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# **The creative economy in a context of transition: a review of the mechanisms of micro-resilience**

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## **Abstract**

This paper assesses the coping mechanisms of creative SMEs in the context of recent economic downturns. It argues that such industries develop various forms of micro-resilience anchored in three main dimensions: production, space and people. By using the case of Digbeth and the Custard Factory as a lens to focus the discussion, it posits the argument that micro-resilience rests upon competitive advantages, including corporate reputation and the capacity of those industries to be flexible, adaptable and entrepreneurial. It also notes that space and locality, as intangible resources, act as leverages to provide an adequate working environment, allowing financial viability and clustering. Finally, it points out that creative workers and their informal networks favour a range of tactics allowing micro-resiliency.

## **Key words**

Creative economy, creative SMEs, resilience, recession

## **Introduction**

The creative and cultural industries are of vital importance to the United Kingdom's economy, representing 7.3 percent of its output and employing over 1.2 million workers (Levy et al., 2011). The creative economy encompasses a wide range of activities across thirteen sectors (advertising, architecture, the art and antiques market, crafts, design, designer fashion, film, leisure software, music, the performing arts, publishing, software, and television and radio); these activities all trade their creative assets in the form of intellectual property. The creative economy is considered an important driver of economic growth; in January 2014 the Department for Culture, Media and Sport noted that the UK's creative industries are worth £8million an hour to its economy<sup>1</sup>. While the sector includes companies of all sizes they are predominantly small, with many sole-employee firms, with many choosing to locate in former industrial spaces due to the uncertain nature of the availability of

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<sup>1</sup> <https://www.gov.uk/government/news/creative-industries-worth-8million-an-hour-to-uk-economy>

workspaces and affordable rents. Such spaces have fostered both creativity and clustering (Drake, 2003) and, by focusing on small enterprises in such locations, this paper examines how they cope with the current economic downturn and what role place plays in their resilience. It argues that creative SMEs have the capacity to adapt on an everyday basis thanks to a range of micro-resilience leverages, as such firms are often very flexible and are located within environments particularly favourable to change and adaptability.

The current economic uncertainty has impacted severely upon the creative sector and many funding streams; for example, support from the Regional Development Agencies is no longer available. Many studies have highlighted the challenges the sector faces; as Reid et al. (2010, p.4) note, “the UK creative industries are under threat from a combination of recession induced cuts, the global trends towards convergence and digitalisation, and concrete actions from other governments to maximise the recovery-boosting economic potential of their own creative industries” (for a discussion on the situation in the USA see Grodach and Seman, 2013). Their vulnerability is concomitant with a set of factors, including their size (Reid et al., 2010), the difficulty in accessing credit facilities, for some their lack of entrepreneurial skills (Henry, 2007; Romein and Trip, 2011), or their dependency on other supply chains (Romein and Trip, 2011). Furthermore, there is an over expectation of the innovative potential of creative and cultural industries, leading to a lack of clear strategic guidelines for policy makers (Cook and De Propriis, 2011). However, some studies (UNCTAD, 2010; Donald et al., 2013) show that the creative sector has coped relatively well during the economic downturn, in comparison to other sectors, with De Propriis (2013, p.26) noting that creative industries are “showing a more resilient intrinsic dynamism than other parts of the economy”, related to “a growth in employment and the capacity to retain creative talent” meaning they are “able to swing between different company sizes”.

### *Micro-resilience*

While acknowledging the creative sector’s diversity of industries, this paper focuses on creative SMEs settled in former industrial spaces. By exploring their coping mechanisms, our interest sits within the everyday micro-resilience capacity of creative industries. Concepts of resilience entered urban planning from the natural sciences, where it was understood to mean how something rebounds from an external shock and return to something approaching its original state (Vale and Campanella, 2005). This proved useful for thinking about how places respond to natural disasters, which led to resilience becoming built into urban planning. Over time, this original conception began to include how places could be equipped to deal with an economic downturn, potential terrorist threats (Coaffee, 2008) or health issues (Pearson et al., 2013). In other words, resilience became integral to the planning process. However, the scale at which this takes place is often at the regional or city level, and relatively little attention is paid to local or micro resilience. Some notable exceptions to this include Wrigley and Dolega (2011), who explored high street resilience, and there is an emerging literature on SME resilience (see Williams and Vorley, 2014), but a significant proportion of this work still looks at the impact of climate on SMEs (Ingirige and Wedawatta, 2014). To date, there is

little research exploring resilience amongst small creative firms and their relationships to the places they operate within. This paper employs the term micro resilience to conceptualise how such firms cope with and adapt to external shocks, such as the current economic downturn. Where the term differs from the more traditional usage, that of ‘bouncing back’ to an original state, it is argued here that micro resilience can be taken to mean the nimble taking advantage of opportunities presented by a shock; in other words, adaptability rather than rebound. This draws upon Martin’s (2012) work on regional resilience and economic downturns, which stresses the importance of adaptation through the exploitation of new opportunities, rather than a simple return to a previous state. As Andres and Round (forthcoming) argue, location is central to micro resilience as it is where knowledge is shared, coping tactics discussed and a sense of community (whether business or social) built. In other words, place matters to small creative firms, as the below discussions demonstrate. Examining creative activities through the resilience lens is extremely timely, as this concept is positioned as a vehicle for the economic and social revival of places (see, for example, Stockholm Resilience Centre, 2010; Raco and Street, 2012). To develop the argument that creative industries employ different coping mechanisms, which enables micro resilience, the paper first details the different pressures creative SMEs currently face and their intrinsically adaptable capacity. Then, drawing upon Andres and Round (forthcoming), it discusses the three main forms of coping mechanisms that were identified during the research project: production, space and people. Finally, broader lessons are drawn to inform debates on the mechanisms of micro resilience in economic geography.

### *Research location*

The paper uses the Digbeth area of Birmingham and one of its key creative spaces, the Custard Factory, as a lens to focus the discussions below. The location was chosen as it is viewed as the most vital creative area in the West Midlands, and is seen by many as a potential driver for diversification of the region’s economy. The paper draws upon two qualitative research projects conducted in 2011/2012. Data collection included both secondary and primary data in the form of documents (academic papers, reports, planning guidance), a survey targeting creative companies, and follow-up, in-depth interviews with tenants and site managers. The interviews were all conducted in the interviewees’ workplaces and were recorded and analysed later. Interviews were initially arranged through existing contacts and then via the snowball method.

Labelled as a “creative quarter” by the City of Birmingham, Digbeth is a former industrial district with a range of reused warehouses, industrial units and derelict buildings. Currently it is characterised by daily creative activities (in the Custard Factory, Fazeley Studios and/or the Bond), as well as evening attractions (nightclubs and bars). The location is also home to live music, cafes, ‘pop-up’ events and temporary art exhibitions. There is a vibrant local community organisation (see digbeth.org), which places cultural events at the forefront of its activities. In a city that can be criticised for its conformity, Digbeth is an area defined by its creative atmosphere. For almost ten years the City Council has aimed to develop Digbeth as a

cultural (notably a digital media) quarter, building on the Custard Factory – which acts as a flagship facility – and the concentration of a great number of creative industries in its surroundings. To date, progress has been slow due to the Council’s lack of a cohesive vision and leadership, characterised by a dispersed and micro regeneration approach (Porter and Barber, 2007; Barber and Pareja-Eastaway, 2010). While the plan to site Birmingham’s High Speed Rail terminus adjacent to the quarter may kick-start a more integrated regeneration process, to date it is private initiatives that have sparked Digbeth’s “creative buzz”, with the Custard Factory the leading initiative. The former factory was bought by a private developer at the end of the 1980s, and within a few months the building housed 100 different artists and creative businesses. A mix of City Council funding, EU grants and private finance led to the £2million refurbishment of the space (Porter and Barber, 2007), and two further stages of redeployment, in 2002 and 2007, saw the addition of new spaces and studios. While the cases of Birmingham and the Custard Factory cannot be considered as exemplary of the situation for the United Kingdom’s SMEs as a whole, it does, however, provide a very useful focal point for starting debate on the issues they face and how they respond to them.

### **Creative SMEs in a context of economic downturns**

As with many other small businesses, the economic crisis has seen creative SMEs affected by restricted cash flows, a more difficult lending environment and falling customer orders. Indeed, creative SMEs, due to their size and often fragmented business structure, have encountered more problematic access to credit facilities than other sectors as lenders have become less trusting of the value of creative products (De Propriis, 2013). Additionally, the business model of creative SMEs relies on fluctuating demand and on a high degree of specialisation (Romein and Trip, 2011). Creative SMEs also suffer from a further two obstacles. Firstly, it is argued that they often lack entrepreneurial skills (by training or by choice), with Clews (2007) arguing that some creative people fear that an entrepreneurial spirit may make them lose their artistic integrity or aesthetic quality. Thus, in an era of austerity, such companies may struggle as they lack an efficient business model that helps them to adapt and keep their finances stable. Secondly, creative SMEs are strongly connected to public money. Though the creative economy is nowadays a “hybrid public–private amalgam of co-funding, sponsorship and volunteering” (Pratt and Hutton, 2013, p.92), the reduction of funding opportunities has had a clear impact on creative SMEs’ viability. A typical comment from the managing director of a creative space in Birmingham was that

*There are more organisations that are commercial and market facing; a lot of the organisations that relied on government funding initiatives are now struggling. They are having to evolve and in some cases are disappearing<sup>2</sup>.*

More importantly, public sector cuts have also fragmented businesses’ support networks:

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<sup>2</sup> Interview creative industry 3 – April 2012

*The recession has had the most impact upon the support network for digital and media creative companies and on the community more widely. Well known businesses seem to be doing well and have ridden the storm. The bigger impact has been upon the support network, for example Birmingham City Council, Advantage West Midlands, Screen West Midlands and Business Link. This strong support network has literally gone. This is a direct effect of the public funding and spending cuts<sup>3</sup>.*

Creative businesses are thus forced by these challenges to adapt, which frames their ability to develop new coping mechanisms and to become resilient. Such coping mechanisms, though linked to economic downturns, are intrinsically related to the nature of creative businesses. As Bain and McLean (2013) and Donald et al. (2013) note, creative businesses are anchored in precarity and risk, and thus their need for adaptability shapes their business models. However, this can also be seen as a positive, albeit not an altogether desirable one, as creative SMEs are in an advantageous position, when compared to more traditional industries, for developing micro resilience as they are more prepared for the uncertainty that an economic downturn brings. Furthermore, the more flexible nature of the creative forms of production, relying on high level, though very porous, forms of co-dependency between such firms, is an asset for adaptability. The following discussion therefore delineates these different mechanisms, demonstrating their potential for supporting adaptability and hence micro-level resilience, and looks in turn at the production process, the spaces it takes place in and the people involved.

### **Production: expertise and flexibility as forms of micro-resilience**

Coping mechanisms in relation to the production process result from the fact that creative SMEs are anchored, as noted above, in precarity and risk, and have to constantly adapt (Pratt et al., 2013); as one interviewee said, *“We are under pressure all the time as a small business in ourselves and have to stand on our own two feet<sup>4</sup>”*. This refutes Clew’s (2007) argument that creatives fear entrepreneurialism, as almost all interviewees stated that an entrepreneurial approach is crucial to their survival, with one saying: *“Organisations that can’t adapt and aren’t entrepreneurial will fail, but if you are adaptable and entrepreneurial you will survive”<sup>5</sup>*. Adaptability and entrepreneurialism constitute the first pillar of micro-level resilience upon which additional mechanisms rest. Interviewees discussed the fact that quality products and expertise are key to guaranteeing customers’ satisfaction and thus the business’s longevity. *“In terms of strategies we just do our jobs, that’s all we can do, it’s tough now, there is a recession, but as a small business you’re always fighting to survive, you can never*

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<sup>3</sup> Interview creative industry 5 – June 2012

<sup>4</sup> Interview creative industry 17 – June 2012

<sup>5</sup> Interview creative industry 22 – August 2012

*sit back. So the strategy is that you do your job and you do it to the best of your ability*<sup>6</sup>. This idea of excellence was shared by others: *“it is important to be on top”*<sup>7</sup>; *“there is less opportunity and this requires you to work harder to make stuff happen”*<sup>8</sup>. As such, the company’s corporate reputation is also important for coping. It has an impact on valorising businesses in a competitive environment, strengthening networks with other businesses as well as by word of mouth. One said: *“Clients know us and trust us to deliver a very good job. They also recommend us to other companies”*<sup>9</sup>. Corporate reputation is a non-price based competitive advantage (Walsh and Beatty, 2007), and is here cited as a factor of micro-resilience because businesses share the view that it contributes to a healthier business in a context of economic downturns.

The small size of creative SMEs can be considered both an asset and a form of leverage, as it fosters adaptability as well as innovativeness (Romein and Trip, 2011). New business models can be adopted if circumstances change, enabling different options such as *“downsizing, taking smaller spaces or moving out”*<sup>10</sup>, *“assessing and reviewing costs and being more resource effective”*<sup>11</sup>, betting on the *“waterfall effect” of doing voluntary activity, in expanding our networks and building up our reputation*<sup>12</sup> or in *“generating more diverse sources on incomes as clients are more irregular”*<sup>13</sup>. Furthermore, there are different forms of adaptability that aim to exploit additional competitive advantages and to diversify the forms of competitiveness: spatial adaptability (business location/size), financial adaptability (costs and funding) and adaptability in business development strategies; in other words, the use of alternative ways of generating incomes and targeting customers largely based on informal networks, i.e. *“not bound by an explicit agreement that links all participants but entirely by mutually reinforcing self-interests”* (Kingsley and Malecki 2004, p.72). The diversification in the forms of funding and partnership is coupled to a change of scale, to which is added the need for more complex and diversified partnerships, as exemplified by the following:

*We have developed a new fund raising strategy. We are now looking for big partnerships. We are doing joint-applications arrangements (...). Instead of targeting UK funders we are now looking at European level*<sup>14</sup>.

*For the last four we have been focusing on relationships with significant funders and buying into their strategies. Now it’s refining and splitting so we have service level agreements and straight forward grant funded projects. So there is this idea*

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<sup>6</sup> Interview creative industry 2 – April 2012

<sup>7</sup> Interview creative industry 33 – August 2012

<sup>8</sup> Interview creative industry 3 – April 2012

<sup>9</sup> Interview creative industry 6 – May 2012

<sup>10</sup> Interview creative industry 35 – August 2012

<sup>11</sup> Interview creative industry 9 – May 2012

<sup>12</sup> Interview creative industry 23 – July 2012

<sup>13</sup> Interview creative industry 1 – April 2012

<sup>14</sup> Interview creative industry 11 – June 2012

*about delivery of services, where we are much more a supplier than a partner to strategic organisations.*<sup>15</sup>

These forms of diversification feed back to the idea of trust (amongst networked partners and customers) and to the process of strengthening corporate reputation and expertise. Above all, these mechanisms do also merge with the next two leverages of micro-level resilience: space and people.

### **Space: locality and weak planning**

Space, and its related flexibility in a context of urban and economic uncertainties, plays an important role in fostering the resilience of creative SMEs (Drake, 2003). The interviews with the creative industries showed that their location in Digbeth, and in the Custard Factory, has been a supporting factor in coping with the economic downturn. It has helped them forge creativity, as well as adding to the enterprises' corporate reputation. Typical comments included: *"it is a vibrant, lively place to be, it is rough around the edges but that in itself gives it character"*<sup>16</sup>. *"Because the Custard Factory is well known as a creative area – if you are based here people assume that you are a well established company. So you pay for the name a bit"*<sup>17</sup>.

It is the combination of the space's flexibility, location, rent levels and overall design and architecture that shape the assets of a former industrial building and its role in business strategies. As noted by one interviewee, based in the Custard Factory, *"From my perspective there are two aspects to that: it's utilitarian in terms that it's relatively cost effective and it's central, it gives us what we need from a business perspective but it has that little bit of an extra edge"*<sup>18</sup>. This argument is not new, and is not the only reason why firms cluster (see Porter, 2000 and Marshall, 1990), but it has not been previously pointed how clustering it helps them forge coping mechanisms. Helbrecht (2004) and Hutton (2006) have already demonstrated that creative firms and workers tend to privilege buildings with a strong sense of heritage (especially industrial heritage) as they are not only perceived as a good fit for their activities, but also as providing leverage for creative production, which also explains why creative industries tend to cluster, especially in urban areas (De Propriis, 2013). Location in former industrial buildings also offers character and visibility, and thus locality is an important factor of micro-level resilience. Following Drake's (2003) argument that locality is a brand, based on reputation and tradition, it can be argued that it also contributes to the development of a business' reputation and helps create a non-price based competitive advantage: *"We have a lot of people who come to visit us who work in a high-powered, and sophisticated, glamorous media environments. It's very difficult for a small outfit like us to*

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<sup>15</sup> Interview creative industry 4 – April 2012

<sup>16</sup> Interview creative industry 9 – May 2012

<sup>17</sup> Interview creative industry 1 – April 2012

<sup>18</sup> Interview creative industry 31 – August 2012



*get remembered, in our industry, but they remember us when they come here because it has impact. This has supported our activity lately”*<sup>19</sup>(I2). Space and locality, as non-price based competitive advantages, are thus leverages for micro-level resilience.

Such leverages are enhanced at the city level, in a context of uncertainties, creating a favourable milieu in which to nurture local economic development, as noted by Raco and Street (2012, p.19):

recession has brought to the fore greater recognition of the importance of ‘softer’ elements in urban development planning, such as the building of new parks, greater environmental protection, heritage planning and the construction of more accessible built environments.

From a business perspective, a unique built environment creates a soft factor supporting various business strategies (for further discussion see Currid, 2007). In the context of urban uncertainties this is, in other words, “weak planning”, where land use and development processes are altered by a lack of coordination, strategic guidelines, clear objectives and/or control by a higher authority, whereby flexible, permissive but temporary uses of land are possible (Andres, 2013). For example, Digbeth, though long characterised as a creative cluster, hasn’t seen many small and large-scale regeneration projects taken forward. This has created a land of opportunity for initiatives like the Custard Factory. A long-lasting weak planning context means that market pressures on business rents are moderate; the aim for property managers is to maintain the level of occupation and to be competitive rather than to look for the highest profit possible. As noted by the Custard Factory’s manager: “*The austerity is a bit funny for us as the property market is cut-throat at the moment; we’re almost scared to advertise who is working here as our competitors can contact them directly and undercut us. So we need to hold our nerve, make sure that the right companies come in, that we look after them and help promote those companies*”<sup>20</sup>. In essence, weak planning has provided the opportunity to maintain the existence of affordable and flexible spaces, which has allowed creative SMEs to cope more easily with economic pressures: “*For sure we feel lucky in having this amount of workspace for that amount of money. We don’t feel so much under pressure*”. For others it also means that deals can be done when negotiating rental leases: “*there were some fantastic opportunities [interviewee refers to the latest phase of redevelopment Zellig, completed in 2011] in terms of price and space, if you were ready to sign a rental agreement off plan*”. The conjunction of these elements has generated an environment favourable to creative SMEs’ coping mechanisms. This observation merges with the point made by Bain and McLean (2013) when looking at how artists have coped during austerity on an everyday basis in Toronto. By creating a shared space on a permanent or temporary basis, outside of market mechanisms, artists have managed to pursue their cultural production goals. This confirms the role of space in fostering micro-level resilience, to which

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<sup>19</sup> Interview creative industry 17 – June 2012

<sup>20</sup> Interview creative industry 5 – May 2012

can indeed be finally added the crucial role of people.

### **People: networks, community and flexible workforce**

The importance of locality and space combines with the last mechanisms of SMEs' micro-level resilience: people, and particularly how networks, community belonging and a flexible workforce enable adaptability. Indeed, this argument rests upon the capacity of creative industries to cluster. Clustering allows information to circulate and exchange (Hutton, 2008), and enables "external scale economies and activates fluid channels for knowledge sharing and spillovers" (Cooke and De Propris, 2011, p.367). Unsurprisingly, spatial clustering is a significant factor for SMEs located in the Custard Factory: *"there was a whole bunch of reasons why it was a good place to be; this was where the creative mass was going to be and because the creative industry is very much about networks and contacts then it makes sense to be wherever that critical mass is"*<sup>21</sup>. Networking and word of mouth have played a central role in ensuring the successful development of the Factory since day one; creative people who settled in the former factory decided to do so because they knew someone who was already working here. Those networks, as per the forms of production, valorise trust as well as different forms of knowledge sharing: *"Knowing people and exchanging with them is important. Knowing people that you can trust and that can trust you is important as well"*<sup>22</sup>. Networks create a sense of community within the building, which appear as a leverage for fostering coping mechanisms: *"I wouldn't say that the community would save the day but I think there are certain aspects of the support that is potentially there, that there are certain people you could go and speak to"*<sup>23</sup>. This is important in a period of economic downturn, as it leads to the development of 'everyday coping tactics' (Round et al., 2010) amongst businesses which take the forms of favours, exchange of information or recommendations *"we have formed partnerships in the building: we use in each other when needed. If someone hears an interesting business or funding opportunity he will tell it to others"*<sup>24</sup>. *"I have recommended a couple of times businesses located in the Custard Factory. This makes sense! I know them and I know the quality of their work"*<sup>25</sup>. Such tactics are very much anchored in space, and in the flexibility offered by the Custard Factory to foster social connections. They are needed in order to foster financial adaptability, as well as adaptability in the business development strategies discussed earlier.

Networks, as argued before, also enhance corporate reputation and impact on competitiveness; as one interviewee said: *"It is not what you know but who you know – reputation and recommendation, doing good jobs and generating repeat business, broadening your network and extending your client base"*<sup>26</sup>. The importance of networks, and

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<sup>21</sup> Interview creative industry 8 – May 2012

<sup>22</sup> Interview creative industry 4 – April 2012

<sup>23</sup> Interview creative industry 2 – May 2012

<sup>24</sup> Interview creative industry 31 – August 2012

<sup>25</sup> Interview creative industry 22 – July 2012

<sup>26</sup> Interview creative industry 16 – July 2012

particularly of fostering micro-networking, was set out in the Custard Factory initial development plan, and a set of facilities were provided in the building to allow workers to convene and exchange, such as a pond with seating facilities, a café, a bar, a small cinema and a gallery. Though the relevance and sustainability of these facilities can be questioned (did workers convene because of these spaces, or merely because of shared interests?), they certainly created a community of tenants. The benefit of having shared spaces and events within the Custard Factory is acknowledged as an asset, as pointed out by one interviewee: “*running your own business is stressful. Small businesses here band together and are supportive of each others work*”. The benefit of fostering those informal networks (Kingsley and Malecki, 2004) within and outside the factory are undoubtedly a factor of micro-level resilience, as networking facilitates new avenues of resources as well as enabling artists to adopt pro-active strategies towards maintaining a flexible, creative workforce:

*Being active in constantly maintaining and enlarging those networks is key: contacting new artists and addressing economic pressures by keeping new avenues of business open is a model that works for us. So, our intelligence is good on the sector*<sup>27</sup>.

*With this type of business is a massive undertaking with lots of ‘behind the scenes’ work. Need personal contacts for support and organisational contacts to secure the day to day stock and keep the business going*<sup>28</sup>.

Creative activities require “thick and flexible personal and professional networks, ensuring that the need to remain tightly embedded in creative circles outweighs the cost of job uncertainty” (De Propriis, 2013, p.29). The flexibility of the workforce is thus a factor of adaptability and resilience. This relies not only on De Propriis’s (2013, p.27) argument that creative talents are able to “migrate from employed work to self-employment”, but also on the fact that creative SMEs use volunteering to support their business: “*we are using students and graduates looking for work experience. They are an excellent addition to our team. We don’t pay them a lot of money – some of them actually do it for free – and the value of their work is excellent. We are not in a position to employ any additional staff, but we would not be able to deliver our orders on time if we did not have this additional help*”<sup>29</sup>. Adaptability in the workforce is also tied to the flexibility of skills, and emphasises again the importance of expertise: “*It’s not a start-up industry model. People who are currently on the margins will have to do something else. There have always been musicians and artists who work in cafés, but the idea is that they are doing that until their creative career takes off*”<sup>30</sup>. These observations strengthen Romein and Trip’s (2011) argument that the creative sector benefits from elasticity. The working patterns of creative workers are flexible and allow them to

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<sup>27</sup> Interview creative industry 4 – April 2012

<sup>28</sup> Interview creative industry 9 – May 2012

<sup>29</sup> Interview creative industry 8 – May 2012

<sup>30</sup> Interview creative industry 7 – May 2012

combine different part-time and temporary activities and jobs. Even in more prosperous periods it is not uncommon for part-time work in the creative industries to be combined with part-time jobs in another sector (Felton et al., 2010). Therefore, workforce adaptability is a further important factor in fostering the resilience of SMEs in the face of economic downturns.

## **Conclusion**

From exploring the different coping mechanisms of creative SMEs in response to the economic downturns three different forms of micro-level resilience can be seen to combine. Firstly, there is the capacity of having adaptable forms of production; that is to say, spatial, financial and business development adaptabilities based on an ongoing entrepreneurial spirit, continuing work excellence and a strong corporate reputation. Secondly, space and locality are crucially important, not only for cost and size effect purposes, but also in regard to reputation and clustering. Space creates an intangible resource, and a non-priced based competitive advantage, for companies, particularly when located in a former industrial neighbourhood that is not yet fully regenerated, thus fostering flexibility and adaptability. Thirdly, people, and an adaptable and networked workforce, are core to coping mechanisms. The use of informal networks, as per clustering, supports the development of tactics fostering funding and business development adaptabilities; it complements a flexible working environment, allowing creative workers to adapt and grow in a nurturing environment.

Drawing on Martin's (2012) notion of regional economic resilience – that resilience is more concerned with adaptation and taking advantage of opportunity, rather than simply 'bouncing back' to a previous state – it is argued that the different mechanisms of micro-level resilience, in the case of the creative SMEs in Birmingham, allow opportunities for both resistance (through adaptation and flexibility) and renewal (through innovation). However, these forms of micro-level resilience are fragile, as they rely on intangible resources which can easily be fragmented, or can shrink or even disappear. Typically, as the case of the Custard Factory demonstrates, resilience relies on the good management of space (aesthetic, visibility, investment in facilities and in common areas), which is challenging in periods of austerity due to the financial pressures faced by owners.

Reflecting on how creative SMEs in Birmingham have faced the economic crisis and developed a range of coping mechanisms, it can be argued that they employ differing forms/levels of micro-level resilience. Insights drawn from the two qualitative researches have demonstrated that production, space and people form a complex system of coping mechanisms leading to a degree of micro-level resilience employed by creative SMEs. But is that resilience unique, and specifically connected to creativity? The intrinsic nature of creative SMEs, of being adaptable and flexible, appears to offer competitive advantage in a context of economic downturns. Furthermore, it is revealing to see that organisational assets (networks) and reputational assets appear as intangible resources for resilience across

production/space and people. More unique is the relation to space and locality, which is very strongly connected to the nature of creativity. Space, and particularly the building and the district, must be considered as an additional, intangible resource. As such, not only are networks and reputation essential for competitiveness and resilience, but space and buildings themselves also play a vital role.

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