productions. Niche markets easier to develop compared with London. Policy support in Film and New Media for some.	Proximity to other established firms in sector who can attract highly skilled and experienced labour force; central geographical position (in country); good transport network/links; ease of access to London.	Size of city; clustering of other design firms; central geographical position (in country); good transport network/ links; ease of access to London.
Location factors (soft)	Importance of social relations (family ties) and local origin of owner for most companies. Soft factors including improved environment, social life, and buzz in central areas are considered important for attracting and retaining staff.	Importance of social relations (family ties) and local origin of owner for most companies. Lower cost of housing and better quality of life/slower pace of life (than London) also important Presence of a diverse community. City also interesting for film location.	Importance of social relations (family ties) and local origin of owner for most companies Soft factors important for attracting labour force (good quality family housing, a large variety of pubs, shops, art galleries and some of the best schools in the region), area surrounded by picturesque countryside.	Importance of social relations (family ties) and local origin of owner for most companies. Soft factors and city-offer important for attracting labour force; creative community more welcoming and less outright-competition than London
Advantages/ disadvantages of location	Advantages: Include strong regeneration activity and expanding professional services base. Proximity to London is a double edged sword. Disadvantages: Limited scale of city's advertising sector and mainstream media outlets are major constraints to growth. Some aspects of poor city image.	Advantages: Growing Film and New Media industries in city region. Good universities. Strong and positive policy presence. Disadvantages: Decline of TV sector in the past 20 years. The negative image of the city outside the region. Lack of people with practical skills.	Advantages: Clustering of well-known firms in region. Disadvantages: Lack of skilled experienced people in the region and difficulty in attracting top-end programmers to the region from London/ SE.	Advantages: Good environment for start-up companies; proximity to London. Disadvantages: Lack of national/ international client base strongly limit growth; lack of skilled experienced people in the region; persistence of a poor external perception of city; proximity to London/ SE.
Policies	Policy priorities are for conducive physical conditions in which to expand sector – suitable premises and districts are very important. City image and development/ regeneration momentum also vital. Limited direct policy support for sector and little demand for more of it.	Strong public sector involvement. Sector-specific funding and support available. Need to improve city's marketing to improve overall perceptions of the city.	Public support and funding geared to Serious Games not leisure games industry development in the region. Need for a regional games development agency.	Considerable sector specific funding and support available. However, low efficiency of administration. Greater degree of agency and support co-ordination required. Policy priorities are for conducive physical conditions in which to expand sector – suitable premises and districts are very important

Source: Own interview results.