Do Creative and Cultural Clusters have a place in non-metropolitan areas of Europe?

The influence of co-location and co-creation on small-scale creative and cultural enterprises

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This thesis explores the influence of

collaborative behavior of

artistic entrepreneurs on

Creative and Cultural enterprises in

non-metropolitan areas of Europe.

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SUMMARY

This thesis is concerned with the implications of two business tools, namely co-location and co-creation on the creative and cultural industries in non-metropolitan areas in Europe. The creative and cultural sector is however flexible, network-like and instable in nature, thus the artistic entrepreneurs seeking new opportunities on the market have to employ the most effective strategy as possible in order to achieve a positive outcome of their work. They can do that by understanding of main principles of co-location and co-creation that provide from the specific pool of classified partners. By collaborative networking with specialized but complementary partners, companies add value to their chains and thus improve goods and services for customers. Consequently, the concepts of co-location and co-creation influence the creative and cultural clusters in their value chains, because the complexity of the transactions in the chain increases with the number of actors involved, which has an effect on the coordination of the processes. Further, the clustering and co-creation with various artists, institutions, organisations, NGOs, start - ups and customers give a better chance to creative and cultural enterprises to garner financial support from the funds and grants at national and international levels. In non-metropolitan area, because these clusters rely on funding if they want to offer independent and quality forms of arts and culture.

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1 INTRODUCTION

1.1 Introductory words

This thesis introduces the main contributions within the field of Operation and Innovation Management, particularly focusing on the dynamics of Cultural and Creative Industries (henceforth CCIs). For a long time there has been little understanding of the cultural and creative industries from the entrepreneurial and economic community and creative community. It is only an issue since the last decade that the economic aspect of creative activities have been explored and taken into consideration (V4 - Creative Incubators, 2013, p. 27).

Consequently, the rise of CCIs in Europe as entrepreneurial activities fostering individual talent, creativity, art and culture shows the importance of new approaches in culture, arts and economy. Hence, new business tools such as isolated hot spots, co-working spaces, incubators, hubs and other ventures nurturing the creative workforce, have become highly prevalent in metropolitan areas (Boix et al., 2015). However, co-locating of these businesses seem particularly apparent among the CCIs in the less developed countries in Europe where cultural and creative enterprises are mostly small businesses that are usually run and managed by their founders. Coupled with new sets of values and an emphasis on special relations without traditional explicit hierarchies, these new forms of co- location gives rise to many complex network-based systems of collaboration that help small enterprises survive on the market and sustain a competitive advantage.

Therefore, the aim of this thesis is to focus on the clustering and co-creation of creative and cultural enterprises in non-metropolitan areas and particularly how these enterprises can gain benefits of internal and external collaborative forms in such an environment. More specifically, I am interested in situations in which the boundaries between producers, or in this case artists, and other associated organizations, institutions, related businesses and customers (users or fans) are somewhat fluid and open with respect to the co-creation of the value and distribution of useful knowledge, skills, ideas and feedback. Also this thesis introduces the main players involved in the extensive global networks of small creative and cultural enterprises in Europe in order to show the complexity of the system. Finally, the purpose of this thesis is to analyse how these forms of internal and external collaborative networks between artists influence urban creative and cultural enterprises.

1.2 Research question and research objectives

The background of this thesis is the increasing establishment of creative and cultural businesses in less developed countries of Europe. These enterprises are usually bottom-up initiatives by artistic entrepreneurs who are seeking for new opportunities on the market in order to enhance local creative and cultural activities, contribute to the city development as well as present multicultural forms of art, creativity and culture. These assumptions led to many questions, for instance: *How do they operate? How are govern their value chains? How they can survive on the market? What kind of the value can they bring for the customer? What is their business strategy? Who are their main partners? Do they co-create? If yes, why and what are the consequences?* All these questions led to an overarching research question, which provided a motivation for studying this phenomenon:

Research question

How does co-location and co-creation of artistic entrepreneurs influence creative and cultural enterprises in non-metropolitan areas?

Research objectives

The structure of the research objectives and question is outlined below in the Figure 1:
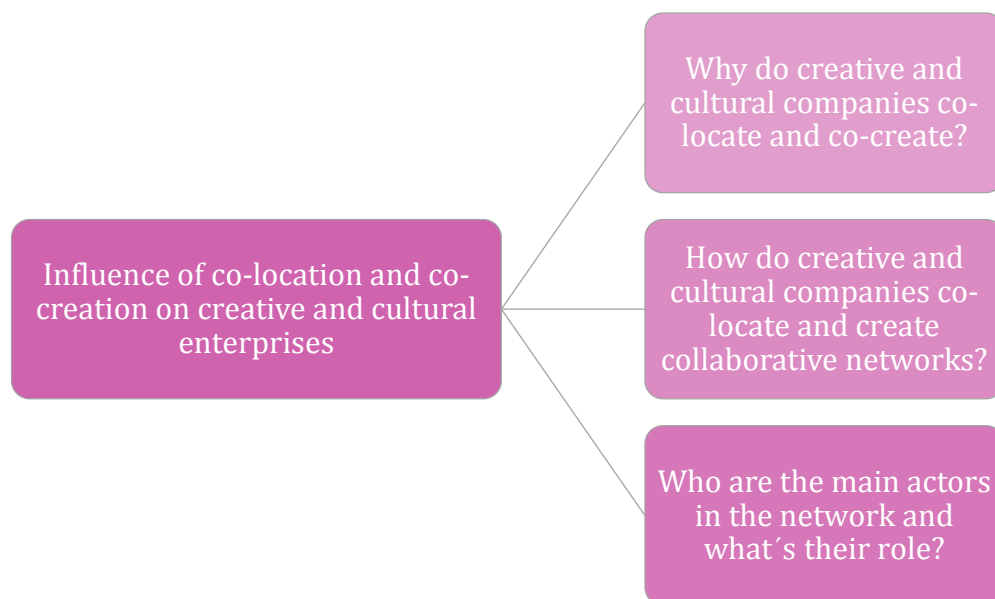
Figure 1. How research objectives combine to answer the research question

In order to answer the above mentioned research question, three main research objectives were identified. First, I investigated why creative and cultural companies co-locate and co-create with various partners by doing a systematic literature review on the subject. Also, the researcher used secondary and primary data from the participant observation and interviews in order to gain insight into the industries of co-location, particularly in the creative and cultural industry. The second research objective was examined in the same manner to understand how these companies co-locate and create collaborative networks with other organisations, institutions, service providers or customers. Lastly, it was significant to understand which entrepreneurial activities are the most influenced by clustering and networking. This can be observed by looking at the benefits that emerge through co-location and co-creation and also by investigating the main challenges that have to be overcome.

To sum up, having investigated why and how companies in the creative and cultural industry cluster as well as create collaborative networks, and the main players involved in the processes of CCCs, it is possible to examine the influence of co-location and co-creation on creative and cultural enterprises primarily by focusing on non-metropolitan areas.

For the sake of readability, a brief description of the important concept, Creative and Cultural Industries (henceforth CCIs) to which this thesis refers in several occasions is provided.

1.3   Concept Clarification

This part is significant due to continuing confusion and disagreement as to the distinction between the terms ´cultural industries´ and ´creative industries´. Moreover, to prevent another confusion in this thesis, producers, partners, actors, and/or agents in the CCIs are generically referred to as artists.

Firstly, the terms ´creativity´, ´culture´ and ´industry´ should be defined in order to provide a coherent framework of terminology for the research. In the case of *creativity*, there is no simple definition that encompasses all dimensions of this phenomenon as there exists multiplicity of approaches how to determine and measure creativity.

We can traditionally think of creativity as an attribute of an artist or the arts, but nowadays also science and technology are part of the creative processes (Garnham, 2005, p. 22). Within the shift from industrial economic era to newer knowledge-based economy, the concept of "the creative class" as proposed by Richard Florida (2002) in his groundwork *The Rise of the Creative Class* has had an impact on economic development policy and practice (Florida, 2014, p. 196). Florida´s researches demonstrate the creative classes according to their occupation rather than as a special sector of the economy. He argues that the creative class includes a super-creative core of people in science, engineering, creative professionals in business and finance, architecture and design, education, arts, music, and entertainment whose job is to create new ideas, new technologies and new creative content (Arthurs & Healy, 2002, p. 94). Thus, creativity can be defined as "the process by which ideas are generated, connected, and transformed into things that are valued" (Walesh & Henton, 2001, p. 4). The definition of a *culture* can be interpreted in "an anthropological sense meaning shared values, customs and ways of life or in a functional sense meaning activities such as the practice of the arts" (Throsby, 2008, p. 219). Finally, for the purpose of this thesis, the most simplified definition of the term *industry* is based on a 'product group', i.e. goods or services with some common characteristics that make them complements or substitutes in consumption " (Throsby, 2008, p. 218).

Cultural and Creative Industry

During the last decade, the terms ´cultural industry´ and ´creative industry´ have been used very often interchangeably, although they are classified a bit differently **(**Lazzaretti, Boix & Capone, 2008, p. 550). Cultural industries was in use earlier during the 1980s, but reference to the creative industries came later (Throsby, 2008, p. 218). "Creative industries are signs of the natural evolution of the cultural industry that follow the structural changes caused by the affirmation of new technologies and new products in the sphere of the entertainment industry" (Lazzaretti, Boix & Capone, 2008, p. 552). Thus, cultural enterprises are associated with more traditional sectors, such as publishing, film, broadcasting, music, performing and visual arts, design and architectural activities, while creative enterprises also comprise the new sectors linked to the digital economy, such as advertising industries, software and computer services (DCMS, 2001; UNESCO 2009).

However, both sectors are not separate from one another, but they are interconnected (Cooke and Lazzaretti, 2008; Lazzaretti, Boix & Capone, 2008), and exists a whole series of synergies and interactions between them (European Commission Report, 2001).

According to DCMS (Department for Culture, Media and Sport), creative industries are diverse sector and their direct economic value play an important role in catalysing innovation across the wider economy (Creative Industries Strategy, 2013-2016, p. 2). Also, in Slovakia creative and cultural sectors are characterised according to DCMS. Thus, in the case study of this thesis, categories such as Film and Video, Music, Performing, Visual Arts, Craft and Design are designated and it can be stated that they primarily refer to traditional cultural enterprises. However, it is important to add that without computer service providers and advertising activities, the cluster called STROMORADIE could not exist. So, this thesis will refer to both Cultural and Creative Industries (henceforth CCIs).

Main characteristics of the CCIs

Caves (2000, p. 2) states that CCIs supply goods and services that are broadly associated with cultural, artistic or entertainment value. In the similar vein, Hartley (2008) points out the creative and cultural industries "are located at the very place where new values, both economic and cultural, new knowledge and new forms of social relationship are emergent. Often through market mechanisms, they are in the process of society-wide acceptance and retention" (p, 8).

In the concept of *Creative Economy*, Howkins (2007) defines these industries "as the sector of the economy whose products fall under the purview of intellectual property (IP) law". He distinguishes between four main kinds of intellectual property, namely patents, copyrights, trademarks and designs, and each has its own body of law (Arthurs & Healy, 2002, p. 93). From the perspective of a policy discourse, also Garnham (2005) stress out that "we can only understand the use and policy impact of the CCIs within the wider context of information society policy. Thus, creative and cultural industries can be related to terms such as "copyright industries", "intellectual property industries", "knowledge industries" or "information industries" (Garnham, 2005, p. 15). In the consequence of this IP law phenomena, complex creative industries "depend on the existence of contractual arrangements at all stages in the value chain" (Throsby, 2008, p. 227).

Creative and Innovative sector is closely linked not only with networks externalities, spillovers and public good (Barrowclough & Kozul-Wright, 2008, p. 3), but also with transaction costs, potential risk, uncertainty and instability (Scott, 2006, p. 5). Hence, in the creative and cultural industry artists often" need to rely on networks to access skills, to collaborate, to be inspired and to assist their own creative development" (de Klerk, 2015, p. 829).

Moreover, companies that belong to the creative and cultural industries are characterized by its adaptability and flexibility; essential requirements that allow them to go "from project to project due to new trends, fashions or simply the need for experimenting" (Tschang & Vang, 2008, p. 16). Further, firms in the creative and cultural sectors tend to co - locate in clusters and form project teams (Grabher, 2002) in which "the talents and abilities of different individuals assume an interdependent character and diverse and vertically differentiated skills are required" (Throsby, 2008, p. 227).

In order to explain how different industries rely on several types of communication, Asheim, Coenen and Vang (2007) distinguish between three kinds of knowledge bases: *analytical, synthetic and symbolic* (p. 660). Their research concludes that creative industries, where talent and creativity are essential, are characterized by a symbolic knowledge base, which is "incorporated and transmitted in aesthetic symbols, images, (de)signs, artefacts, sounds and narratives" (p. 664). Moreover, Boix, Hervás-Oliver & Molina (2015) consider creative and cultural industries 'activities "related to a deep understanding of the habits and norms of specific social groups´ so that CCIs are highly embedded and context-specific (p. 755). According to Barrowclough and Kozul-Wright (2008, p. 3), CCIs are dualistic companies using intangible and tangible assets to produce a creative output. They are underpinned by intangible creativity and ideas as well as a tangible mode of delivery. Scott (2004, p. 461) suggests that the production of these creative goods and services "are typically found in specialised clusters or industrial districts, thus taking a very distinct form of industrial organisation" (p. 468).

Including all statements mentioned previously, it seems that the creative and cultural industries does not exactly fit into the traditional economic framework as the new economy is based on information technology, knowledge, and innovation and it has created a new corporate form that is dynamic and network-like (Arthurs & Healy, 2002, p. 96).

2 THEORY

This section explicates the phenomenon of clustering and particularly Creative and Cultural Clusters (henceforth CCCs). After elaborating the concept of spatial agglomeration, other perspective on CCCs presents their complex value chain in which various internal as well as external network partners, artists and customers collaborate together and thus create a value for all parties involved. Thereupon, innovative way of collaboration, specifically co-creation is further clarified in order to explain the main principles and structures of collaborative networking in Creative and Cultural Clusters.

A Systematic Literature Review

In order to achieve a consistent and profound literature review as well as provide an operational theoretical framework for this thesis, the systematic method of reviewing the literature was chosen. Saunders, Lewis, & Thornhill (2016, pp. 108-109) explain the systematic review consisting of 5 steps that were applied in the thesis:

1. Initially, several review questions on what specifically is reviewing were formulated, for instance, *´Do creative and cultural enterprises tend to cluster? ´* or *´How and why do creative and cultural companies create their networks?´* and also *´What is the role of co-creation in this sector´?*

2. Comprehensive list of potentially relevant research studies were located using online AAU library database, such as Business source premier

3. The third step was to evaluate the academic texts by reading titles, abstracts and conclusions to determine whether or not they are relevant to this thesis

4. The most relevant studies were collected in Mendeley and subsequently they were analysed by inserting into an excel sheet, explaining what each paper's findings are, and writing a short summary along with some key notes

5. The literature review was then written, in order to find answer for the research question and research objectives

2.1 The rise and incidence of Clustering

Over the past two decades, the notion of clustering has become very popular and the term 'cluster' is used in many different contexts as for instance, industrial cluster, innovative cluster or regional cluster (Brown et al., 2007, pp. 5 - 10). Since Marshall´s (1890/1920) influential economic groundwork and his initial idea of certain industries´ spatial agglomeration (labelled them as *industrial districts*), researches from a range of fields have studied this phenomenon, for instance, economists as Porter (1990, 1998, 2000, 2003), Maskell (2001, 2005), Ketels (2003); or economic geographers as Hill & Brennan (2000), Martin & Sunley, (2003), Cooke & Lazzaretti (2008); as well as organisations such as DCMS (Department for Culture, Media and Sport, 2001) and NESTA (National Endowment for Science, Technology and the Arts, 2010).

In this thesis, the conceptual differences between scholars are not going to be further discussed as the classic literature do not identify and explore the main principles determining the creative and cultural clusters that seek to gain competitive advantages, profit and value in rather specific ways. However, for the purpose of this study, an underlying definition of the term cluster on which will be based further exploration has to be elucidated.

2.1.1 Defining 'cluster'

Although the wide variety of cluster definitions exist, Porter´s (2000) definition is used here as it fits the study aim as well as his cluster theory is the foundation for many studies that are focusing on clustering and (industry) competitiveness (Brown et al., 2007, p. 6).

In Porter´s view, clusters are "geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (e.g., universities, standards agencies, trade associations) in a particular field that compete but also cooperate"(Porter, 2000, p. 15). In other words, clusters are „concentrations of highly specialized skills and knowledge, institutions, rivals, related businesses, and sophisticated customers in a particular nation or region"(Porter, 2000, p. 32). As Porter also argues, spatial proximity allows to gain benefits for firms, such as special access, special relationships, better information or powerful incentives that are difficult to tap from a distance (ibid, p. 32).

However, competitive advantages to be obtained from clustering depends, on some extent, on personal relationships, face-to-face communication, and networks of individuals and institutions that interact (Porter, 2000, p. 21). Therefore, this thesis seeks to clarify internal as well as external structure of collaborative networking in CCCs in order to understand how creative and cultural enterprises can gain competitive advantage from co-location and co-creation.

Furthermore, the notion of clusters can largely mirrors Brown et al.´s (2007) concept of the *value adding web,* " understood as a series of linkages between single firms in a defined surrounding" (p. 20). Hence, when a cluster is seen as a value adding web it can be stated that "single firms not only create their "own value", but also add value to the whole web that could not be created to the same extent if firms were operating in isolation" (Brown et al., 2007, p. 21). Furthermore, the fact that firms are geographically proximate facilitates the movement of ideas and people between them, which ultimately promotes innovative behaviour (Desrochers & Sautet, 2004, p. 233). In the same manner, Kuah (2002, pp. 6-7) argues that cluster formation allows people to interact and learn from one another which have positive influences on firms growth as knowledge accumulated by one firm could help other firms and the whole cluster benefit from it. Therefore, it can be concluded that existence of the cluster provides more advantages over single firm activity and "the firms themselves engage in clusters because they expect competitive advantages" (Brown et al., 2007, p. 6).

The case study in this thesis, refers to an urban micro-cluster within the creative and cultural industry as its spatial agglomeration and economic activities cannot be compared with clusters that are located in metropolitan areas, such as London or Paris. Also, Slovakia is a small market economy with the low concentration of clusters in its territory (Balog, 2014, p. 27) so it is considered as a non-metropolitan area.

2.1.2 Differentiation of clusters - horizontal and vertical dimension

To further clarify the concept of co-location and its relevance for knowledge creation, Maskell (2001) differentiates between *horizontal* and *vertical* dimension of clusters.

The horizontal dimension focuses on co-location of firms with similar capabilities that produce similar goods, and thus "become increasingly engaged in the process of learning and continuous improvement, on which their survival depends "(p. 929), whereas the vertical dimension concerns includes co-location of firms with dissimilar but complementary capabilities that are linked through input/output relations (ibid., p. 930). Given the aim of this master thesis, the vertical dimension of clustering is most relevant as „production activities in the cultural economy are typically carried out within shifting networks of specialized but complementary firms"(Scott, 2004, p. 467).

The main key factor in vertical dimension is, that once a cluster is established, it attracts specialized suppliers and customers. "Such distinct capabilities, once developed, will gradually be improved through a continuing process of learning-by-doing" (Maskell, 2001, p. 931). It can refers to the case study of cultural and art cluster where linking and cooperating with various partners is the strategic point to gain knowledge, information and specialized skills. Thus, by reducing the costs of co-ordination and by overcoming problems of asymmetrical information that can be reduced by extended division of labour, the higher level of knowledge creation might be obtain in the cluster (ibid, pp. 931 - 932). To sum up, „co-localized firms will often benefit from the emergence of a general climate of understanding and trust, in other words, from commitment of resources to an activity where outcome depends upon the collaborative behaviour of other (Maskel, 2001, p. 926).

As mentioned above, a geographical location, where the proximity of firms and institutions ensures certain commonality, increase the impact and frequency of face-to-face communication and interaction. (Kuah, 2002, p. 20). Due to the complexity and flexibility of creative and cultural sector, the success of enterprises lies not only in the internal face-to-face communication in the cluster, but also CCIs form extensive networks with other organisations, institutions or individuals (Arthus & Healy 2002; Scott, 2006) that will be explained later on in the theory section of this thesis. However, before that the complexity and flexibility of the creative and cultural industries is clarified.

2.2 Creative and Cultural Clusters (CCCs)

Previous section of the thesis *1.3 Concept Clarification* outlines unique and specific characteristics of the CCIs which are summarised below in *Table 1.*

Due the specifics, such as instability, special relationships, knowledge spillovers or context-specific assets the traditional concept of clustering in not fully sufficient to explain why creative and cultural industries cluster and how they operate outside of the cluster. Therefore, following section elaborates more on this particular questions.

Creative and Cultural Industry

- Associated with economic, cultural, artistic and entertainment value (Caves 2000; DCMS, 2010; Hartley 2008)
- Characterised by symbolic knowledge base (Asheim et al., 2007)
- Dualistic companies using intangible and tangible assets that are highly embedded and context-specific (Barrowclough & Kozul-Wright, 2008; Boix, Hervás-Oliver & Molina 2015)
- Required specific, diverse and differentiated skills (Scott 1999; Caves 2000; Throsby 2008)
- Rely on Information and Communication Technologies, IP law and Contractual agreements (Howkins 2001; Garnham 2005; Throsby 2008)
- Closely linked with network externalities, knowledge spillovers and public goods (Hipp & Herstatt, 2006; Barrowclough & Kozul-Wright, 2008)
- High risk, uncertainty and instability prevalent (Caves, 2000; Scott, 2006)
- Characterized by adaptability and flexibility (Brown et al., 2007)
- Project- based oriented (Grabher, 2002; de Klerk, 2015)
- Tend to form complex networks (Healy 2002; Scott, 2006)

Table 1. Summary characteristics of the Creative and Cultural Clusters

2.2.1   Reasons for clustering of the CCIs

As Porter (1990) points out, the production of creative goods and services under suitable circumstances can enhance efficiency and growth of a cluster and promote sustainable development. This has been observed in the metropolitan areas such as London, Paris Los Angeles, New York or Shanghai, but it can also be applied in smaller cities and rural regions (UNESCO, 2010). Although, larger urban areas are better positioned to both attract and develop people of the creative class (Ström & Nelson, 2010, p. 500).

Normally, companies within the creative and cultural sector tend to cluster (e.g. Scott, 2005; Lazzaretti, Boix & Capone, 2008). Boix, Hervás-Oliver & Molina (2015), identify in their research 1,784 creative clusters in Europe meaning that about 61 per cent of the sampled firms are located in the clusters (p. 764). According to Boix et al., symbolic knowledge that are characteristic for CCIs "tends to be extremely local and in consequence spillovers are also highly local and consequently creative industries tend to be highly clustered" (p. 755). Another reason why CCIs tend to cluster can be explained by characteristics of CCI outlined above, such as need for collective learning, accessibility to a local knowledge base and accessibility to global networks (ibid.).

Terms creative clusters and networks can refer to the beneficial spillovers that occur when sectors work in close proximity (CELT, 2012). As Scott argues (2005) "by clustering together, firms are able to economize on their spatial inter-linkages, to reap the multiple advantages of spatially concentrated labour markets, to tap into the abundant information flows and innovative potentials that are present wherever many different specialized but complementary producers are congregated." (CELT, 2012, p. 45)

Furthermore, Boix et al. (2015) outlined 4 spatial patterns of location and co-location of clusters of creative industries in Europe, namely *isolated hot spots, bunches, hubs* or *clouds,* as presented in the *Figure 2*:
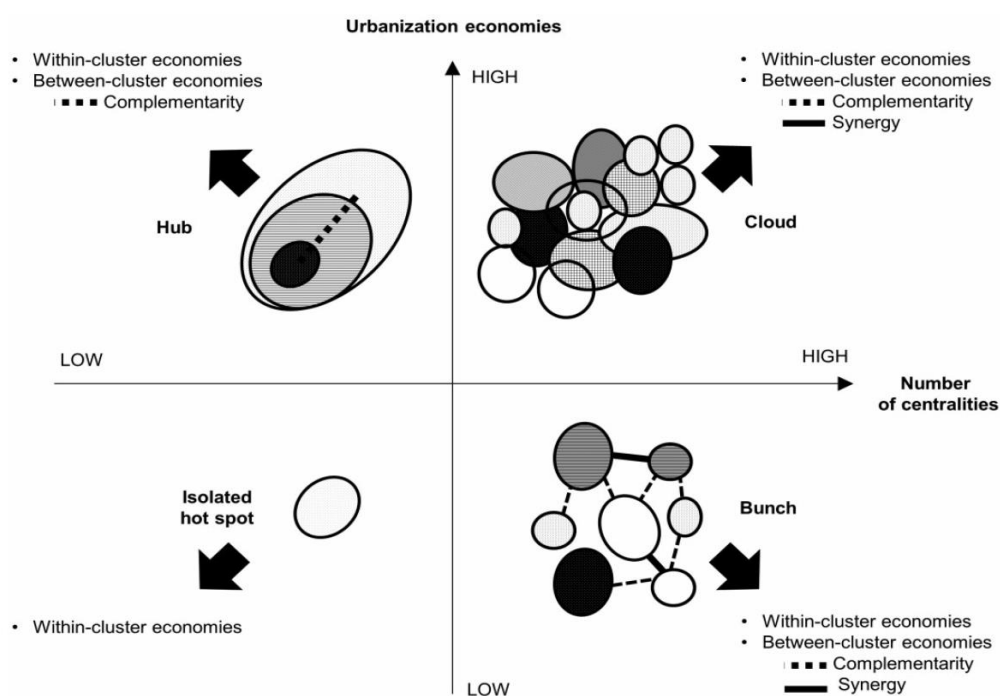

Figure 2. Patterns of co-location of the CCCs (retrieved from Boix et al., 2015, p. 756)

Because the case study of the thesis is embedded in low urbanization economy and low level of polycentricity, it mostly refers to an *isolated hot spot* that is characteristic for non-metropolitan areas (p. 767)*.* According to Boix et al. (2015), these hot spots "benefit from the occurrence within them of specialization economies (e.g. localization economies, or the propensity for high numbers of start-ups and spin-offs)" (p. 756). However, these localization patterns are not sufficient to understand why and how clusters establish and form their collaborative external networks, hence, further investigation is a must.

Taking into account Porter´s view (2000), in the clusters are not only firms tie up, but also various partners, service providers or institutions are participating in the activities of the firm. Grabher (2002) highlights that, in a creative context, even though inter - personal ties are very strong, inter - organizational ties are not limited. So, when these various stakeholders collaborate together, they usually create extensive networks that should be understood. Cultural and creative entrepreneurs especially "need to know how to build up the right set of relationships with external partners, and how to act in a complex social network" (Konrad, 2013, p. 308). Subsequently, the concept of co-creation represents a fundamental component of this logic because of collaboration with various stakeholders allows to add value to the processes of the cluster and can influence its main activities.

2.2.2   Value creation in the CCCs

It is argued that more opportunities, changing markets and new technologies "are opening up qualitatively new ways of creating value" (Normann & Ramiréz, 1993, p.56). Maskell & Malmberg (1999) points out that most firms learn from close interaction with suppliers, customers and rivals (p. 9), therefore, companies have to reinvent the value in value creating system where different actors, such as suppliers, business partners, allies or customers work together to co-produce value (Normann & Ramiréz, 1993, pp. 65-66). One of the most straightforward and widely recognised methods for analysing the structure and function of the CCIs is value chain analysis (Throsby, 2008, p. 225). However, the traditional thinking about value from the industrial point of view where companies occupy the position in the value chain while the strategy used is primarily about the positioning a company in the right place on the value chain is outdated and new strategies are required (Normann & Ramiréz, 1993).

Throsby (2008) states that for some creative goods and services this apparently simple process can become more dynamic and complex „as the creative idea is transformed or reformatted at successive stages" (p. 225). He also provides a well-fitting example from a musical sector that is highly relevant for our case as the musical performances as well as music publishing agency is presented in the cluster. So more specifically, writing a song begin with a composer´s idea who then passing it on to a publisher who puts it into tangible printed form. From there the song might be realised as a live performance before an audience, with the performance subsequently being recorded and marketed by a record company. „The record will pass through a sequence of wholesale and retail value-adding until bought by a consumer, or it may be uploaded onto the Internet and subsequently accessed by consumers who pay a price for online delivery, thus the overall chain can become quite attenuated "(Throsby, 2008, p. 225). Also Hartley (2008, p. 19) suggests that creative industries work on the principles of a complex open system in which everyone can behave as an active agent.

However, value chain analysis is not going to be investigated in this thesis as diverse forms of the creative and cultural goods and services are usually involved in CCCs, for instance, music and art performances, cinema, theatre or design. On the contrary, in order to answer the thesis aim, the focus lies on different structures of collaborative networks that can enhance efficiency and attractiveness of creative and cultural clusters.

2.3   Co-creation of the CCCs

As mentioned before, when cluster is once established, it attracts various suppliers and customers for a cooperation (Maskel, 2001). The focus lies on the interaction between "suppliers, customers and network partners as they co-create value through their collaborations" (Mele, 2011, p. 1378). "Co-creation occurs whenever the resources of one system integrate with those available in other service systems, contributing to overall systemic well-being (Vargo et al., 2008 as cited in Alves, Fernandes, & Raposo, 2016, p. 1627). However, in the co- creation of the cluster, the multi-party interaction can be stressed as the co-creation is carried out in a many-to-many approach between various parties involved, such as organisations, institutions, associations, customers, and their partners, too.

Thereupon, to provide the most coherent and comprehensible framework, the following section is organised along the *Figure 3* outlined below which presents the possible structure of CCCs collaborative networks retrieved from the literature review on the given topic.
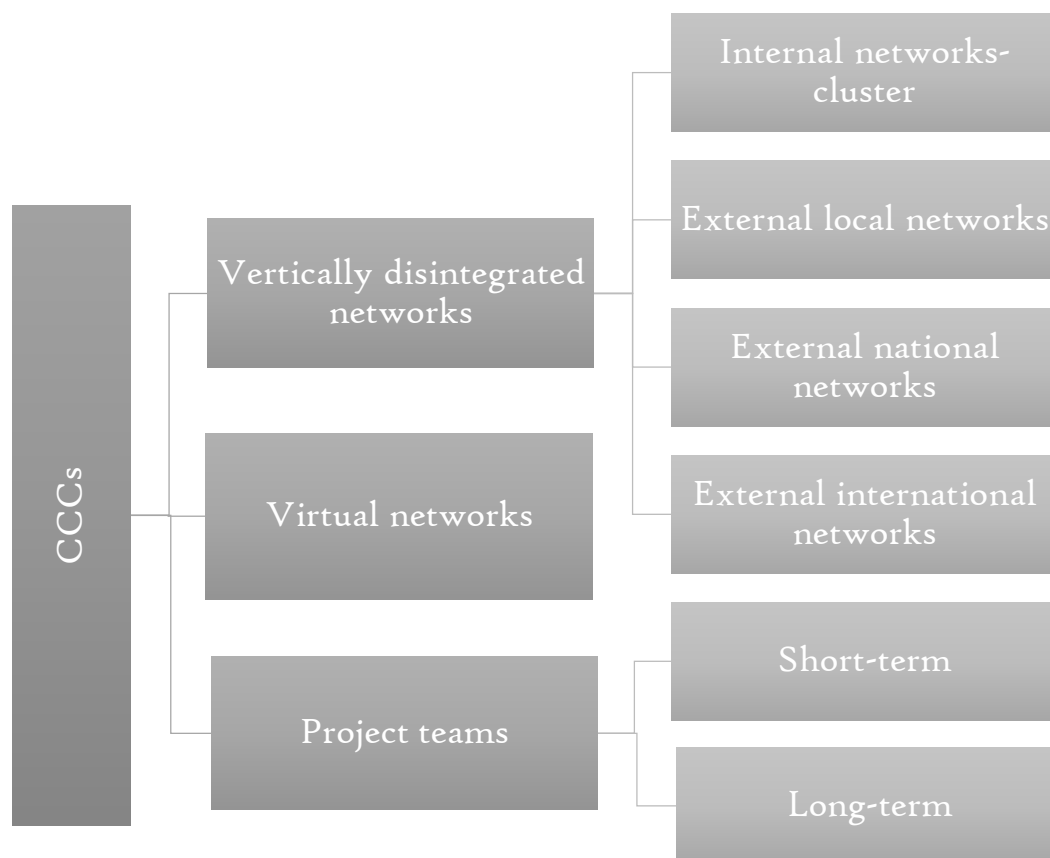
Figure 3. Possible structure of collaborative networking in the CCCs

2.3.1 Collaborative networking with suppliers and network partners

The instabilities and uncertainty associated with the state of creative and cultural sector mentioned above arises from the labour situation in CCCs, where part-time, temporary and freelance work is particularly prevalent (Scott, 2004, p. 467). Moreover, these instabilities resulted in the *vertically disintegrated networks* of production units tied together in relations of specialization and complementarity (Scott, 2006). Such networks occur in different forms, ranging from webs of small establishments to more hierarchical structures (Scott, 2004, p. 467) "Vertical disintegration in these circumstances is a strategy that makes it possible for firms to reduce the inefficiencies that would otherwise be transmitted through their internal chains of operation" (Scott, 2006, p. 5).

Further, Grabher (2002) introduces the concept of *project ecology* and he argues that project ecologies, pointing directly at creative industries, particularly advertising, "provide the organizational arena in which incongruent physical and organizational layers are 'stapled' for a limited period of time –just to be reconfigured anew in the context of subsequent projects" (p. 259). In this article, he describes how deliberate variation of project teams develop a pool of potential partners (p. 252). According to Grabher (2002), when relations are determined by speed of delivery and availability, project networks lead to "local concentrations of specialists, professionals and service firms" (p. 253). To support this statement, Scott (2004) also argues that creative workers are often incorporated into project-oriented teams where talented individuals are accumulated (p. 468). This form of project-based teams can be also experienced in the case study of this thesis, however, it is important to point out that Grabher´s (2002) research focused primarily on the advertising industry which has its own particular characteristics.

"When producers are located in a spatial proximity, their multifaceted network connections make it relatively easy for them to find new procurements of just the right kind within a limited time frame" (Scott, 2006, p. 5), but also their outputs flow with relative ease across national borders and are a steadily rising component of international trade (Scott, 2004, p. 472). Further, Grabher (2002) explains that the organizational perspective on projects – where international corporate networks are embedded – still relies on, but is not confined to, personal relations in a specific locality, which usually "solidify into a sort of social infrastructure" (Grabher, 2002, p. 257).According to de Klerk (2015), people working in the CCIs seem to naturally adopt a sub-from of bricolage[1], specifically *collaborative bricolage* that is defined as "a relationship where people work with each other to make the most of what is available, but it transcends the short-term goal of getting the job done for one specific project" (p. 831). Thus, by using collaborative bricolage perspective, creative workers can share their long-term vision, and they work towards future project-based interaction where these workers move in and out of networks as they are needed (de Klerk, 2015, pp. 829-837). Their creativity "lies not only in their artistic ability, but also in how they combine their talents with apparent competitors to create employment, to support each other, to co-create and inspire each other as well as learn from each other" (ibid., p. 837).

[1]The term "bricolage" can be translated as "do-it-yourself" or can be perceived as the idea of "creating something from nothing" (de Klerk, 2015, p. 282)

2.3.2 Collaborative networking with customers

The authors (for instance, Berranger & Meldrum 2000; Throsby 2001; Konrad, 2013) underline the significance of Information and Communication technologies (henceforth ICTs) in the CCIs. New technologies and the development of online markets have created opportunities for new dematerialized transactions and services as well as new types of customer relations, for instance, social media, tickets selling, recommendations, and comments (Lyubareva, Benghozi & Fidele, 2015, p. 44). Also, Hartley (2008) points out the importance of advanced social technologies and digital literacy of users within the cultural and creative sector as these users and others customers can consequently become an integral part of the open demand-driven systems. (Hartley, 2008, p. 8). So, costumers input for both production and innovation is becoming more significant now that web-based technology, social media and new approaches of working closer with customers have opened up new opportunities to gain access to input, ideas, needs and feedback (Potts et al., 2008; Sijtsema & Bosch, 2015). Moreover, virtual networks also offer potential to enhance the internal cohesion of creative and cultural enterprises through the creation of intelligent local cluster (Berranger & Meldrum, 2000, p. 1834).

Overall, there are some general discussions about customers involvement within innovation process: one group of researchers maintain the view that users involvement create a significant way for successful innovation and has a potential positive effect on it (e.g.Von Hippel 2005; Füller & Matzler 2007; Potts et al. 2008; Poetz & Schreier 2009), while another group is more skeptical and believe that users cannot innovate products or services properly and cannot tell a firm what they want (e.g. Christensen 1997).
Potts, Hartley, Banks, Burgess, Cobcroft, Cunningham & Montgomery (2008) introduces the concept of *situated creativity* and they argue that customers' interaction is an increasingly important source of the creation of economic value in the creative industries (p.462). Similarly, the authors Füller & Matzler (2007, pp. 378-387) suggest that reduction of market uncertainty is one of the most significant benefit of customer involvement. Also, consumer participation leads to greater variety of ideas, broader decision basis and also create valuable customer feedback in the early stages of the product or service development (Dahan & Hauser, 2002 as cited in Füller & Matzler, 2007, p. 384).

A study from Zhang & Chen (2008) focuses on customer value co-creation shows that the co-creation may add to firm a competitive advantage, have a positive impact on firm's capabilities and improve customization capability to meet customer's individual demand (Zhang & Chen, 2008, p. 248).

"The competence that customers bring is a function of the knowledge and skills they possess, their willingness to learn and experiment, and their ability to engage in an active dialogue" (Prahalad & Ramaswamy, 2000, p. 80). Both firms and consumers should obtain value when co-creating, which is why both parties are willing to increase their degree of involvement (e.g. spending more resources or sharing tacit knowledge).

On the contrary, the customers´ involvement increases the risk of customers gaining strategic artists knowledge (and also vice versa) that occurs in the CCCs as knowledge spillovers. Therefore, unwanted or uncontrolled spillovers that emerge due to the imperfect protection system help to increase bargaining power for the particular parties involved (Hipp & Herstatt, 2006, p. 270). However, "the combination and integration of tangible and intangible assets can deliver service products that are difficult to imitate due to the unique combination of tacit and explicit knowledge" (Hipp & Herstatt, 2006, p. 279).

To sum up, co-creation do not occur within the standard frame of hierarchical organization in a firm (Potts et al., 2008, p. 464). Instead, this model is disruptive of traditional industrial closed innovation to new open innovation systems (e.g. Prahalad & Ramaswamy, 2000; Chesbrough, 2003; Potts et al., 2008, Tidd & Bessant 2009). The main idea of an open innovation is not to rely only on an internal insights but includes external sources in order to create the novelty. Prahalad (2004) states that there is the "need to look at beyond the borders of their industries and geographies to find new opportunities and rethink the logic of the business" (p.171). Consequently, artistic entrepreneurs manage their creative activities strategically, they think with whom they want to collaborate as well as if they want to find work,it depends on whom they know and who knows them in professional and social networks (de Klerk, 2015, p. 830). Therefore, the combination of local physical, national and international networks as well as virtual networks will be required for a CCCs to achieve success on the market and sustain a competitive advantage.

3   METHODOLOGY

This section introduces the research design used in the thesis, thus it explains how the framework of this research was applied by describing and discussing the methodological choices.

The methodology section is organised as follows: firstly, a philosophical approach to the study of the creative and cultural clusters will be introduced by describing a *critical realist* perspective that was applied. Subsequently, the research strategy, a case study, is elaborated. Next, operationalization of the theory section, particularly research question and research objectives are presented. Following these sections are the more practical implications, where it will be in detail discussed gathering primary and secondary data through qualitative multi-methods, namely observation and interviews. Starting with the conception of the observer-as-participant method, it will be analysed how the data was conducted in order to ensure validity and reliability of the thesis. Consequently, gathering and analysing of primary data through semi-structured interviews as well as internet-mediated interview will be describe. Both these research methods served as the foundation for the qualitative analysis as a means for triangulation. In the last part, the methodological limitations will be further discussed as a central reflection on the choices made and the choices that were exclude.

RESEARCH DESIGN

3.1   Research philosophy

The underlying philosophy of this thesis refers to a system of beliefs and assumptions made in the thesis´research (Saunders, Lewis, & Thornhill, 2016, p. 124). This thesis took a critical realist stand, which means that the researcher believes that the reality is socially constructed and there is more to a situation that what can be observed (Saunders et al., 2016, p. 140). In the thesis, different accounts of a situation or process will be presented. Saunders (2016) describes the critical realists' perspective on the world with the following *Figure 4:*
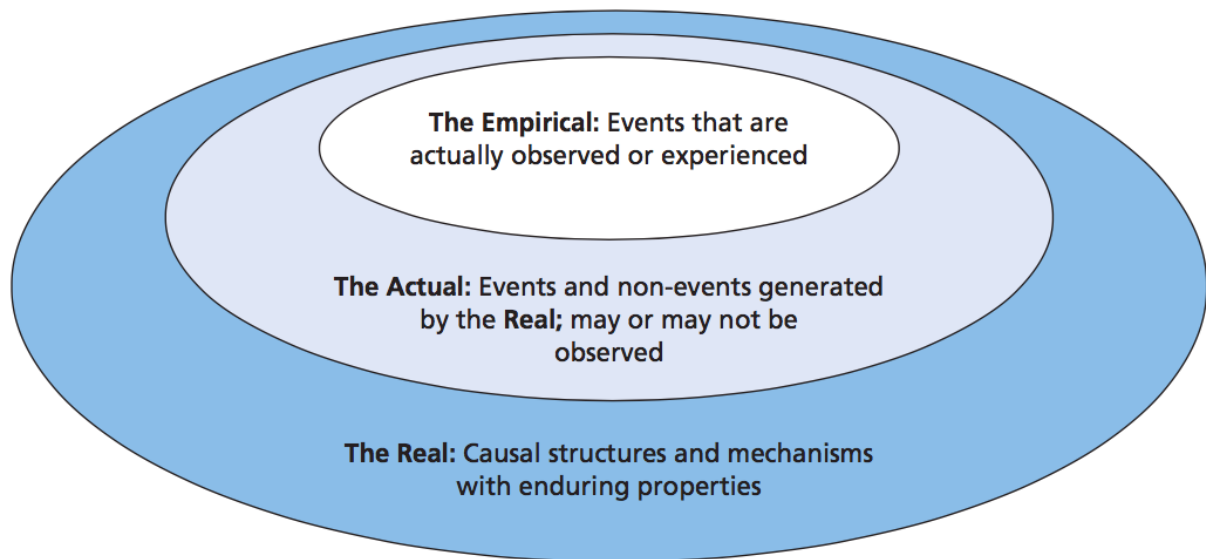
Figure 4. Critical realists' perspective (Saunders 2016, p. 139).

Figure 4 shows the three layers of how critical realism sees and understand the world and in the following these three layers will be put into this thesis's perspective, as it had consequences for how the thesis´research was conducted.

The "Empirical" layer outlines what was actually observed or experienced (Saunders et al., 2016, p. 139). It is documented by observation method, qualitative interviews and secondary data that describe the situation which is researching. The observable can be quantitative or qualitative, but critical realism sees knowledge as relative, because it is socially constructed (Saunders et al., 2016, p. 139), therefore the researcher was looking at a range of methods that fit the research area (*see more in the section 5.3 Data collection*). Next, the "Actual" layer is related to the actual events (or non-events) generated by the underlying social structures. In this case it means that while it might seem that the researcher can get a total overview of the collaborative networking of the CCCs, it has to be understood that what is being observed might only be a fraction of the actual events (Saunders et al., 2016, p. 139). The "Real" layer of the figure is related to the underlying causal structures and mechanisms that caused the "Actual" and therefore what can be observed (Ibid.).

3.2 Research strategy

The research strategy of this thesis was determined to be a case study. "A case study is an empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context" (Yin, 2009, p. 13). In this case, a contemporary phenomenon indicates clustering and collaborative behaviour of artistic entrepreneurs who are trying to find and leverage opportunities on the market. The emphasis of the thesis is to gain insight of what is happing inside of the developing creative and cultural cluster, particularly how spatial proximity of artists, organisations, institutions and customers influence the organisational environment. And also the thesis focuses on how these entrepreneurs in the cluster create collaborative networks with various external partners who can influence and contribute to creative activities of the cluster. For clarifying this context and deeper understanding of studied phenomenon, the purpose of this research is considered to be an exploratory (Saunders et al., 2016, p. 174).

According to Saunders, Lewis, & Thornhill, the studied phenomenon in the case study can indicate many things, such as people, groups, events or in this case indicates an organization (2016, p. 184). The nature of this particular case was considered a holistic single case as it refers to the specific cultural and creative micro-cluster called STROMORADIE that was chosen as the case organization based on the following reasons: First of all, in order to meet the aim of the thesis, the researcher chose Slovakia as a representative non-metropolitan area, particularly eastern part of the country where the case company is located. Secondly, as is stated by Lauser (2008), access to information is vital, which is why case studies carry "the risk that the researcher depends on the quality and availability of information of one particular case" (p. 226). However, this challenge regarding gaining access to data about particular organisation was overtaken from the beginning of the research by the researcher participation as a part-time student in the case company. Since STROMORADIE is only in its development phase, the researched decided to focus on the possible structure of such a spatial concentration of cultural and art professionals, all gathered in one building as well as the researched wanted to investigate what are the main benefits and challenges deriving from this particular collaboration.

Moreover, the researcher was aware that this enterprise is so far only one existing creative and cultural micro-cluster in Presov region, what can in consequences open up the new business opportunities which has to be recognised in the early phase of the project.

Therefore, after initial discussions with the boss of the case company, the researcher found fascinating how many different individuals, organizations, institutions and service providers can add value to the creative activities of the micro-cluster and simultaneously the researcher recognised that without external collaboration and networking it will not be possible to run effective and profitable cultural and creative company. Thereupon, the researcher decided to analyse STROMORIADE in regards to this assumptions that became an underlying structure of this thesis´ research in order to investigate the phenomena of clustering and co-creation in the creative and cultural micro-cluster.

3.3   Research question & research objectives

Following previous sections, more practical aspects of the thesis are defined. Firstly in this section, research question and research objectives are again clarified (see more in the introductory section - *1.2 Research question and research objectives*). However, for the purpose of the thesis´ research, these statements in the form of research question and objectives have to be clear before the collection and analysis of the primary and secondary data. Subsequently, methods of gathering primary and secondary data will be outlined followed by the data analysis.

Research question

How does co-location and co-creation of artistic entrepreneurs influence creative and cultural enterprises in non-metropolitan areas?

Research objectives

Having investigated why and how companies in the creative and cultural industry cluster and create collaborative networks, and the main players involved in the processes of CCIs, it was possible to examine the influence of co-location and co-creation on creative and cultural enterprises primarily focusing on non-metropolitan areas.

3.4 Data collection

This section introduces how data were gathered using interview and observation techniques in order to provide a coherent and valuable drafted document on the given topic. As more than one research method was used during the research, it refers to a *multi-method qualitative study* (Saunders et al., 2016, p. 168).

3.4.1 Primary data

To insist reliability and validity of the thesis, the most appropriate qualitative research methods were determined in order to gather primary data. Qualitative data were analysed as "they are likely to be characterized by their richness and fullness, based on the opportunity to explore a subject in as real a manner as is possible" (Saunders et al., 2016, p. 568).

Participant observation

More traditional qualitative research method, specifically participant observation (Saunders et al., 2016, p. 354) was natural and reasonable choice as the researcher is a part-time student in the case company. According to Saunders et al. (2016), in this form of observation „the researcher enters into the social world of those to be observed and attempts to participate in their activities by becoming a member of their workgroup, or community" (p. 365). Because of the researcher became a member of the organisation, it allows to develop a deep understanding of the meaning of the informants´ interactions and communication (ibid). Further, Saunders et al. (2016, p. 358) distinguished between four types of participant observation as is shown in the *Figure 5*, namely *complete participant*, *complete observer*, *observer-as-participant* and *participant-as-observer*:
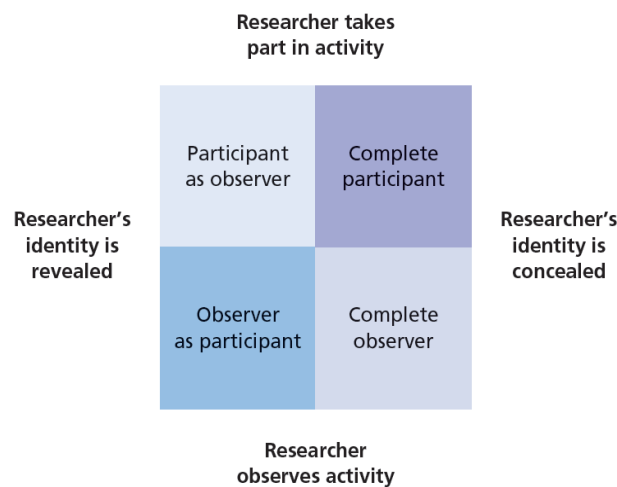

Figure 5. Typology of the participant observation researcher roles (Saunders et al., 2016)

Structure of the participant observation

As the researcher is taking a part in the activities of the case company and the identity of the researcher was revealed from the initial phase of the research, the role of researcher was designated as *participant- as- observer* (Saunders et al., 2016, p. 358). This role of the researcher allowed to explore and choose a specific angle to the challenges presented by the company and lead to several informal meetings with the head of the company during the first months. After few weeks, the research topic of the thesis was presented to the head of the company and the theoretical framework of the thesis was accepted by the company as well as by study board of the university. In this phase of the research, the researcher concentrated on observing and describing activities of the company linked with the aim of the thesis as well as the researcher became more familiar with the company settings, therefore, this phase of the research referred to descriptive observation (Saunders et al, 2016, p. 362). Subsequently, the researcher focused on particular events and situations relevant to the research objectives. It was followed by formal meetings, recording and making notes primarily focusing on the given topic, particularly clustering and networking of creative and cultural small- scaled enterprises. In other words, the observation focus was able to adopt to research question and research objectives

Thereupon, as data were collecting through the longer period, it was necessary to simultaneously analysed it. Thus, the formal structure of the participant observation can be found in the *Appendix A, The Table of the Observation structure* and the summary of researcher 'notes from this observation is placed in the *Appendix B, The summary of notes from the Observatiom*.

Reliability & Validity of the Participant Observation

However, the researcher was aware of possible errors and biases that could occur during the research. The most significant factors that induce biases and errors in the research, such as access to data, inaccurate interpretations or misunderstanding of meanings were overcome by adopting the participant – as - observer role (Saunders et al., 2016, p. 208). As the researcher was simultaneously participating in the activities of the case organization, it allowed deeper understanding of organisational structure and provided for the researcher a comprehensive exploration of studied phenomenon.

Moreover, the researcher presence allowed a direct communication with the studied subjects, making notes and asking open, additional and clarifying questions for better understanding of the context. However, as the researcher intention and identity were revealed, it could influence behaviour those who are being observed and thus influence their personal opinions and ideas. But this issue was undertaken by preliminary observation sessions when the trust between researcher and informants increased and they became more familiar with the presence of the researcher. Furthermore, from the initial phase of writing the thesis, was the researcher aware of different assumptions and preconceptions that could prevent from exploring issues that would enrich the research. Therefore, the researcher eliminated all assumptions and tried to look at the setting from the undetermined and more comprehensive perspective.

Qualitative interviews

Following section describes the second qualitative research method used in this thesis, specifically gathering primary data through semi-structured and unstructured interviews. The role of conducted interviews is discussed, and how it is linked to the theoretical framework and the underlying methodological considerations.

Semi-structured & in-depth interviews

During the initial phase of descriptive observation more unstructured and informal interviews with the head of the company were used as it helped the research to explore in depth a general company settings and understand the main issues prevalent in the company (Saunders et al., 2016, p. 391). There were no predetermined questions, and the respondent is given the opportunity to talk freely about events in relation to the emerging creative and cultural micro-cluster.

Furthermore, when the research design was undertaken and focus of the thesis was more explicit, the researcher incorporated semi-structured interviews in order to fully explore studied phenomenon of clustering and collaborative networking of artistic entrepreneurs. The semi-structured interviews were used as they provide for the researcher more valuable knowledge, give the possibility to probe into subjects with the additional or clarifying questions as well as help the researcher think about other aspects that may not have crossed their mind (Saunders et al., 2016, p. 394).

Sampling the interviews

The logic on which the researcher selected the sample for interviews is based on research question and objectives. In this thesis, *non-probabilty* or *non-randon sampling* technique was adopted. As the research is primarily focusing on the creative and cultural industry, therefore only people working in the creative and cultural sector were considered as a suitable and effective sample. Consequently, according to the flowchart from Saunders et al. (2016, p. 297), the researcher came to the conclusion that the best sampling technique for the purpose of the thesis is *the homogeneous sampling* because of all the sample members have an occupation from the very similar sector.

The research distinguishes between two groups of the interviewees. The first group of interviewees are active participants in the cluster´s activities, namely Peter Sima, Martin Visnovky and Nina Silan. These people helped the researcher to understand internal settings in the cluster and provided the deeper information about structure of networks and co-creation in the creative and cultural sector. The second group of respondents are industry experts and professionals that were present at the Creative Lenses Forum (mentioned in the previous section *Participant Observation*) and the researcher identified the appropriateness of these experts based on their experience and extensive background in the given sector. Respondents were contacted directly at the Creative Lenses Forum where the researcher asked them for the interview on the given topic. Finally 5 candidates were interviewed, and a short summary of their professional profile, experience and current job position is outlined as follow:

1. **Peter Sima**, the head of the company STROMORADIE and also owner of the building, former drummer in the Slovak band Chiki Liki Tua
2. **Martin Visnovsky**, co-founder of the company STROMORADIE and head of the Music Agency PanoramaMedia, singer in the music band Chiki Liki Tua
3. **Nina Silan**, the head of the cinema Pocity, she takes care for marketing and dramaturgy of the cinema
4. **Michal Hladký**, the head of the organisation Creative Industry Košice and member of the board European Creative Business Network
5. **Michal Svihra**, co-founder of the company Tootoot

Interview guide, Interviewing &Transcribing

More practically, this subsection introduces the way how interview guides were created and the data were gathered. First, the theory that have been retrieved from the academic materials was operationalized into the summary keys and theoretical propositions from which the sets of questions were derived in order to applied assumptions from the theory into the context of this thesis. Based on the overall aim of the thesis and the introduced theories (*see more in 2 Theory section*) a range of themes particularly relevant for the interview were identified. Thus, the framework was divided into five main categories, namely *´clustering´*, *´creative and cultural cluster´*, *´value creation´*, *´co-creation with the suppliers and network partners´* and *´co-creation with the customers´*. According to these categories were interview guides structured as is shown in the *Appendix C, The Table of deductive explanation building.*

Interview guides for all semi-structured interviews were created in order to facilitate and conduct relevant data. The purpose of these guides was to organise and direct the interviews, investigate main variables and to make it follow the relevant theory.

Consequently, to facilitate a transparent analysis and to enable easy referencing and quoting, all interviews were transcribed as well as they were translated from Slovak to English language.

Practically, this included transcribing and translating sentences as the transcriber assumed they were intended. In other words, sentences were written grammatically correct and with proper punctuation, for the sake of making them easier to read and analyse.

Lastly, interview guides can be found in the *Appendix E* for each of the interviews conducted, together with the transcription and coding of each interview. In the analysis section of this thesis, the researcher referred to the data from the interviews as follow: Initials of name, the number of row and exact time of the paraphrase or quotation, for instance: (MV 6, 6:45).

More about analysing and coding of data retrieved from interviews can be found in the following section *3.5 Data Analysis.*

Reliability & Validity of the Qualitative interviews

When doing an interview, there are concerns regarding the reliability and validity of the research conducted. When doing the exploratory research, the quality of data is ensured by choosing a representative sample of those who are working in the creative and cultural industry as experts and professionals for many years (Saunders et al., 2016, p. 400). In this case, the sample was chosen according to internationally accepted business forum that provided representative sample for this research.

In terms of reliability, no new words were introduced in transcribing the interviews, unless grammatically necessary, thus the core meaning of sentences are arguably presented in a clear and readable form. Moreover, Saunders et al. (2015, p. 397) explains interviewer bias that can occur when the non-verbal behaviour of the interviewer can affect the answers given. Therefore, the researcher was aware of the tone of how the questions are presented, and tried not to force the answers that the researcher was looking for. Also to avoid various errors, the researcher tried to ensure the most favourable conditions for the participants as well as for the researcher (for example, agreed on the most suitable time for the interview and avoid the insufficient preparation of the researcher).

3.4.2 Secondary data

In this thesis, the researcher collected secondary data complementary to primary outlined above. The main source of the secondary data was mainly the Internet, particularly websites of the organisations associated with this research, for instance, the web of the cinema Pocity, European Commission or the web of the network-based organisation Trans Europe Halles. They were used in order to explain the organisational structures as well as the contextual activities of different players involved in the creative and cultural projects. The second source were documents and annual reports from the case company that were already available. However, the main disadvantage when using secondary data is that the researcher cannot exactly match it to the thesis´ research as the original purpose of collecting these data might be different (Saunders 2015, p. 332).

Moreover, the publication *BA!!Places of Living Culture 1989-2016, Atrakt Art* was used as it provided the profound background for the thesis.

This publication records the foundation and also extinction of forty local independent cultural enterprises in the capital city of Slovakia by authentic statements of founders and co-workers.

In terms of reliability and validity, the most important factor was the source of the secondary data. The researcher evaluated credibility of the data by verifying the source as the one who is responsible for the data has to be trustworthy. It was measured by the nature or reputation of the source, i.e. well-known research organisations, annual reports or books tend to be more reliable, while documentary data (i.e. business reports, newspapers) are more likely to be inconsistent or even inaccurate (Saunders 2016, p. 338).

3.5 Data analysis

For the purpose of this thesis, deductive approach to qualitative data analysis was determined (Saunders et al., 2016, p. 569). Deduction is the dominant research approach using the theoretical propositions from the academic literature to test their applicability in the case study, to build and verify an explanation. (Saunders et al., 2016, p. 185). Moreover, this method also linked the researcher with the existing body of knowledge in the study area (Saunders et al., 2016, p. 570) that could help the researcher to answer the research question and objectives.

3.5.1 Coding & Analysing

As mentioned above, deductive explanation building was used in thesis as the summary keys of the theory and also theoretical propositions were derived from the theory section (Saunders et al., 2016, p. 592). Simultaneously, the most often words or phrases in the theoretical propositions and summary keys were then transformed into theoretically derived code (can be found in *Appendix C, The Table of deductive explanation building).*
How the researcher specifically approached this coding is shown in the following example:

-**Summary keys:** Spatial proximity allows to gain benefits such as special access to ideas and people who interact and learn from one another, special relationships, better information and specialized skills and knowledge, innovative behaviour, powerful incentives (Porter, 2000)

-**Theoretical proposition:** Single firms not only create their own value, but also add value to the whole cluster so thus, the existence of the cluster provide more benefits over single firm activity as well as interaction and learning of partners have positive influence on firms growth

-**Codes:** benefits, value adding, specific knowledge and ideas, collective learning, access to information and data, special relations, interconnection, innovative behaviour,

In general, codes are defined as "tags or labels for assigning units of meanings to the descriptive or inferential information compiled during a study (Miles & Huberman, 1994, p. 56). Further, coding involves attaching one or more keywords to a text in order to permit later identification of a statement (Kvale & Brinkmann, 2009, p.202) and give the researcher handle for making comparisons with other segments of data (Charmaz, 2006, p.3). Consequently, the list of 39 codes was established (see in *Appendix D, The list of theoretically derived codes),* and these codes were used in coding and analysing of all data materials. Analysis was undertaken manually by reading the transcriptions and identifying the main codes and themes as they emerged.

However, the quality of the analysis depends on the interaction between data collection and data analysis to explore and clarify principal meanings, particularly clustering and networking in the creative and cultural enterprises. First of all, the researcher needs to be sure that all relevant theory is covered in order to provide a valuable answer on the research question. Secondly, the research was confronted by large and complex data that was needed to explore, analyse, synthesise and transform into coherent unit. However, this was overcome by the developing of codes as was mentioned above.

The last part of this methodology section describes the case company Stromoradie in order to provide the profound background and deeper understanding of the studied phenomenon.

3.6 Case description

The cultural and creative enterprise STROMORADIE s.r.o. was founded last year by Peter Šima and Martin Višnovský who are also members of the slovak alternative music band CHIKI LIKI TUA. Stromoradie is located in the eastern city of Slovakia, Prešov which is the third biggest town with the population of approximately 120 thousand of people together with students and surrounding area. The establishment of creative and cultural centre is perceived as a bottom-up initiative of artistic entrepreneurs who are looking for originality and creativity (MV1, 1:30), hence Stromoradie will serve as an independent cultural, creative and educational space for contemporary art, culture and music production.

The first thoughts and idea about the development of such a place came before twelve years ago and since this time the process of initiating and preparing this project has encountered some obstacles, mostly with the city council, bureaucracy and administration (PS3, 8:30). Finally, the project is getting more realistic and its art, social, economic as well as educational activities will start at the end of this year. The main aim of the centre is to create cross-border network of various artists, preferably from Eastern Europe (MV3, 6:00) as well as develop cultural and art platform with the strong internal collaboration with local artists. The centre will be a dynamic place, input and output-oriented as a dramaturgy will focus on exchange of various concerts and arts performances between local, national as well as international partners (PS3, 8:30; MV2, 3:30).

 One of the most important fact is that the building is privately owned and has some historical value as is placed on the town walls surrounded by oak alley, that´s way the name "STROMORADIE" which can be translated as a line of trees. The location of the centre is really interesting as it is still a part of the city centre, and simultaneously it is a green area with trees, thus this place looks attractive not only for founders of the project but also for citizens (PS2, 2:20). According to the publication *Creative Visegrad: City, Culture and Public space* (henceforth CV), only those cultural projects that "build on the existing social and historical narrative of the place and its surroundings prove successful in the long-term" (CV, 2016, p. 6). Therefore, the property and spatial conditions of the place appear to be advantageous for further business.

Moreover internal spatial settings of the complex are considered to be satisfactory as well. First of all, the ground floor was used as a medical warehouse before the renovation, thus high ceilings and hard surfaces with the high acoustic reverberance serve as a suitable place for a multifunctional concert hall. Upper floor will be used as a gallery space, also artists from different backgrounds will be grouped together in an open space as well as the most likely there will be a kitchen and some service for customers (PS2, 2:20- 3:45).

Regarding the executive part of Stromoradie, the founders form its main management which consist from the CEO of the company Peter Sima who deals with finance, material flow, labor, tenders and secures technical part of the project (PS1, 1:00-1:25), and at the second management level there is Martin Visnovsky who is responsible for coordination of the project, dramaturgy (meaning program content), networking, projects and fundraising, too.

The internal structure of the cluster will most likely consist from four individual parts, namely music publishing agency PanoramaMedia, cinema Pocity, theater PND as well as art exhibitions will be primarily coordinated by creative individuals from Art academy in the city. Moreover, the wide range of the creative and cultural activities will be present in the centre, such as design, crafts, exhibitions, concerts, performances, festivals, workshops or visual arts activities (MV1, 1:30). However, in comparison with some other similar international projects, such as Pekarna in Slovenia or Manifatture Knos in Lecce, a total area of Stromoradie is smaller, therefore, this creative and cultural centre is currently taking into account as a micro-cluster in non-metropolitan area.

To conclude, not only property condition and the spatial location of the place seem to be beneficial as well as its executive and technical structure (stage, sounds conditions and visuals) appear as convenient for the development and growth of the centre. However, more factors like dramaturgy, marketing, internal and external coordination, flexibility of the place and etc., have to be considered in order to set up a productive, valuable and profitable place for cultural and creative activities.

4 ANALYSIS

This section firstly examines why and how artistic entrepreneurs create collaborative CCCs in non-metropolitan areas and what are the main benefits as well as challenges which have to be considered in order to set up a valuable and profitable place for cultural, creative and educational activities. Furthermore, the second part of the analysis focuses on the investigation of main partners and what is their role in these collaborative networks of the cluster. By doing this, the researcher provides the coherent framework which explore the influence of co-location and co-creation on creative and cultural enterprises in non-metropolitan areas.

4.1 Creative and Cultural Clusters

In metropolitan areas, such as London or Berlin are conditions for clustering more suitable and effective in terms of higher level of competition, higher level of educated audience and also higher population rate play a role, as M. Hladký from the Creative Industry in Košice explains:

" [...] *there is a higher level in metropolitan areas, because of there is a higher level of competition, higher level of educated audiences, there is more space for niche market...so, all parts of different aspects or branches or sorts of arts can flourish, because there is enough audience for it or customers. So you can find more there." (MH.CI8, 28:45)*

However, the rise of clustering of creative and cultural enterprises can be also observed in less metropolitan areas, for instance, in Brno, Ljubljana, Lecce or in Slovak´s cities such as Košice and Bratislava, but the patterns of clustering and conditions for growth seems quite different than in larger urban areas as Hladký further continues:

"The creative and cultural industries are urban phenomenon, you wouldn´t really find it, okey, of course, you would somewhere in rural or non-metropolitan areas, but the scope is completely different. There might be some little things, there might be some heroes who are bigger than their environment and if they are lucky enough they will stay there [...]" (MH.CI8, 28:45)

As is outlined in the quotation above, the scope of CCCs in large metropolitan areas is different than in smaller urban areas, therefore the influence of co-location and co-creation on the CCCs may diversify in various environments.

4.1.1 Setting the stage – the situation before vs. now

For a long period of time was the creative and cultural sector in Slovakia overshadowed by issues connected to the political regime. However, after economic and political transformation of the society in 1989, the rise of various creative, cultural and art places in the capital city of Slovakia can be observed. According to the publication *BA!! Places of Living Culture 1989-2016* (2016), the creative and cultural enterprises that produce independent and non-commercial culture were not-static, but more fragmented nodes of creativity, art and culture. Their fragile and varied cultural civic infrastructure, such as changing ownership and fast social changes, caused that patterns of collaborative networking were less developed and spatial relations in the background were accompanied by an absence of the necessary municipal politics frameworks and regulations. Therefore, it is hard to find a common pattern in their actions or describe universal causes that give rise to these places. On the other hand, the extinction of these places were often caused by legitimate personal decisions to force majeure in the sense of the bureaucratic power (p. 237).

However, in recent years, awareness and the idea of creative and cultural clusters as co-working places for artistic entrepreneurs is slowly coming to the Slovak business environment. The first serious public debate about the role of CCIs and their economic importance was triggered by the 2013 European Capital of Culture competition - won by the biggest city in eastern Slovakia, Košice. Nonetheless, two creative and cultural clusters with the similar activities as Stromoradi exist in Slovakia, namely KC Dunaj in Bratislava and Tabačka Kulturfabrik in Košice. Firstly, KC Dunaj is the former large department store building located in one of the main squares of Bratislava city centre. From the outside, it operates as a regular programmed venue, but the internal model of program composition works as an incubator for event organizers, promoters and cultural operators. Secondly, eastern city of Slovakia, Košice is home to the project Tabačka Kulturfabrik. This old tobacco factory was transformed into a cultural and creative center with the financial support of regional authorities, and is now operated by the non-profit organization Bona Fide, which helps the authorities implement their strategy of developing creative economy. It is based on traditional principles of co-working place (rent of space, desks) and it focuses on innovative entrepreneurial ideas (Creative Visegrad, 2016, p. 21).

However, in comparison with Stromoradie, is Tabacka bigger cluster so the coordination of activities is harder there as Višňovký states:

" [...] Tabacka is a quite different model than ours. We are building on the concept of already existing organisations which have their own label and they know what to do and how. On the contrary in Tabacka there are plenty of parts where people don´t know what to do exactly and that´s the problem [...]" (MV6, 6:45)

It can be seen that the number of creative and cultural clusters is increasing in Slovakia and the following subsection focuses more on internal characteristics of spatial agglomeration, specifically why and how co-location influence artistic entrepreneurs.

4.1.2 Internal Collaboration - influence of co-location

Opportunity on the market & need

The previous section reflects that over the past few years we can see a few bottom-up movements of young entrepreneurs and artists attempting to establish interconnected creative and cultural places in Slovakia. The incentives for the development of such a place are triggered by need to support local creative and cultural activities as Šima explains :

"I perceive that different parts of this sector, for example art, music or theatre rely on money and administration to work. Therefore, with the development of new cluster we want to help local artists and make easier for them to generate new ideas" (PS3, 7:20).

Further, the idea is also coming from internal needs of those people who are trying to reclaim old buildings or improve the services in the city, have interests in the culture and art as well as share common goals. To support this statement, the professional musician and one of the founders of Stromoradie, Visnovsky states :

"As a music band we still have a problem to play somewhere in Slovakia, especially in our city there is no professional place where to play a concert of a high quality sound [...]"(MV2, 3:30).

In a similar view, founder of the cinema POcity and member of the cluster N. Silan express her point of view that non-commercial cinema which screens alternative and art movies as well as educates an audience is missing in the city (NS2, 3:00). Further, she points out that her project does not have a suitable working place from the beginning of its existence, therefore the projection cannot be digitalized and in consequence the selection of the films is limited (NS1, 2:15).

Despite its problems, the cinema still exists and Silan expects that joining the cluster will bring advantages in terms of bringing new customers and reinforcing an innovative behaviour. She explicates:

" […] I think that in Stromoradie will be situation different. It will be possible to create a new projects there, for instance, we can interconnect music with our movie screening and create something new as well as we can help each other to design more attractive program for people."(NS2, 5:35)

Subsequently, from the above mentioned citation can be also seen that because of various specialized and complementary partners are involved in the project, it will result in the interconnection and collaboration between various organisations, related businesses, institutions and individuals.

Benefits - Collective learning & specific knowledge, Value sharing, Communication, Special relations, Interconnection & collaboration

When talking about internal collaboration between specializes but complementary partners, it is inevitable to mentioned benefits, such as sharing of specific knowledge, information and experience or collective learning that can be gained, as Silan points out:

"People who are participating in this project have more than twenty years of experience within the creative and cultural sector so we can share experience between each other which can be enriching for all parties involved " (NS2, 6:30)

To further back up above mentioned statement, Visnovsky clarifies that :

" Certainly this people can point on some shortcomings or challenges. So, I can help them with something and on the contrary they can help me as well. It means that information will be overlapping from different sector but the outcome will be only one and common. So yes, we will learn from each other, but we will work independently, although some information will be shared" (MV5, 3:30)

Similarly, the expert on creative and cultural sector M. Hladký emphasises the importance of co-location as a mean of facilitating meetings, communication and sharing between partners in the cluster (MH.CI 4, 10:50). In other words, spatial proximity of partners might help them overcome transaction costs of economic, specifically contact and communication costs. First of all, in non-metropolitan areas is the mutual collaboration most often coming from special relations between partners as Visnovský explains that he chose those people who knows well according to their willingness to participate and collaborate between each other (MV4, 0:30). It means that partners usually know each other for a longer period or they have direct contact between each other, therefore contact costs are decreasing.

Secondly, part of the working in close proximity are meetings, which means that partners communicate between each other on daily basis and they can make a decisions much more easier as Hladky explains:

" […] you have direct contact on project meetings, on the network meetings with concrete people […]so you know them and it´s much easier to negotiate, to build project plans and whatever if you know these people " (MH.CI 2, 5:35)

Similarly, Svihra expresses his need for face-to-face meetings as followed:

"There is always need to meet personally with someone in order to set up the cooperation, because of trust and relationships are important in this business […]" (MS3, 8:00).

This analysis shows, the spatial location and interconnection of various partners will add value to the all parties participating in the creative and cultural activities.

Subsequently, advantages from clustering stressed in the literature review are also present in clusters in non-metropolitan areas. And it can be stated that these benefits are probably more valuable in smaller enterprises because of more issues and risks are also prevalent there, for instance, constraints of resources or instability on the market. Consequently, following section is concerned with uncertainty and risks prevalent on the market which results in challenges that has to be overcome.

Uncertainty & risk

Because of the creative and cultural sector is very dynamic and flexible system, the part-time and freelance work of artists is prevalent in Slovakia as well. Moreover, it is very common that most artists turn to self-employment or they open own companies, civic organisations or NGOs. (MH.CI 5, 16:40). On the contrary, also forms of volunteering occur in this sector as Silan states:

" […] me and my colleague are just volunteers and we are doing this in our free time and we´ve never get paid for it " (NS3, 8:50)

It means that CCIs in non-metropolitan areas are fields where many micro-businesses, freelancers and volunteers are active and it is important to note that they may account for a significant number of people actively engaged in the European creative and cultural economy. Furthermore, these communities of artistic workers are very tight, but there are just few of them in Slovakia (MV7, 11:25) which makes even harder to find right partners for collaboration.

Secondly, a huge risk in this sector is associated with renting costs as lot of artistic entrepreneurs are dependent on renting a place, a building or offices for work, and in consequences it can be very stressful and demotivating for them *(MV4,0:30).* Visnovsky further clarifies the situation:

"So, we are doing this as a private project because it is a huge issue to find a suitable rental and to achieve certainty from the tenant of the building […]" (MV4, 1:30)

And he continues as followed:

"I think we will have a huge advantage compared to others as our building is privately owned. The biggest risk I see in this sector, would be the renting costs […].But, we are lucky as we overcome this risk from the beginning" (MV5, 5:45)

In similar vein, Silan expresses her concern associated with renting costs (NS3, 7:55) and she further explains another risky situation associated with special relations prevalent in this sector. Silan is aware of the fact that so far is the collaboration based on the friendship, however later on it will be necessary to set up a contractual agreement and main conditions for work (NS3, 7:55).

Thirdly, Hladky addresses the biggest uncertainty in terms of sustainable strategies of the organizations. He perceives that the uncertainty was mainly connected with the lack of funding in Slovakia which cause that organizations were not able to plan long-term strategies for their businesses as he says:

"[...]so maybe, the uncertainty would addressed this issue or I would addressed this issue that there wasn´t proper support skin for art and cultural...that´s the one thing...and another, that people were not used to do long-term planning" (MH.CI5, 14:45)

However, the funding is closely connected with the policy situation in Slovakia because of there is still very little structured understanding of the needs of creative businesses and no policy frameworks have been established for their development so far.

Consequently, that is one of reasons why most of the creative and cultural centres are either very specific or are still in its development phase.

Last but not least, the uncertainty and risk are closely linked with the instability in this sector. In other words it means that the outcome of creative and cultural activities can not be precisely predicted as nobody knows how many people will come for a venue or exhibition. The founder of the company Tootoot, Svihra explains this situation as followed:

"Certainly, the successful outcome of the activities is one of the most significant factor, however, nobody can´t influence these outcomes. If there is a beautiful weather, people will come to the concert as they want to get out from their houses. On the other hand, if there is a bad weather, they will come as they want some sort of activities. However, I said a positive situation that can be turned all the way around, so in a nice weather no one will come and in a bad weather no one will come too. In other words, financial outcome at the end cannot be predicted [...] (MS4, 19:30).

Overall, different kinds of risk and uncertainty are associated with the CCCs in non-metropolitan areas, namely unpredictable financial outcomes, lack of funding and weak policy framework, lack of long-term planning as well as contract and renting transaction costs. Since these uncertainties are present in the creative and cultural sector, lots of companies have to face a number of challenges in order to achieve a stable and effective outcome.

Challenges

So far in analysis only internal collaboration between partners located in the cluster was mentioned. However, when cluster is once established, it attracts various suppliers and customers for a cooperation (Maskel, 2001). Therefore, the focus of the thesis lies not only on the internal interaction, but also the interaction and the collaboration between external network partners and customers is highly significant as they co-create value through their collaborations. Visnovsky specifies this situation more precisely:

" […] we won´t be only a passive club, but we would like to be more active place in this meaning that we would like to exchange various concerts and artistic performances with various people and partners. So you can image it as a kind of „tourist trips […]" (MV2, 3:30)

Thus, the establishment of the cluster leads to a mix-up of different sectors and partners, therefore good organisational skills are inevitable when so many players are involved in the network (MV5, 5:00).

Further, within the extensive global networking is a trust one of the significant keys to achieve efficient and valuable internal as well as external collaboration (MV7, 10:00). Svihra determines the importance of the trust as followed:

" […] Challenging is to build the trust with our partners so it is very important to secure sensitive data that we are providing for clients. It would be risky to disclose information to someone else as it could cause breaking of the trust […]" (MS4, 19:30)

According to the non-governmental organisation Creative Industry which is represented by Hladký, the network of various partners is a benchmark and if somebody is in a network then it´s very probable that they follow values, rules and ethics of other members of a network (MH.CI 2, 4:45). In addition he explains:

"Yeah, it means that if you go to european projects, you have to have partners and you want partners you can trust […]" (MH.CI 2, 4:45)

Moreover, sometimes it can be very challenging to achieve the trust of international partners as every country has different working culture and every country understands things differently, therefore the intercultural dialog is essential in order to set up trustworthy partnerships (MH.CI 3, 7.25).

In addition, competition is always on the market, especially in metropolitan areas (MH.CI 4, 11:15). On the one hand, the presence of competitors can motivate others to higher performance and to improve their goods and services, but on the other side it might influence smaller enterprises and cause them some obstacles. According to Hladký (MH.CI4, 13:40), it is not very natural for Slovaks to cluster and collaborate, on the contrary, artist in Slovakia are in the position where they compete between each other and fight for space, resources or grants. The collaboration is usually driven by certain goals which might be only temporary and after some period everybody goes and works separately (MH.CI4, 12:05) as he explains:

"It´s you know….there is less resources available, I mean grants or whatever… and then they fight for it…because they are in one pool fighting for the same resources" (MH.CI4, 11:40)

Moreover, artists need funds, because without them it would not be possible to present different forms of independent and alternative arts and it would be only commercial matters (MS4, 26:00).

Also, Sima outlines that Stromoradie will rely on funds and grants in the future :

" Regarding the creative and cultural activities, such as concerts, art exhibitions, theatre or cinema, we rely on grants and public money that are necessary. We don´t suppose that we can earn money on our own, so from selling the tickets. Hence, it will be inevitable to collaborate and ask some associations for grants, such as Norway funding, Ministry for culture and others." (PS2, 4:55)

In this sense, the presence of various internal and external partners is inevitable for creative and cultural enterprises in order to get funds and thus survive on the market. In the case study of this thesis, it can be shown that internal collaboration with the cinema POcity will also bring funding for the cluster as Silan explains:

"So I see this place as the most ideal...and also we want to apply for grants for "small cinema digitalization. [...] However, we could not do this before as we have never had a place to stay for more than five years which is basically one of the conditions to apply for this grant [...]" (NS2, 3:45)

To sum up, the CCCs need to look at beyond the borders of their cluster and region in order to find new partners for collaboration as well as find new opportunities on the market.Thus, various forms of collaboration and networking are inevitable for CCCs in order to achieve certain goals and provide the high quality of cultural and creative services for customers. Simultaneously, the artists should be aware of importance of funds and grants which can be achieve through this collaboration. Therefore, from the bigger perspective, the presence of tabacka in Košice or KC Dunas in Bratislava have to be taken into consideration when looking at the market competition as these clusters will fight for money in the future. However, in order to leverage the most of the opportunities, it is necessary to fit into networks and find the most suitable partners that can help and add value to the projects. Therefore, the following section investigates how CCCs create collaborative networks and who are the main players involved within these networks.

4.2   Influence of co-creation

For the purpose of this analysis, the researcher asked creative and cultural expert from Creative Industry in Košice to define the concept of co-creation, thus Hladký characterises it as followed:

"It´s a process of addressing the challenge or problem within the scope of all affected parties or stakeholders, it depends on in which fields your challenge is or solving the problem or creating the product or whatever. So, it means from the beginning, all your suppliers, customers, all segments of your customers all parts of professionals you need for the delivery of the product or service...and they are creating all together the approach and as well as final products [...] "(MH.CI5, 18:15)

Because the CCI landscape is dynamic and competitive, to achieve greater regularity and efficiency in their patterns and processes of creative work, artists need to cooperate, support and participate between each other in their work and projects. Therefore, artists usually create extensive internal as well external collaborative networks with specialized and complementary partners.

In other words, if artistic entrepreneurs create goods or services whether more parties are involved, then, they should co-create them together (MH.CI6, 20:25) in order to provide better services , gain access to knowledge and information (MV9, 16:05) as well as to facilitate access to funds and grants. However, how they co-create and what are the main patterns within the collaborative networking of CCCs will be more explained below.

4.2.1 Personal Contact Networks vs. Virtual Networks

Finding a suitable and trustworthy partner to co-create can be very challenging, especially in non-metropolitan areas. The relations are primarily based on friendship in this sector, therefore are artistic entrepreneurs mainly using personal contact networks for collaborative networking (NS4, 13:40), because this kind of networking is the most helpful tool for finding collaborative partners as Visnovsky explains:

"Well, I´ve been working in this industry for twenty years so I just have to call someone and it´s done! […] I´m primarily using the main type of collaboration which means, I have many personal contacts and I can contact with people very easily according my needs […] (MV7, 10:00)

He further continues that not only personal contact networks are important but also good references that you can get from others are inevitable. He provides an example to clarify the statement:

" […] For example, daily you can get so many emails with the proposal for collaboration, but you don´t know who are these people and what is the quality of their music, but if you know someone personally it´s something different because you know what to expect. So if you can get a good reference, you win! " (MV8, 14:00)

Similarly, Hladký explains that connections are done face-to-face already at some meetings or via references (MH.CI 3, 9:00). He also highlights the importance of good references, because if artists are using them, they already know at least something about others and then they know if they can trust them or not (MH.CI 3, 8:05). Further, he points out that usually he does not use virtual networks for new connections, but on the contrary they serve as an important tool for further communication as he states:

"Then, for the communication later it´s good to use them and it´s easy as you can create facebook group and you can communicate or you can use skype or whatever. So, yes, you can save money for travelling, but otherwise we don´t use. (MH.CI 3, 9:15)"

Certainly, to connect with someone via web-based technologies is comfortable and can save more resources, however it is not very reliable in terms of finding new and trustworthy partners. Furthermore, virtual networks are inevitable tools for communication with customers as Silan explains:

"I´m aware of the power of social networks as facebook is highly important for us…sometimes we also print some posters but the main communication with our customers is via the virtual networks…we share information about program, about our moving to somewhere else…so, we share all the information with our customers like this." (NS5, 15:30)

In order to set up the successful collaboration, big attention is being paid on references which you can get from others or someone else can reference on you. Also, the importance of virtual networks is indisputable as they become an integral part of the business, for instance, in the form of online marketing or as a tool for communication.

4.2.2   Short- term vs. Long-term projects

Each of respondents confirm the incorporation of creative workers into project-oriented teams which are based towards the future collaboration and interaction *(PS2, 7:20; MV4, 1:30;* NS4, 14:10). For example, the project called Creative Lenses Forum in Košice mentioned in the *Appendix B* is also four years project based on previous collaboration but also on the future one (MH.CI 2, 3:00). Also, Hladký states that projects are mostly multiannual, so they last at least for two years as well as the most relations with the partners are long-term relations (MH.CI 2, 6:10). He further explains the main benefits of future-based collaboration, namely the guarantee of funding and reliable partners as followed:

"Benefits…yeah…there are some practical benefits for the organization…that you know that you have partly funding for your activities for more than one year, so you can plan easier. And you build relationship with the organisations which are your international partners…that means, in the future, if this all goes well you have partners which you can collaborate with as well in the future "(MH.CI 3, 6:45)

To conclude, previous analysis shows that artistic entrepreneurs rely on personal contact networks in the commencement phase of collaboration and later on they can leverage advantages from virtual networks. Moreover, setting up a new form of project or event is mainly future-based oriented.

4.3 Collaborative networking on regional, national and international level

Even though inter-personal ties between creative workers are very strong in the CCCs, inter-organizational ties are not limited and can be dispersed around the globe. Since cultural and creative entrepreneurs need to know with whom and how to build up the right set of relationships, the following section investigates who are the main players involved in the extensive global networks.

- **Suppliers of creative and art activities**

First of all, it seems that highly important are creative groups of people, individuals, various bands or art professionals that are able to deliver creative, cultural and art activities from regional, national as well as international perspective. Visnovsky explains that he is planning to create networks of various artists that will expand step by step and he clarifies it as followed:

We are planning to create extensive networks with artist from various countries that will expand step by step..so, for example, currently I don´t know artists from Bulgaria, but after some period, I will suddenly know someone and we will collaborate together[…] (MV8,12:35)

As was outlined before, various parties involved in the creative and cultural processes collaborate together, in order to create valuable and attractive program for customers, however, they simultaneously compete between each other for funds and grants. Although, in order to survive on the market, get relevant knowledge and information as well as gain access to funds, more partners for collaborative networks are necessary.

- **Related businesses, organisations, associations and NGOs**

The creative and cultural sector is full of various specialized but complementary partners as well as organisation and businesses that can add value and bring benefits for the CCCs. As an illustrative example may serve Silan´s statement:

Before three years, we established the collaboration with the "Festival krátkych filmov" in Budapešt and they are providing for us their winning movies as well as we collaborate with the "Animation festival Anča" in Žilina which is helping us to make our festival more attractive." (NS4, 12:30)

Further on, in terms of complementarity of some business or partners, as a good example can serve the company called Neulogy a.s. which is one of the Central European leaders in providing complex consulting services for research, development and technology transfer as well as facilitates access to financing for innovative companies in all development stages from both public and private sources. Therefore, this partner can help the CCCs with a consultancy services or open for them new possibilities for funding.

Also it is inevitable to mention the role of non-governmental organisations, such as Creative Industry Košice, Creative Industry Forum or Via Cultura. However, it seems that the most significant NGO in Slovakia is Creative Industry Košice established by the city which responsibility is to create conditions, programs and maybe events to help cultural and creative industries grow in the city and in region as well. Specifically, they are focused on educational programs, professional development programs, programs for supporting artistic mobilities and professional mobility as well as they take part in international european projects focused on methodology of co-creation and methodology of business model innovation for cultural industries (MH.CI 1, 0:10). Simultaneously, they are member of two international networks, namely European Creative Business Network and NICE Network in which they are lobbying and representing creative and cultural industries on european level as well as they are a member of local tourism cluster and IT cluster (MH.CI 1, 1:25). Moreover, Creative Industry Košice with the support from Ministry of Culture organise program Escalator every year that is based on the principles of co-creation, which means that they involve their customers (in this case CCIs) into the activities as well as they educate them how to properly plan activities at least three years in advance as Hladky explains:

"So, we do service for people in arts, creative and cultural industries...yes, we do focus groups ....I don't´know, during the whole escalator program, there is still a feedback loop so we are asking them what they need, we do audit, we ask people what they want so it´s always like feedback loop...so we are creating program according to their needs together with them basically" (MH:CI7, 26:45)

- **Government and Municipalities, National and Regional Institutions**

As was mentioned previously, Escalator program is partly funding by Ministry of Culture as well as Creative Industry Košice is founded by city council, therefore the researcher consider the role of the Government and Municipalities as important, too. However, the policy framework and regulations have been neglected for a very long time, but currently seem the situation more promising. The Ministry of Culture set up the Slovak Arts Council which provides financial support for the CCIs by two forms of funding, specifically grants and individual grants (http://www.fpu.sk/en/structure-of-funding). Also, part of this section are also universities on national, but mainly on regional level that can contribute to creative and cultural activities via innovative and creative students who are motivated to participate in the regional and city development.

- **National and International Networks/ Alliances for the Cultural and Arts**

Other prominent players within the extensive collaborative networking are national and international alliances for the Cultural and Arts, such as Anténa on national level or Trans Europe Halles (henceforth TEH) on international level as Visnovsky states:

"In Slovakia we have an association called Anténa which connects various non-state cultural and creative centres across our country. But we are more interested in collaboration with the second one called Trans Europe Halles as we get in touch with them through Tabacka and we also played some concerts at their events some time ago" (MV3, 6:20)

First of all, Anténa is network of cultural centres and organisations, which operates in the field of independent arts and culture of Slovakia and is also supported by Ministry of Culture (http://antenanet.sk/o-antene/en). It develop its activities aiming to support the position of independent cultural scene in the civic society, improve their position in the system of cultural policies, help them with creating professional conditions for their operation as well as Anténa enhance cooperation, exchange of experiences, creation of common projects and support distribution of art productions.

Secondly, the similar networks also work abroad, for instance, TEH (Trans Europe Halles), IETM (International network for contemporary performing arts), ECIA (European creative industry alliance), European Creative Business Network or NICE network and etc.. However, these alliances are only a part from the overall European framework.

As one of the aims of this analysis is to investigate only main players involved in the activities of the CCCs, the researcher clarifies the role of THE because this network of the independent and non-profit cultural institutions was mentioned several times during observation as well as interviews. For instance, Visnovsky mentions the role of TEH :

" […] it´s very interesting for us to communicate with them as they connect various similar enterprises as we are across the whole Europe and we can learn a lot from them, because sometimes it can happen that you are forgetting on something but TEH can help you with it." (MV3, 6:20)

Nowadays, is TEH comprised of around 60 projects, and was established based on civic activities converting abandoned industrial facilities and other property into premises hosting contemporary art and socio-cultural activities. They organised workshop two times per years for all members involved within the networks where they communicate together, share knowledge, information and experience. Moreover, the Creative Lenses Forum mentioned above is also based on TEH networks (MH.CI 2, 3:00).

The biggest international network IETM in Italy is connecting over 500 performing arts organisations and individual members working in the contemporary performing arts worldwide. The researcher considered as important to outline IETM because of this network was co-founded by Creative Europe program of the European Union which proves that the role of EU is not possible to overlook. European Commission founded the program called Creative Europe in 2013 and since this time is this program supporting cultural and audiovisual sectors in Europe.

- **Customers**

Lastly, the role of customers, have to be further clarified, even though the interaction with them can be sometimes very challenging but also beneficial. In terms of music or art, there is a right for an artistic expression which does not have to be necessarily challenged by the audience. On the contrary, the newer sectors such as design, architecture or online media are based on users, therefore this user-centric design of co-creation automatically involved customers as a part of a creation of the processes (MH.CI7, 25:45).

According to the interviews, it can be concluded that the biggest benefits that customers can bring is a valuable feedback, because it is certainly good to know if you are going in a right direction. It is not just to create something, put it on market and then nobody is interested as Hladký clarifies :

" Feedback and that´s the most important because you are doing stuff because you want people to use it or see it or wear it if you are a fashion designer" (MH.CI7, 22:25)

He further continues as followed:

" Even if they will say, okey, we don´t like you, it´s very valuable feedback. So you would stop it immediately or at least reconsidered your decisions immediately and you are not losing time for next maybe weeks, maybe days or maybe years developing something which at the end nobody will use or visit or whatever it is you created [...] (MH.CI7, 23:55)

From the perspective of the musician, Visnovký explains that sometimes is good to know others opinion and feedback, but it should be accepted to a certain extent:

"[...] Our purpose is not to listen everybody and every time because we want to create something on our own. Sometimes people don´t get the situation, for example, in Slovakia there is a big music festival Pohoda and people there are rating toilets instead of music and it makes me laugh. Why would you provide feedback on toilets if the purpose of the event is music and fun?" (MV9, 17:45)

Similarly, Svihra expresses his thoughts that it might be valuable to listen to the customers, but if the CCC want to educate people and show them new forms of arts or culture, in this case should be customers excluded from its activities (MS4, 26:00). However, if artists do so, they are taking the risk that people will refuse their products or services (MH.CI6, 23:30).

Also Silan from the cinema POcity agreed that feedback and opinions of customers might be valuable and she really likes talking to people after screenings, even though she has own idea, concept and dramaturgy of is (NS5,17:55). Moreover, she creates two concepts for customer involvement into the activities. The first one is called "Audience choice of the movie" which is based on voting via facebook (NS6, 19:15) and the second one is " Blind cinema".

However, the biggest paradox is the concept of "Blind cinema" when costumer don´t know before what is going to be screened and they pay after the movie according their preferences if they like it or not. Nevertheless, so many people are coming for this event because of customers are very curious and they knew that some cool crazy movie from B or C category will be screened. Silan explains it as followed:

"[...] Once we screened old historical movie from Slovakia in "Blind Cinema" and it was something like a trap for customers but, if I would promote this movies normally, less people would come. When it´s like a surprise it´s different for audience and sometimes they are very thankful for it "(NS6, 19:45)

Regarding the customer involvement in the creative processes of the CCCs, the presence of start-ups or organisations that behave as an intermediary between the CCC and the customer have to be considered. For example, a new trend is to use the platform called Tootoot which is primarily a service for customer and also for producers or artists easily integrated into Facebook and the website of bands and clubs. On the one hand, through this service can fans vote for their favourite bands, choose the location where they want to see them. At the same time they buy concert tickets through this app, get various bands benefits, and get information about tailor-made concerts at their own discretion. On the other hand, for artists and bands, promoters and music clubs, Tootoot offer the most dynamic way to sell tickets on the market (MS,1,2:15) and is trying to reduce uncertainty on the market by the gathering data about customers as Svihra interprets:

"[...] So, a huge disadvantage in the creative business is that uncertainty is prevalent here. Therefore, our data should increase and improve decisioning of artists. I believe, our data have helped so many times to set up the concerts, however we can´t precisely predict how many people will come" (MS4, 19:30)

Even though the company own some data about customers preferences, an outcome will not be one hundred percent sure, because the motivation and reward of the customers play a huge role. Svihra explains that they cannot influence the motivation of people, because then they can get wrong and inaccurate data. If the customers get reward for voting, they will vote but at the end they will not come (MS4, 19:30). Visnovsky thinks that Stromoradie will not need some intermediaries for organising the concert (MV9, 19:50) because if artists know their audience, they don´t need intermediaries, and on the other hand, if clubs know what they are doing, they do not need tootoot either. (MV10, 21:00)

5   DISCUSSION

This section introduces the different perspectives that have arised during the research in order to deliver an explanation to the thesis´s research question. This will be done by firstly reflecting and summarising the research with an aim of explaining how reaching the research objectives guide the researcher to answer the research question. Followed by more practical implications of the thesis, recommendations for artistic entrepreneurs who are trying to developed creative and cultural cluster will be identified. Further, study limitations will be outline in order to explore possible improvements that can be made in order to further develop the concerns of this research. Lastly a brief reflection on how to take this thesis further will follow with a focus on future research.

5.1   A reflection after an act

In general, creative and cultural activities are knowledge driven industries that are drawn to specialised labour markets and to clusters (Power & Nielsen, 2010, p. 7). Hence, a high degree of clustering on a European level can be found in larger urban areas as better conditions for their growth and development can be found there, for instance, higher level of competition that motivates artists to better performances or more space for niche market that satisfies specific customers' needs and wants. Consequently, around 77 per cent of creative and cultural clusters are located in metropolitan areas, such as Paris, London, Madrid, Stockholm, Berlin or Brussels (Boix et al., 2015, p. 766) and the most clustered industries are film, video and music, software, cultural trade, engineering, videogames, design, and architecture (ibid.).

According to the analysis, it can be seen that this trend of co-locating slowly but steadily takes root also in less developed countries, but the conditions for their development are less favourable there, for instance, current political ideology can be one of the obstacles as well as the lack of the specialised labor is prevalent or less resources are available. Nowadays, most of the CCCs from various sectors, such as advertising or radio and television activities, are located in the capital city of Slovakia (Power & Nielsén, 2010, pp. 20-22). Most likely due to the fact that more than 40 per cent of all creative and cultural enterprises, what constitutes around 8 500 of companies, have their seat there.

In comparison with other regions is the concentration of CCIs markedly lower, for instance, in the eastern cities like Košice or Prešov only around 8 per cent of creative and cultural enterprises have a place (Balog, 2014, p. 26), therefore it is even more challenging to form the cluster in this area.

The thesis´s first research objective is concerned why the CCIs are located in the spatial proximity to each other and also why these companies co-create with various partners involved in their value chains. In the case of determining why creative and cultural enterprises co-locate in non-metropolitan areas, the findings suggests that the initial idea is primarily coming from the internal needs of artist to support local creativity, art and culture as well as to enhance the awareness of people about various national and international forms of contemporary art, music production and so on. Therefore, cultural and creative clusters generate positive externalities insofar as they contribute to the quality of life in non-metropolitan areas where they congregate and enhance the image and prestige of the local area. From the more opportunistic perspective, for the most of small businesses is joining the cluster only one possible way how to survive on the market, because they usually do not have their own place where to produce and the renting costs are high. Therefore, from the spatial proximity artists expect an increase number of the customers and reinforcement of the innovative behaviour which can results in the competitive advantages. Thus, benefits from clustering stressed in the literature review are also present in the clusters in non-metropolitan areas, therefore artists are aware of benefits from co-location, such as sharing specific knowledge, information, common goals and experience; collective learning; regular meetings and communication.

Consequently, the internal interconnection of various actors leads to extensive vertically disintegrated networks as each of these artists create their own collaborative networks in which various specialized but complementary partners co-create the value through collaboration. As the value chain is vertically disintegrated of the various parties involved this will also influence how a lead actor or company governs the chain. With many actors involved and high capabilities of these, the processes and activities of the cluster are governed with an emphasis on extensive worldwide networks.

Simultaneously, the analysis shows that rise of co-location and co-creation is prevalent in the smaller cities because of actors highly rely on private and public funding, and the collaborative networking can facilitate the access to these funds and grants.

Actors looking for funding firstly have to establish that a project needs funding and secondly they have to make sure that the funding comes with the creative value that makes sense for an original idea. Therefore, it becomes increasingly important to create the proper foundation and coordination for this type of networks in the future. However, to secure funding from different funds and grants that are available, will influence the CCCs as partners who provided funding have their own agenda and conditions to reach these funds, so it can influence the creative and cultural activities in the cluster. Maintaining of the mutual collaboration is mostly based on the trustworthy partnerships and understanding, but they can be threatened by competition about these funds and grants as all of the actors are in one pool fighting for the same resources. Thus, the co-creation of CCCs in non-metropolitan areas is usually project- based towards the certain goals and when they are reached actors work separately or most likely they start looking for someone new for collaboration. This assumption leads to the second thesis´s objective which is concerned how these creative and cultural enterprises co-locate and create collaborative networks.

Regarding the patterns of co-location, it is necessary to outline that the creative and cultural clusters around the globe share much, for instance, concentration of specialised labor and partners, but also exhibit unique cluster dynamics as they are trying to adapt on the place where are they located. Hence, patterns of clustering vary among the CCIs and enterprises can take form of individual creative centres, groups of buildings or entire quarters (Power & Nielsen, 2010; Boix et al., 2015). Thus, there is not an uniform opinion on what cultural and creative clusters ideally look like and how they should work and operate (Creative Visegrad, 2016, p. 66).

However, to reach the common goals and positive outcome, the actors prefer face-to-face meetings as well as they rely on personal contact networks primarily based on good references. Therefore, maintaining of the "good name or label" is highly important in the creative and cultural sector, especially in non-metropolitan areas where fewer artistic communities have known each other very well.

Consequently, these personal contact networks lead to virtual networks which enables all actors everywhere to participate not only in self-expression and entertainment, but in new way of producing knowledge. However, the determining factor in the development of knowledge is people´ "digital literacy" (Potts et al., 2008, 472). Despite of this assumption, the presence of actors on regular meetings is inevitable. Furthermore, projects of the CCCs are mainly future-oriented, which means that actors work towards future project-based interaction where these workers move in and out of networks as they are needed, most often when they reach a common goal. This approach refers to a "collaborative bricolage" behaviour which enhance creative efficiency, add value to the performance as well as provide for artists more certainty and stability (de Klerk, 2015)

Lastly, the third research´s objective focuses on investigation of main actors involved in the chains and outlines their main roles. This objective is organised along the *Figure 6* outlined below which presents the structure of possible actors involved in the value chains who can participate and influence the activities of the CCCs.

Figure 6. The structure of actors involved in the collaborative networks in non-metropolitan areas

From the analysis can be seen that not only regional and national networks are highly developed, but also international networks are required. First of all, the role of regional, national as well as international artists, related business, organisations and associations that supply various artistic, creative and cultural activities for the cluster is inevitable as they help improve the performance of the cluster and make a program structure more variable and valuable. These actors can share information, knowledge as well as personal contacts between each other, although most of them compete in terms of funds and grants available on the market. The most often are public funding coming from national and international institutions such as Slovak Arts Council founded by Ministry of Cultrure or Creative Europe program founded by European Commission. On the contrary, private grants are most often offered by companies such as banks or mobile operators.

These funds and grants can be directly provided to the members of the cluster but also serve as a foundation for the development of various NGOs and supported associations. Therefore, the role of regional, national and international NGOs as well as various Alliances and Networks for the Cultural and Arts must not be underestimated. These actors support the position of the CCCs in the civic society, help them with policy frameworks, assist and help to educate creative workers as well as support the exchange of activities between artists.

Regarding the role of customers in CCCs, findings suggest that they have more influence in downstream activities of the chain as it seems that the most valuable for artists is customers´ feedback and opinion after the event or venue. The art and creative activities are the most often based on self-expression of artists, therefore the role of customers in upstream activities is not as much valuable as in other industries. However, this assumptions is closely linked with the risk and uncertainty that only few people will show up on certain events.

To sum up, this analysis shows that co-location (clustering) and co-creation (collaborative networking) go hand in hand with the complexity of the value chain in the CCIs, therefore the researcher believe that this conceptual combination deserve more future research. According to the analysis it can be concluded that before setting up new multi-stakeholder initiatives, the entrepreneurs should focus on global collaborative networks in order to add value to their activities as well as achieve satisfactory funding. Moreover, the national competitiveness of creative and cultural small businesses through the creation of clusters, hubs or co-working spaces is gradually increasing.

5.2   Practical implications & Recommendations

The following subsection introduces implications of the thesis´s findings in real-life settings as well as presents the sum of researcher´s recommendations for small-scale CCCs based on the previous analysis and discussion.

First of all and the most obvious the researcher recommend to create worldwide collaborative networks with various organisations, related business, individuals in order to improve services and gain access to funding. In order to insist efficient coordination of these networks, the actors should organise and participate in regular meetings with their internal as well as external partners.

Secondly, actors should implement strategic and long-term planning in the organizational settings of the company and thus design the sustainable approach of their businesses. This strategic behaviour of managers should be more supported with the appropriate education and workshops in order to prepare all artistic workers better for the competitive pressure, instability and uncertainty on the market. It is crucial however, that effort to foster sharing of the same future goals and strategic thinking comes with a strong commitment from the networks-members to participate.

 Consequently, artist should be aware of the importance of personal contacts which are primarily based on good references but later on can also rely on trustworthy relations or friendships. However, the potential of web-based technologies and virtual networks should not be estimated as it can open up new target of potential partners as well as customers.

Additionally, the researcher recommend for all parties involved to maintain a professional and satisfactory relation with the city council, municipalities and regional authorities as the interests for collaboration are on every sides. Actors should definitely avoid inappropriate communication with them because of it can cause several obstacles like happened in the case study of this thesis. Moreover, to enhance the interaction with local artists could increase the potential pool of talented labour who can contribute with their special knowledge and skills to the development of a new CCC.

5.3   Study limitations

During the development of research question and research objectives, the researcher had several possible directions of choosing the problem to be observed, but the possible alternatives were delimitated, such as policy implications on the CCCs, business model and business strategy of CCCs or the role of single firms as parts of clusters.

The aim of the thesis is to investigate the studied phenomenon in the European context, however, the theoretical materials are also gathered from other continents where different cultural habits and traditions may influence the academic assumptions. Since the researcher uses theoretically derived codes from the literature review in order to design interview guides of this thesis, different theoretical materials would obviously have shaped the thesis in a different direction. It would specifically have had an effect on the summary keys as well as theoretical propositions that served as a base for coding. Despite the comprehensive and systematic review of academic studies, some important assumptions might be overlooked.

Limitations in methodology

Regarding methodological choices made in the thesis, several limitations are outlined further on. First of all, the case study as a research strategy provides for the purpose of the research deeper overview about the investigated phenomenon, however the case company is only in its development phase and it can cause following constraints. Specifically, the actors who are participating in the internal activities of the cluster have never worked before in the spatial proximity of each other, therefore it was more difficult from them to determine the real benefits and challenges of clustering.

Moreover, it was only possible to make interviews with two main parts of the clusters, namely music production and cinema, as artists from other parts are only in their decision-making phase or they are on a theatre tour. To further continue with data gathering, the researcher perceive that more interviews, would shape more perspectives on the concept of clustering and co-creation in CCIs. For instance, several industry experts did not respond to the requests for an interview, namely Zora Jaurová from the NGO called Creative Industry Forum or Jose Rodriquez from Trans Europe Halles.

Furthermore, conducting more comparative analysis, for instance with creative and cultural cluster Tabacka in Košice can provide different perspectives on studied phenomenon. However, this cluster is highly supported by the city Košice, so the dynamics of the research would probably go different direction, for instance, it would be possible to explore the influence of city policies on the CCCs.

Lastly, it is important to note that as a critical realist, the researcher believe that the reality is socially constructed and thus the outside is more than just the situation that was observed. Consequently, the influence of co-location and co-creation on CCIs can diversify amongst various less developed countries in Europe.

5.4 Future Research

To extend the findings further, the future research should take into consideration the dependency of micro-clusters on public and private funding, thus the burning question would be to explore if the amount of funding provided for the project correlates with the amount of creative influence that actor gets, and with the quality of the creative and cultural outcome as well.

Regarding the complexity of the value chain in CCIs, as many actors and various activities are gathered under the umbrella of CCCs, it would be interesting to investigate who is the main leader in the cluster´s chain, whether it is the one who has access to resources or who has capabilities and knowledge. Moreover, on a policy level, closer examination of intellectual property law in the form of contractual agreements could illustrate the influence of co-location and co-creation in CCIs from another point of view.

The future research may also investigate the main barriers to success as well as main conflicts within the project networks. Since the cluster managers are often confronted with various obstacles, it would be beneficial contribution to explore their influence on value creation in the CCCs.

Lastly, the future research should also focuses on the opportunities of city development and regional growth in the non-metropolitan areas through the development of creative and cultural clusters that produce cultural and creative goods and services as well as serve as a place for education, relax and entertainment.

6   CONCLUSION

The European cultural and creative industries represent a significant set of industries because of their role as a possible engine of continued economic growth has been discovered. Theoretically, this thesis contributes to managerial and networking literature by investigating the influence of co-location and co-creation on small-scale creative and cultural enterprises in non-metropolitan areas of Europe. Practically, cultural and creative entrepreneurs need to know how to build up the right set of trustworthy relationships with internal and external partners, and they need to know how to use personal contacts and references in complex global networks as this sector is subject to dynamic changes and uncertainty. Therefore, if artistic entrepreneurs want to set up a valuable, efficient and profitable business, they have to be aware of the main patterns of collaborative networking.

The findings of this thesis examine that if the creative and cultural cluster (henceforth CCC) arise, it is often specifically oriented as the entrepreneurs are trying to adapt to the environment in which they have to work. Further, CCCs are collaborative and network-oriented because it gives them a better chance firstly, to exchange various creative and cultural activities internationally which will improve their goods and services as well as help to share specific knowledge and information at meetings and workshops which enhances the education of creative workers and motivates them to plan long - term. Lastly, collaborative networking give CCCs a better chance to garner financial support from the funds and grants at national and international levels because they act as a visible point for public institutions or private investors and they can lobby together for their shared interests and common goals.

Consequently, the concepts of co-location and co-creation influence the creative and cultural clusters in their value chains, because the complexity of the transactions in the chain increases with the number of actors involved, which has an effect on the coordination of the processes. Furthermore the capabilities of the network partners are increasingly important, as they actively participate in the creative and cultural activities of the cluster. To sum up, the value chain of the CCCs in non-metropolitan areas have to be governed with a focus on internal and external collaborative networking.

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