

Locating Entrepreneurial  
*Creativity and*  
*Knowledge*  
to foster Growth  
*of EUROPEAN*  
*Cities*

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TeliaSonera Institute Discussion Paper No 12

# Locating Entrepreneurial Creativity and Knowledge to foster Growth of European Cities

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February, 2010

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## **Acknowledgements**

We are grateful to all ACRE project partners, in particular Denis Eckert and Anders Paalzow for providing with valuable comments which contributed to the development of this paper. Generous support from TeliaSonera Institute at SSE Riga is also acknowledged.

ISBN 978-9984-842-41-7

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Centre for Economic Policy Studies (BICEPS), 2010

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## Foreword

This is the twelfth of the TeliaSonera Institute Discussion Papers. The Institute, which is located at the Stockholm School of Economics in Riga is generously supported by TeliaSonera and aims to promote applied economic research in the fields of entrepreneurship and telecommunication – the latter with a focus on regulatory issues.

The current discussion paper on Determinants of Location Patterns for Entrepreneurs and Managers from Creative and Knowledge Intensive Industries in Europe is written by Evgenii Dainov and Arnis Sauka. This as well as the previous eleven discussion papers can be downloaded from the SSE Riga website, [www.sseriga.edu.lv](http://www.sseriga.edu.lv). Hard copies can be ordered from [office@sseriga.edu.lv](mailto:office@sseriga.edu.lv).

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## 1. Introduction

Recent literature emphasizes the role of the constant supply of creative energy from citizens in fostering the development of places, cities in particular (e.g. Florida, 2002). In this light, globalization and new technologies have significantly decreased the impact of distances which in turn has facilitated the flow of the creative population between various cities and regions (e.g. Lucas, 1988; Karlsson, Johansson and Stough 2008), widely acknowledged as having a positive impact on productivity<sup>3</sup> (Amabile, 1983; Audretsch and Feldman, 1996). Attempting to explain why economic activity and creative people group in one place and not another, literature emphasizes the role of supply and demand conditions.

The supply side refers to the personality and cognitive characteristics of individuals living in cities - their ability to generate new ideas and spot new opportunities and their willingness to implement these opportunities (e.g. Amabile, 1996). Furthermore the role of the context in which people live and make everyday decisions has been highlighted as having considerable impact on the level of individuals' creativity (Florida, 2002; Rasulzada, 2007). In this light, literature highlights the importance of the demand side of cities, referring to the "overall quality of the city". Factors such as the level of education institutions, tolerance towards minorities, city size and the size of the market as well as networking possibilities and the ability to generate spillovers have been mentioned among other factors of influence (e.g. Jacobs, 1961; Florida, 2002; Glaeser, et al., 2001; Fujita and Thisse, 2002).

In spite of considerable efforts to address the questions of why and how cities and regions attract people and stimulate creativity, there is still a lack of sufficiently robust empirical evidence in this regard. By exploring the attitudes and preferences of managers and entrepreneurs from creative and knowledge-based sectors, this paper aims to contribute to the ongoing discussion of the factors fostering the flow of entrepreneurs to particular cities and regions in Europe. The cases of five metropolitan regions – Sofia, Riga, Budapest (East European capitals), Helsinki (a West European capital city) and Toulouse, a classic West European "second city" operating in the shadow of the national capital – are used for this purpose. The rest of the paper is structured as follows: Section 2 highlights the major challenges in the existing conceptual framework. Section 3 presents methodology. The main results are presented in Section 4 and the paper closes with conclusions and implications in Section 5.

## 2. Cities and the Creative Class: Major Conceptual Challenges

An influential position within the debate on the determinants of creative population flow between cities is, of course, the conceptual construct of the "creative class" developed by Richard Florida (2002). There are three major points in Florida's theory. The first is that the highest value

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<sup>3</sup> Although it is generally believed that creativity has a positive effect on productivity and general well-being, it should be emphasized that there are also costs which the process of creativity can involve. For example, due to the uncertainty of the outcome, creative people are met with scepticism and resistance from society and are also at risk for failure and increased stress (Boden, 1997; Kanter, 1988).

added is produced by “creative industries” such as IT, design and arts and cities should thus focus on these industries. Florida’s second point is that, in creative industries it is no longer the case that employees follow the company. On the contrary, creative companies tend to be located in places where the “creative class” (“creatives” for short) congregates.

The third point is most directly linked to policymaking and planning, highlighting that “creatives” are highly mobile, nomadic individuals who choose their location for reasons other than the classic “hard”-factor considerations, such as rent levels, availability of office space, accessibility and transport. Instead, “soft” factors, e.g. urban “buzz”, varied (sub)cultural life, ethnic diversity, availability of greenery and open water, bicycle-friendliness, friendly spaces for interpersonal communication and high levels of tolerance are of major importance when location decisions are made. The simplified policy-related outcome arising from this framework is obvious: a city which intends to have creative industries should first put together the right mix of “soft” and “hard” factors to attract the nomadic “creatives”. The development of the city should then follow as they move in.

In light of this discussion, it should be emphasized, however, that a multitude of critical objections have arisen regarding the Florida brand of “creative class” theory and its policy ramifications. Steven Malanga, the editor of *City Journal*, for example, pointed out that over a longer term horizon the “most creative” US cities on Florida’s list are the worst performers economically (Malanga, 2004). According to Malanga’s estimates, the top ten most “creative” cities, for instance, experienced 17.5 % job growth from 1993-2003, while “Florida’s least creative cities” saw their job numbers grow by 19.4 %. Furthermore, over a 20-year period, the “least creative” cities have been the USA’s powerhouses, expanding 60% faster than creative cities.

Next, in line with Florida (2002), some US-based empirical evidence has indeed indicated that amenities do matter and play a role in individuals’ location decisions. The trouble here, however, is that existing empirical evidence suggests that almost every group of the population, not only “creatives”, are attracted by amenities (Clark, 2004). Furthermore, “pipes, pavements and policing” seem, even in the USA, to remain very important in making cities attractive places. If that is the case, an over-simplified Florida-derived development plan may badly misfire by misdirecting resources, for example.

These are only a few examples of criticism of Florida (2002) to be found in the literature, of course. The major caveat in this discussion is that getting policy-oriented decisions wrong can have a negative impact on the future of each city. This is why the assumptions behind location theories of the “creative class” must be constantly re-assessed. Consequently, it is reasonable to argue that updated and diversified conceptual and empirical packages are needed in order to inform policy decisions. The next sections of this paper aim to contribute in this regard by providing empirical evidence from Sofia, Riga, Toulouse, Budapest and Helsinki, drawing on data from a survey of managers in creative and knowledge-intensive industries.



### 3. Methodology

21 to 24 semi-structured interviews were conducted from February-April of 2008 in each city, i.e. Sofia, Riga, Toulouse, Budapest and Helsinki. The respondents were all “managers” – where “manager” was defined as the person being the leading decision maker of the company. Following sectors were covered: business and management consultancy; computer games and electronic publishing, motion picture and video activities, radio and TV activities, research and development. All interviews were in depth face-to-face interviews lasting for about one hour.

The main aim of the interviews was to address the reasoning behind the location decisions of the managers and entrepreneurs from creative and knowledge intensive industries. Thus, interviews were conducted based on a semi-standardised guideline which comprised open-ended questions structured around the following themes<sup>4</sup>:

- The company’s business model and markets;
- Labour processes and recruitment;
- Networks (formal and informal) and their importance;
- Choice of location;
- Public support;
- Prospects at the current location.

## 4. Testing Florida: On the Location of the Creative Class

### 4.1. Location Decisions: the Role of “Individual Trajectory” Considerations and “Hard” Factors

The results from all cities in our sample suggest that the main drivers for settlement of entrepreneurs and managers from creative and knowledge-intensive industries are linked not to “hard” or “soft” factors but to “*individual trajectory*”. In *Toulouse*, for instance, as much as 75% of the interviewed managers had an anterior link with the city, either through family networks or networking established during their studies. Moreover, 55 % of the managers were born in or near the Toulouse region and 60% studied in Toulouse. Very similar findings to those are also reported in the case of the Helsinki Metropolitan Area, whereas in Sofia, Budapest and Riga “individual trajectory” seemed to have an even more significant impact.

To be more specific, respondents from the knowledge-intensive industries in *Sofia* and *Budapest* reported location decisions related to “individual trajectory” factors virtually without exception. Also, in Riga the majority of managers mentioned that their company is located in the city mainly because they were born there, have lived there in the past, or have studied there, thus having relatives and friends in the city. Overall, these findings are in line with Krugman (1991)

<sup>4</sup> Please see <http://www2.fmg.uva.nl/ACRE/results/reports.html> (reports 6) for a more detailed description of methodology employed in each city.

and Markussen (1996), who emphasized the place-dependency of entrepreneurial activities, arguing that entrepreneurs tend to stick to the places they know and where they have networking opportunities – very often these are the places they originally come from.

As for the influence of “hard” factors, managers and entrepreneurs of creative companies in Toulouse cited “market opportunity” reasons rather than “soft” factors as having an influence on their location decisions. Opportunities to recruit skilled workers, the presence of good universities as well as size of the city seemed to affect the location choices of both local and incoming managers considerably. Furthermore, the rapid demographic growth of the UAT (about 17,000 extra inhabitants per year since 1999) is seen as a favourable factor by companies, especially those having a link with the real estate sector. Overall, these findings reflect previous empirical evidence highlighting the role of density within cities in generating knowledge spillovers, achieved through the interaction and networking of the (creative) population and furthermore positively influencing the growth of the region (Lucas, 1988; Johansson and Karlsson, 2008). It should be emphasized, however, that according to our data, “hard” factor deficiencies are also seen, in Toulouse, as a significant stumbling block. Respondents from Toulouse, for instance, mentioned that the city is at a disadvantage due to the lack of cheap high-speed train connections to the capital and other strategic nodes in France and Europe. In managers’ and entrepreneurs’ opinion, the concentration of power and resources in Paris means that the majority of managers have to travel regularly to the capital city to meet and socialize with decision-makers.

“Hard” factors outweigh “soft” considerations in the case of *Helsinki* as well. More specifically, apart from “individual trajectory” considerations, the major drivers of entrepreneurs’ and managers’ location here are the presence of specialized skilled labour and the concentration of customers. Furthermore, many entrepreneurs stated that nearly the whole industry is located in Metropolitan Helsinki; thus, they simply have to be there. Such claims are well justified by available statistics, e.g. similarly to other industries, the business and management consulting industry, for example, is strongly concentrated in the Helsinki area, with approximately 60% of the entire sector’s employment positions in Finland (Kepsu and Vaattovaara, 2008). Interestingly enough, however, none of the entrepreneurs or managers interviewed in Helsinki mentioned any “soft” factors as important location drivers for their location to the city.

As in the case of Helsinki, “hard” factors, just after “individual trajectories”, play a decisive role in the site selection of entrepreneurs and managers and their companies in *Budapest*. The availability of the labour force, especially in financial and business activities, stands out as a crucial issue in this regard. That is, according to respondents, Budapest, as the centre of business life and also of higher education, is an “ideal place” to recruit. As in the other cities in our sample, however, several “hard” factors, such as the poor state of public transportation, were mentioned as causing major dissatisfaction. Overall, the same picture with regard to the importance of “hard factors” is reproduced by interviewed entrepreneurs and managers in *Riga* and *Sofia*, where beyond the dominant “individual trajectory” issues, factors such as access to a qualified workforce, the concentration of the relevant industry in the city, proximity of customers, access

to government institutions and networking possibilities were highlighted as having a positive role in the location decision.

#### 4.2. Location Decisions: the Role of “Soft” Factors

The main conclusion with regard to the influence of “soft” factors on the location decisions of managers and entrepreneurs of creative and knowledge-intensive industries in Sofia, Riga, Toulouse, Budapest and Helsinki is that our sample falls almost entirely outside of Florida’s theoretical model. More specifically, “soft” factors were mentioned very rarely and were emphasized as the drivers behind location decisions by isolated individuals only. Still, drawing on our results, an analytical sub-division between “*location*” and “*retention*” decisions has to be introduced as even though the location decisions of managers in the sample are nearly free of “soft” considerations, the decision to stay in the city is often significantly influenced by satisfaction with the “soft” factors in place.

For example, in the case of *Toulouse*, not a single respondent has made a *location decision* based significantly on “soft” considerations. Overall, the most mobile turned out to be managers in the business and management consultancy sector, over half of whom had no prior link to Toulouse, whereas web designers and managers from the games industry showed the least mobility in our sample, all of them being locals. A number of managers, however, reflected a strong affective attachment to the region by saying that they are not willing to leave the city at all. Arguably, this pattern may result from the “individual trajectory”. However, the influence of “soft” considerations, such as the proximity of the sea and mountains, the sunny climate, and the specific atmosphere and mindset of the South of France, could be another explanation in this regard, pointing to the comparably large role of “soft factors” with regard to managers’ and entrepreneurs’ *retention decision*.

Contrary to Toulouse, some evidence that “soft” factor considerations inform at least a few location decisions in *Helsinki* emerged from the data set. The major considerations include the nearness to high-quality residential space and safety issues. Furthermore, in line with the findings of a previous sub-study on creative knowledge workers in Helsinki (Kepsu and Vaattovaara, 2008) our data from Helsinki, as well as from other cities in the sample, suggest that managers appear to value “soft” factors, such as the ambience or “buzz” of the city. More specifically, according to managers various *networking related factors*, such as hanging out in theatre cafés, going to movie premiers and being inspired by urban life are of increasing importance to people, e.g. potential and existing employees from the managers’ and entrepreneurs’ viewpoint, in the whole industry. Overall, however, the mentioned “soft” factors seem to have a greater weight in entrepreneurs’ and managers’ *retention*, rather than in *location decisions*.

The situation regarding the influence of “soft” factors is not very different in the ex-socialist cities covered by the survey. In *Budapest* and *Riga*, for example, managers mentioned “soft”

factors rarely and largely by chance, suggesting that as far as location decisions go, “soft” factors play no appreciable role. According to managers, “soft” factors emerge during site selection primarily when the residence (cottage) is also the seat of the company and in the agglomeration zone, where due to the lower rental fees and real estate prices the business managers have better opportunities to consider “soft” factors in decision-making. Of such factors, the importance of a calm and quiet environment was mentioned by the managers as most important. A neighbourhood with very poor outer appearance and social composition could be an excluding circumstance in a few cases.

The fact that very few managers from Budapest and especially from Riga explicitly discussed the role of the “soft” factors in the location decision might support the view that “soft” factors are not important. However, since people usually find it easier to complain than to give credit, the reason for not mentioning problems with “soft” factors could also be due to the fact that Riga, for instance, does quite well in this regard. This notion, however, again appears to be more relevant for employees than for managers. Furthermore, as in the case of other cities, managers’ and entrepreneurs’ decisions to *retain* in Riga are more likely to be motivated by “soft” factors than decisions to *move in*.

As regards *Sofia*, almost uniformly companies do not see emblematic “soft” factors, such as amenities, leisure and nightlife, or diversity as having any significance in their location decision. Of particular interest in this regard is the lack of sensitivity to the factor of cultural tolerance, which Florida (2002) finds to be of particular significance – i.e. the importance of low barriers for entry, such as barriers for self expression (often related to tolerance towards gays and bohemians), in order to facilitate the flow of creatives to the city. In this light, according to the available statistics, Sofia seems to be one of Europe’s most cosmopolitan and tolerant cities, with more than 17% of its population being some sort of ethnic, religious or national minority (Dainov and Nachev, 2008). Yet, according to our data, in no case did a single respondent see tolerance and diversity as a factor in location decisions. It is not, therefore, surprising that in cities more homogenous than Sofia, tolerance of diversity also plays no role in location decisions.

Finally, according to our data, the importance of “soft” considerations, especially in Helsinki, Budapest and Sofia, varies across the industries. In this light, respondents having at least some sensitivity to “soft” factors in these cities can be found at broadcasting companies. It could be argued in this regard that while representatives of other industries, such as consultants and computer-related businesses, are almost entirely oblivious to this problem, broadcasters are capable of discussing and evaluating the role of “soft” factors. One of the explanations for this phenomenon could be related to the maturity of the companies, since consultancies and computer-related businesses are at an age of infancy compared to broadcasters. Thus, the reasoning that “individual trajectory” issues and “hard” factors dominate when you start a business, whereas sensitivity for “soft” factors is developed when a business matures and stabilizes, could make at least some sense. This is, however, something previous empirical studies have not captured to a sufficient extent, suggesting that further research is needed on the issue.

### 4.3. In-City Location Decisions

Different types of creatives tend to congregate in different locations within the urban area. While “cultural creatives”, such as artists, media and entertainment workers, scientists, teachers, designers and advertisers, usually prefer an inner-city location, managers and entrepreneurs seem to be spread much more evenly across the city (e.g. Musterd, 2004). Such differences in location decisions within the “creative class”, often influenced by “soft” considerations, have also been pointed out by Florida (2002), especially with regard to, as labelled by the author, “bohemians” and “nerds” in the U.S.. Whether the location preferences of creatives within the city centre or suburbs are influenced by “soft” factors, however, is a very problematic issue in the European context. According to our findings, for example, “soft” factor considerations play a strikingly insignificant role with regard to in-city location decisions as compared with the case of the U.S., being mostly related to classic “hard” factors, such as rent, access, and closeness to client base. Moreover, it looks like such profiling, for whatever reason, should be expected of settled “Western” cities, rather than of the more turbulent and as yet unsettled ex-socialist newcomers to capitalism.

To be more specific, in *Toulouse*, for example, in-city location profiling does exist, but evidence points away from the overwhelming dominance of “soft” factor considerations. Self-employed creatives as well as small companies<sup>5</sup>, for instance, tend to settle more frequently in the periphery, where rent is lower, whereas the largest companies exclusively choose the city centre of Toulouse<sup>6</sup>. However, companies involved in, arguably, the most creative activities, such as video, animation movie, 3D web design, and computer games, seem to favour the historic core and show the most sensitivity to “soft” factors. Here, the managers mention accessibility and flexible working hours, but location choice also relates to the image given to clients, whereas “soft” factors are linked to atmosphere, including architecture, density of boutiques, cafés and restaurants in the neighbourhood.

Entrepreneurs and managers whose companies are located in the centre of Toulouse usually justified their choice by proximity to their own place of residence and by the fact that employees tend to live in the area. The parking difficulties and the congestion problems in the centre, however, often come up as explanations for choosing a location in the peripheral business parks. According to the survey data, the computer industry also benefits from a large density of already-existing clustered establishments, such as the aeronautics clusters in the northwest, electronic and computer clusters in the southwest as well as space, computer and biotechnology clusters in the southeast and the multi-nodal logistic platform in the north of the city. Among influential factors regardless of the sector in Toulouse, however, the importance of informal social networks linked to “individual trajectory” factors and to the role of the anterior social insertion of the respondents in the city region was mentioned by entrepreneurs and managers.

In the case of *Helsinki*, and to some extent also *Budapest*, in general “individual trajectories” play a decisive role with regard to the in-city location patterns of entrepreneurs and managers located

<sup>5</sup> 1–9 employees.

<sup>6</sup> E.g. according to our findings, no companies with 50 employees or more are located in the periphery.

outside the city centre (most companies not located in the city centre are established close to where the founding manager lives). This trend, however, is less obvious for companies who have chosen to be located in the city centre. According to our data, the main driver for the entrepreneurs and managers of these firms is the high prestige of the city centre, with the predominant influence of “hard” factors shaping the location decision instead. It should be mentioned, however, that being located in business parks is considered to provide a good image to the company as well. Overall, as in the case of Toulouse, all managers in the sample stress the importance of being within easy reach of the place of work and customers. The factor that came up as the most decisive for all firms, however, was the need for a supply of a specialized and skilled labour force, whereas clustering is particularly valued in the film and TV industries.

In light of previous discussion, it is perhaps no surprise that “hard” factors dominate in-city location decisions in the case of *Budapest* and *Riga* as well, where office price or rent seem to be of overriding importance. Furthermore problems with the availability of parking space in the centre have a significant impact, especially in the case of *Riga*. In this light, most of the managers claimed that the reasons mentioned prevent them from being located in the city centre, where desirable “hard” factors, such as proximity to clients, would come into play. It should be emphasized however, that at least in the case of *Budapest* the issue of distance from the clients has been losing significance for particular sectors, such as the ICT sector and the software consultancy sub-sector. Furthermore, the proximity to other research institutes rather than to customers is mentioned among the managers of companies involved in research and development in *Riga*.

*Transport–accessibility–availability* forms the next set of the most important “hard” factors of influence in *Budapest*, just after the cost of office space. It should be mentioned here that entrepreneurs and managers seem to employ various strategies in order to overcome the influence of such factors. In the case of *Budapest* as well as *Toulouse*, for example, it is common for a company to have its headquarters in an office owned by the director, thus saving on the rent, for example. Despite such efforts, “hard” factors still often play a decisive role. To illustrate this: most of the companies in *Riga* located in the suburbs, for example, do not intend to move into the centre mainly due to high rent and parking problems. The companies located in the centre, on the other hand, were in general happy with their location, but concerned about the cost of office space and the poor infrastructure: some thought that eventually this might force them to leave the centre.

Finally, our data suggests that managers in *Sofia* are taking deliberate in-city location decisions, in contrast with the chaotic pattern of domestic settlement of the various types of “creatives”. As in the cases of other cities in the sample, managerial location decisions are dominated by “hard” factors virtually to the exclusion of all other considerations, with only one company reported being at the periphery not because it is cheaper, but because it is a nicer place than the centre. Furthermore, some differences with regard to inner location decisions exist across various industries in *Sofia*. Managers of consultancy firms, for example, generally prefer the city because of the proximity to client government institutions, whereas financial and IT consultancy companies

choose the sub-centre area, near to central traffic roads for rapid movement around the city and better access for clients from outside Sofia. Moreover, for computer-related companies prices and rent are a crucial location factor, just as they are for the ITC and software sector, where companies are young and small in size.

#### 4.4. Capital City vs. Provincial City Location Decisions

A major – overwhelming, in effect – location decision determinant, which has little to do with the “soft”/ “hard” debate, is whether the city in question is the national capital of a small nation (thereby attracting the bulk of its resources, qualified workforce and development potential), or a non-capital city of a big nation. According to our findings at least, the main trend emerging from the capital cities covered in our sample seems to be that creative and knowledge industry managers simply find it difficult to envisage not being in the capital city.

More specifically, in the case of *Helsinki*, for instance, all interviewed managers were unequivocal on the issue of capital vs. province, usually stating that operating from other parts of the country aside from the capital city is simply not an option. According to them, the main motives for this are related to the proximity of both customers and the skilled labour force in Helsinki. The case of *Budapest*, where the country’s creative and knowledge industries are concentrated, is very similar. In fact, the whole “critical mass” of Hungary, in the social and economic sense, seems to be concentrated in the metropolitan region of Budapest, with branches of cultural industries being overrepresented in the Budapest area. The setting in Budapest is also favourable from the aspect of financing, as firms are better off here than in the provincial towns of Budapest. Besides, as voiced by one of the interviewed managers, tax and financial auditing is not so frequent in Budapest due to the large number of enterprises in the area, thus making life easier for the entrepreneurs. Overall, all respondents in Budapest agreed that it is absolutely necessary to be in or near the capital city to be able to take part in specific “creative activities”, such as motion picture productions, for example.

In *Riga* we find the same situation. Being the capital and by far the largest city not only in Latvia but also in the region (e.g. Estonia, Latvia and Lithuania), Riga is Latvia’s main attractor of investment and generator of employment. Furthermore, Riga is the main educational and scientific centre of Latvia. To be located outside Riga is thus to not be considered as an option by any of the companies interviewed. As mentioned by many, within Latvia, there is simply no competition from any other city.

As in the case of Riga, *Sofia* enjoys the benefits of being the capital city by concentrating the major resources of the country, including the “power of decision-making” and labour. It is obvious that many industries, almost without exception, depend on the presence and quality of these institutions; thus, it is of no surprise that managers and entrepreneurs choose to be located there. Furthermore, especially for companies that work entirely in the local market, the market size is

of major importance. In this light, it should be emphasized that Sofia is several times larger than the next largest city in Bulgaria, which is of major influence on the location decisions of many entrepreneurs and managers.

In contrast to the cities explored previously, *Toulouse* is clearly a “second” city, living in the shadow of the capital of France, Paris. As a result, Toulouse might seem to be attractive primarily to the industries and branches already developed in the capital city and “moved down” to Toulouse as a consequence of the government’s de-concentration policy. Otherwise, Paris is as dominant for the creative industries in France as Sofia for Bulgaria or Budapest for Hungary. For instance, 74.5% of cinema, picture and video production activities are gathered in Île-de-France, 59% in the only commune of Paris. Over 62% of motion picture, video and television programme production activities are concentrated in Paris and its adjacent western *département* of Hauts-de-Seine, which comes in second in most of the audiovisual sub-sectors. From these numbers it is quite clear that Toulouse’s chances of directly competing with Paris are very limited.

#### 4.5. Policymaking: “Soft”, “Hard” or “Other”?

As expected, the “Western” cities in the sample, which didn’t undergo the severe dislocations of the 1940s as well as the 1990s, are much more prone to sustained planning and policy efforts than the ex-socialist cities. Differences, however, also exist if “Western” cities are compared among themselves, mostly arising from the fact that one of the cities in our sample, e.g. Helsinki, is the capital city, whereas Toulouse is not.

More specifically, *Toulouse*, for example, whose “knowledge-intensive” profile is the outcome of national-level policies in France, seems to be lacking the local capacity to provide policy-based support for the creative sector. Here, sector managers report lack of interest and misunderstanding about new creative industries from the local policymakers as well as administrative heaviness and complications in entering local markets. Entrepreneurs and managers’ demands from policymakers, however, have little to do with “soft” factors. Instead, “hard”-factor-related policies are requested such as improvement of transport and infrastructure, development of the business climate and easing of cumbersome administrative procedures. Furthermore, audiovisual companies claimed the need for easier access to financing. Interestingly enough, however, managers in general claimed they would like to see policy improvement at the national rather than local level.

Being a capital city, *Helsinki*, on the other hand, boasts a good bottom-up policy track record. During the economic crisis of the early 1990s, government, municipalities, universities and business community joined together to revive the economy. The key principle of the authorities has been to mobilise and join the resources of the business community, the academic community and the administrative sector. The emphasis in policymaking has been on education, research and knowledge. As a result, there is strong enthusiasm in Finland among politicians and civil servants to work on creative knowledge strategies to foster national development.



As for “Eastern” cities, *Budapest*, although for various reasons less “Eastern” than Riga or Sofia, demonstrates a lack of effective municipal-level policy, as usually expected from non-“Western” cities. In this light, the research found, for example, that at least according to the viewpoint of entrepreneurs and managers, local government virtually has no role in fostering the creative sector, and that only the national government can influence the development of any creative activity. As for more specific wishes, entrepreneurs and managers highlighted the need for a more business-friendly climate on the national level. On the local level, however, “hard”-factor-related demands were expressed, including the improvement of transport, noise, pollution, top-heavy bureaucracy in the issuing of business permits and similar areas.

When analyzing policymaking practices in Riga, it should be noted that the whole concept of planning was historically discredited because of its association with the central planning of the former Soviet system. It is still symptomatic, however, that when asked about collaboration with the public sector, only one respondent out of the 21 interviewed mentioned having received support from Riga City. However, when the issue of public support or support from the European Union was brought up during the interviews, again, all but one manager in our sample claimed that no support had been received either from Latvian or from European Union sources. However, there is a variety of demands from entrepreneurs and managers in Riga, primarily targeted at the central government and concerned with “hard” factors. These include facilitation of tax administration, lowering of taxes, battling corruption, facilitation of the administration of EU projects, making education more practical and improving the business climate as such.

In the case of *Sofia*, the path of the city’s development had much less to do with planning than application of the Aristotelian-Habermasian model, under which civic energies and habits, once awoken, spread beyond issues of governance (the end of communism, in this case) and infuse the daily lives of citizens. As a result, political initiative turned into economic entrepreneurship and established Sofia as the locomotive of the new national economy. Confirming this “self-regulating pattern”, all respondents reported an absence of municipal-level policies for their sectors. Strikingly enough, and uniquely for the five cities studied, the lack of policy initiatives was confirmed by the city planners themselves. To illustrate the extent of the problem: officials of Sofia Municipality refused to be involved in the survey on the grounds that the Municipality had no policies whatsoever aimed at knowledge-intensive and creative industries.

National level policies, however, such as the government’s package of policies lowering taxation, are found to be of much greater help by entrepreneurs and managers in Sofia. Regarding the wished for municipal policies, as with other cities in the sample, “hard” factors, such as infrastructure, transportation, access to social and educational centres, security and also initiation events and happenings in the cultural life of the capital, were highlighted by respondents. Sadly, most of the entrepreneurs and managers seemed to be sceptical about the Municipality’s capacity to deliver those factors. At best, respondents expressed hopes that the various administrations would simply stop getting in their way.

## 5. Conclusions and Implications

According to the data compiled from five European cities, it seems that considerable differences in creative entrepreneurs' and managers' location patterns exist in Europe as compared with the U.S. (e.g. Florida, 2002). More specifically, the survey suggests that in Europe, cultures are much less individualistic and individuals are less geographically mobile than in the U.S., from where "creative class" theories originate. Location decisions, therefore, include factors less visible in America, such as family ties, traditions, national identities and the like. These findings alone in turn lead to the conclusion that, in Europe's case at least, the analytical picture as developed by Florida (2002) needs elaboration and, to a certain extent, redefinition.

Among other things, the data from Europe suggests that, although very useful, the distinction between "hard" and "soft" factors is not a sufficient theoretical basis to explain the location patterns of creatives. In this light, the influential role of additional drivers, such as the "individual trajectory" considerations that overwhelmingly dominated in all studied groups in our sample, was identified by this study. However, considering location decisions through the "hard" and "soft" dichotomy in the five cities of our sample makes sense mostly on the level of decisions to be located in a particular area *inside the city*. In these decisions, as far as the managerial sample is concerned, traditional "hard" factors reign supreme.

There are areas, however, in which European "creatives" reveal sensitivity to "soft" factors. The vast majority of respondents from all cities in our sample, for instance, reported significant levels of job satisfaction, with emphasis placed on workplace-related factors, including a sense of achievement gained from work, the scope for innovation in the workplace and the level of influence individuals have in directing their work. Furthermore, high satisfaction with "soft" factors, such as the living environment in their district and the cultural life of the city, were often mentioned by entrepreneurs and managers from creative sectors.

In light of this discussion, it should be noted, however, that the sensitivity of respondents in creative and knowledge-intensive industries to "soft" issues did not turn out to drive their *location decisions*. These respondents simply did not behave as Florida's "happy nomads". A complex package of location motivations emerged instead, having to do greatly with the influence of "individual trajectory issues". More specifically, for most of the entrepreneurs and managers, the reason for being located in a particular city had much more to do with the fact that the respondents were born in the region, had family there, had studied in the city, or had moved there to join a spouse or to be in the proximity of friends than with various "soft" considerations. Community-related rather than "nomadic" considerations thus play a more significant role in this regard.

Beyond that, entrepreneurs and managers in all five cities strongly follow a "hard" factor path of location decision making. Costs, nearness to clients, access issues and availability of labour outweigh "soft" factor considerations. Only a handful of isolated individuals interviewed have

gone in the opposite Florida-type direction. At the same time, dissatisfaction is most frequently voiced with the “hard” factors of a city – costs, taxes, transportation issues. This in itself means that city planners should start by concentrating on the development of “hard”-factor-related policies, if *attracting* creative managers and entrepreneurs to the city is at least one of the priorities of their work. Our data, however, suggest that “soft”-factor-related policies also can not be ignored, as these considerations play a significant role in *retention decisions* of creatives.

According to our data, the theoretical model of city development needs to be re-drafted so as to differentiate between capital and non-capital cities. This is particularly the case with regard to less populated European countries (such as Finland, Hungary, Latvia and Bulgaria), where up to one-third of the entire population lives in the capital area and up to 100% of all the nation’s knowledge-intensive and (particularly) creative industries may be concentrated. The capital, being the administrative, economic, educational, political, cultural, commercial and tourist hub of a small country, can almost by default step onto the path of “creative city”. Any city that is not a capital, therefore, would be facing an uphill battle if it decided to persuade creatives to re-locate from their nation’s capital. Finally, as suggested by our study, an appreciable difference between “Western” and “Eastern” cities exist.

To conclude, it would be premature to “dismiss” Florida’s conceptual construct as a useful tool in explaining location patterns of entrepreneurs and managers from creative and knowledge-based sectors in Europe. After all, if individual energy and creativity can compensate for structural deficiencies and push cities forward and onto the creative path, the duty of city planners is to create the optimal, favourable conditions for citizens to develop and harness their energy and creativity productively. This notion brings the discussion back, at least to some degree, to classic Florida “soft” themes, such as the importance of the availability of friendly public and semi-public spaces for personal intercourse and networking, urban “buzz” among other things.

Ultimately, however, it may turn out that Florida-type constructs have more relevance during “good” times and fall by the wayside during “bad” times. In this light critics of Florida (2002) have long pointed out that, in the end, wages matter more than amenities, particularly during an economic recession. As managers are forced to employ “hard” factor survival mechanisms by cutting costs and dismissing labour, even creatives see their incomes disappear or decline. The policy measures that can address the current crisis in Europe and the U.S., on either a global or national level, should thus concentrate on “hard” factors first, such as getting the financial systems kick-started and finding ways of reviving the economies of the world. Only once these issues are resolved can policymakers again enjoy the luxury of debating the relative merits of “soft” factors.

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