Location Choice of the Micro-Creative Enterprises (MCEs): Case Study of Local Creative Clusters in Shanghai, China

by

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Author's Declaration

I hereby declare that I am the sole author of this thesis. This is a true copy of the thesis, including any required final revisions, as accepted by my examiners.

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Abstract

As the creative industries have become some of the fastest-growing sectors in the post-industrial era, their location choice has been focused by both academics and policymakers. Empirical research state that creative enterprises express clustering in particular places (known as creative clusters), such as declining industrial areas, old towns and places close to universities. Micro-creative enterprises (MCEs) occupy a significant proportion of the whole creative industries, but the former's location choice has received comparatively less attention in the existing literature. In comparison with the general creative enterprises, MCEs' location behavior appears to be impacted by more complicated factors due to the latter's rather small scale.

Using Shanghai as a case study, this research aims to understand the motivations of MCEs concerning their location choice as well as the weights of various location determinants at Shanghai's neighborhood level. Notably, two local creative clusters, M50 and The Bridge 8, are selected for comparative analysis. This research employs the qualitative analysis method to analyze the data collected from the field observation, questionnaires and interviews. The researcher develops a location choice model derived from economic, institutional and creative aspects based on extensive location theories.

The results give preliminary insights into how the market, local authority and the creative class impact the development of local creative clusters respectively. Furthermore, it discusses how different development patterns have reshaped urban forms and how the perceived attributes of the places attract MCEs. The research demonstrates that MCEs' location choice is dominantly influenced by traditional economic factors, including industrial agglomeration effects, low rent cost and geographical proximity to labor market (in this case, creative talents). Meanwhile, the

institutional and creative factors are also taken into considerations by many MCEs to various extent. The results also reveal an apparent differentiation between sub-sectors of creative industries regarding their reliance on location determinants. Therefore, the location choice of MCEs cannot be explained by blanket approaches but depends on industrial characteristics, enterprise development stage and many behavioral factors. Last, key improvement strategies toward local creative clusters are discussed, including improving public engagement, cultivating creative milieu and strengthening cooperation and linkage.

Acknowledgements

Table of Contents

List of Figures

List of Abbreviations

DCMS	Department for Culture Media and Sport (UK)
DMC	Digital Media City
CAFI	Cultural, Art & Fashion Industry
ICT	Information and Communication Technology
MCE	Micro-Creative Enterprise
SBAI	Service-Based Advisory Industry
SCCIPO	Shanghai Cultural and Creative Industry Promotion Office
SCEI	Shanghai Commission of Economy and Informatization
SCIC	Shanghai Creative Industry Center
SME	Small and Medium-Sized Enterprise
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization

Chapter 1 Introduction

1.1   Background

Creativity has been perceived as the faculty that enables talents to come up with useful new forms from knowledge - the core driving force of the economy in the 21_{st} Century (Florida, 2002a). Along with economic globalization and the rapid advance of information and communication technologies (ICTs), creative industries as a whole has been regarded as one of the most dynamic sectors in many countries (Brinkhoff, 2006; United Nations Conference on Trade and Development, 2019) (UNCTAD). The rise of creative industries has contributed to major changes in economic, cultural, social and urban spatial forms (Drinkwater & Platt, 2016; Mellander & Florida, 2006). According to Hutton (2009), significant urban changes that have occurred since the 1990s are highly related to the transformation of the conventional industrial cities. In the US, for instance, there is a growing trend of developmental pattern in major cities, that is, a focus on the new economy, an attempt to create a vibrant sense of place and investments in cultural and creative resources (Scott, 2006). Creative cities like San Francisco, Boston, Seattle and Austin have developed solid regional competitiveness and dynamic urban environments.

Empirical evidence suggests that creative industries have no propensity to be evenly distributed across space but gather together in agglomerations (Florida, 2002a; Gong & Hassink, 2017; Ma & Shen, 2010; Scott, 2006; Serra, 2016). The agglomeration process of creative industries based in particular places progressively forms the 'creative cluster'. In many developed countries as well as newly industrialized countries, creative clusters have unprecedentedly attracted the attention of both urban studies and public policy over the past decades. Evidently, the development of creative clusters not only has a significant impact on urban regeneration,

but also involves a remarkable economic transformation - from a manufacturing-based economy to a knowledge- and creativity-driven one (Gu, 2014; He, 2014; Serra, 2016; Tomczak & Stachowiak, 2015; Wenting, Atzema, & Frenken, 2011). Cohen (2014) points out that although some creative clusters are spontaneously developed in the West, others are intentionally created due to the support of local authorities. The latter is rather popular in newly industrialized countries. Existing literature indicates that whether the spontaneous development pattern (involving a bottom-up process) or the policy-led development pattern (involving a top-down process), the market, local authority and the creative class seem to play crucial roles in creative cluster development (Drinkwater & Platt, 2016; O'Connor & Gu, 2014; Zielke & Waibel, 2014).

For another, location theories interpret the phenomenon of where economic activities are located and the rationale behind it (Blakely and Leigh, 2013). Foremost, how to pursue profit maximization is the core consideration when an enterprise attempts to make a location decision. As a result, location choice usually appears to be based on several well-defined criteria (Sivitanidou, 1999). Recent literature has distinguished the location determinants of creative enterprises in various ways (Drinkwater & Platt, 2016; Manjón-Antolín & Arauzo-Carod, 2011). Many researchers prove that the co-location of similar enterprises could help enterprises to get access to various specialized resources and services, such as knowledge spillovers, shared infrastructure and steady suppliers and customers (Brinkhoff, 2006; Hanson; 2000; Zhu, 2008). In this line, Wenting (et al., 2011) highlight that cluster theories assist in understanding the agglomeration of creative industries. However, Tschang and Vang (2008) suggest that traditional economic approaches cannot fully explain the location behavior of creative enterprises. Institutional environment, certain industrial characteristics and enterprise size are also potential factors that affect creative enterprises' location decisions, including policy

incentives, urban amenities, degree of tolerance and so on (Chu, 2009; Clifton, 2008; Drake, 2003; Gong & Hassink, 2017; Maryunani & Mirzanti, 2015; Rao & Dai, 2017).

Micro-enterprise, specifically, is a subset of small and medium-sized enterprises (SMEs). A micro-enterprise is often recognized as a business that has nine people or less (OECD, 2018). In this research, micro-enterprises could be referred to as not only micro-sized businesses and self-employment businesses that never intend to grow large, but also start-ups that intend to grow large and influential (Papadaki & Chami, 2002). Chan and Lin (2013) state that the economic and social influences of micro-enterprises are increasing. Micro-enterprises have great potential to provide job opportunities and improve employment patterns (Papadaki & Chami, 2002). For example, over 60% of U.S. enterprises have fewer than five employees (United States Census Bureau, 2015). On the other hand, micro-enterprises promote regional and local economic dynamism through injecting competition and spurring innovation (Chan and Lin, 2013). Within the creative industries, micro-enterprises are equally important. Drake (2003) conducts a research with regard to the relationship between individualized creativity and the specific 'place' in three British cities. The result shows that the majority of the participated creative enterprises are micro-sized. Moreover, in the case of Bandung, one of the two certified creative cities of Indonesia by the UNESCO (United Nations Educational, Scientific and Cultural Organization), micro-enterprises make up more than 70% of local creative industries (Maryunani & Mirzanti, 2015).

According to Carod and Antolín (2004), micro-enterprises make their location decisions on different criteria from medium- and large-sized ones. Furthermore, regarding different types of micro-enterprises, Papadaki and Chami (2002) state that blanket approaches are less helpful in

understanding their development and industrial dynamics. Thus, this research attempts to explore MCEs and the influential factors of their location choice.

Shanghai sits on the east coast of China near the Yangtze River Delta. It is the largest city of China by both the population and the economic scale. Meanwhile, it acts as the commercial and financial center of the country. The researcher uses the case of creative clusters in Shanghai for two reasons. First, Shanghai has long been recognized as one of the most cosmopolitan, open and vibrant cities in China. It has possessed a large number of creative enterprises, agglomerating in specific areas across the city (Florida, Mellander, & Qian, 2008; He, 2014). Second, Shanghai is the earliest adopter of both notions of creative clusters and creative industries in China. It is also the first Chinese city to practice creative industries in the derelict industrial areas and the old town, which has been broadly introduced by many other cities across the country (He, 2014; Keane, 2009).

Traced back to the 1840s, influenced by the outcome of the First Opium War, Shanghai was forced to be a treaty port opening to foreign trade. Subsequently, owing to its favorable port location and economic potential, the French Concession and the Shanghai International Settlement were established in central Shanghai, which triggered a massive influx of foreign people to live and work. During the 1930s, Shanghai became the largest financial hub of the Asia-Pacific region. After 1949, as the founding of the People's Republic of China, most foreign companies left Shanghai, as part of a foreign divestment. Apart from the economic blockade by the West, the national economic redistribution strategy also led to Shanghai's economic development being relatively stagnant. While Shanghai still has long been China's largest manufacturing base, the city's global influence dramatically declined (Rong, 2005).

Since the 1980s, the comprehensive Chinese economic reform, in conjunction with the establishment of Pudong New Area in 1990, has re-opened up Shanghai's market and attracted a massive flow of capital, technologies and talents, promoting local economic development rapidly. Shanghai has made remarkable progress towards its economic restructuring, which considerably recasts it as a re-emerging global city (He, 2014). Under the *Tui Er Jin San* strategy (suppress secondary industries and develop tertiary industries), Shanghai has shifted its economic focus from manufacturing (with over 70% of city's GDP in the 1970s) to services (with approximately 70% of city's GDP in 2018) (He, 2014; Shanghai Statistics Bureau, 2019). Though the gap between Shanghai and other global cities has been diminished in terms of the proportion of tertiary industries in city's GDP, the new challenge Shanghai confronts with is how to gain higher value-added in the knowledge- and creativity-driven sectors in order to improve urban competitiveness at both the national and international levels (He, 2014).

Since the late 1990s, as the rise of creative industries in the West, Shanghai's policymakers have increasingly realized the importance of knowledge and creativity in the post-industrial era. Accordingly, local authorities have attempted to view creative clusters as a panacea for both new economic growth and the new uses of the old industrial infrastructure (Gu, 2014). In 2010, Shanghai joined the UNESCO Creative Cities Network, which indicated Shanghai's ambition to put creativity at the core of the city's sustainable economic development (UNESCO, 2017). Today, Shanghai has been home to over 80 officially certified creative clusters, around 240 cultural and art community centers and over 4,000 creative institutes and agencies (Shanghai Commission of Economy and Informatization, 2017; UNESCO, 2017) (SCEI). Most creative enterprises in Shanghai reflect clustering in specific locations. In this research, two creative clusters, M50 and The Bridge 8, are selected and investigated. Both study areas have been officially certified in the first wave of creative cluster development in Shanghai and they

share some common characteristics in historical, cultural and built environment. At the same time, these two study areas are different in terms of their development patterns – one is spontaneous and the other one is policy-led.

1.2   Objectives

The objectives of this research are to investigate the development process of Shanghai's creative clusters, and thereby to identify the roles of the market, local authority and the creative class in the agglomeration process; on the context of Shanghai's economic transformation, to explore the influential factors of MCEs' location choice from economic, institutional and creative aspects; and to identify feasible improvement strategies towards the sustainability of local creative clusters.

The case study will provide insights into how urban spatial forms have been reshaped by spontaneous and policy-led creative clusters respectively in China's largest city and how different development patterns attract MCEs. Furthermore, it is valuable to understand MCEs' motivations for moving and the impacts of industrial dynamics on their mobility.

1.3   Research Questions

This research attempts to address the following three questions:

1) *What roles do the market, local authority and the creative class play respectively in the development process of local creative clusters in Shanghai?*

2) *From the perspective of MCEs, what factors have impacted their location choice?*

3) What kind of improvement strategies can be identified from the local creative cluster case study that would better attract, retain and nurture MCEs?

1.4 Thesis Structure

This research consists of five chapters. **Chapter 1** starts with enterprise location theories and the significance of MCEs in urban competitiveness. It then focuses on the economic and urban context of Shanghai and explains why Shanghai is representative regarding creative cluster development in China. Accordingly, this chapter proposes key objectives and research questions in order to conduct more in-depth research.

Chapter 2 reviews a broad range of literature. It first explores the relevant concepts and practices of creative cluster. It then clarifies the roles of three key actors in creative cluster development. After that, this chapter pays particular attention to identify the potential factors that impact MCEs' location choice from economic, institutional and creative aspects separately. Based on the reviewed literature, a theoretical framework, along with a research model, is developed. Lastly, it proposes several key literature gaps for filling by this research.

Chapter 3 describes detailed approaches to the proposed research questions. It investigates the development process of local creative clusters historically, geographically and institutionally. It then concentrates particularly on two creative clusters, M50 and The Bridge 8. The data collection methods cover field observation, questionnaire and semi-structured interview. Subsequently, it introduces essential ethical considerations and data analysis processes.

Chapter 4 evaluates and compares the data collected from both study areas. It employs qualitative statistical analysis to conduct spatial characteristics analysis, socio-demographic analysis, location choice analysis and development recommendations analysis. The key findings are analyzed and discussed thoroughly in order to best address each of the proposed research question.

Chapter 5 concludes the research background, research design and key findings. It ends with proposed recommendations, limitations, and future research fields.

Chapter 2 Literature Review

2.1 Concepts and Practices of Creative Cluster

2.1.1 Defining Creative Industries

In various countries and sectors, 'creative industries' might be referred to as 'creative economy', 'cultural industries' or 'cultural and creative industries' in spite of some differences and overlaps existing among them (Department for Culture Media and Sport, 2016; Howkins, 2001; Shanghai Cultural and Creative Industry Promotion Office, 2011) (DCMS; SCCIP). The first official definition of creative industries could be traced back to 2001 in the UK - '*those industries which have their origin in individual creativity, skill and talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property*' (DCMS, 2016, p. 3). This definition is broadly representative and has been recognized as a foundation for many countries' definitions (Ji & Zeng, 2017; Tomczak & Stachowiak, 2015). Subsequently, DCMS systematically classified the creative industries into nine sectors, including advertising and marketing, architecture, crafts, design, media, IT and computer services, publishing, cultural institutes and arts (DCMS, 2016). Besides, Howkins (2001) suggests that creative industries involve trademarks, design, copyright and patents. UNCTAD (2019) states that creative industries could broadly consist of arts, media, heritage and functional creations.

2.1.2 Defining Creative Cluster

Scott (2006) highlights that many industries in the new economy express a marked geographical characteristic, that is, specialized locational cluster. Likewise, creative industries have no propensity to be evenly distributed across space but gather together in agglomerations in specific places (Gong & Hassink, 2017; Scott, 2006). In the literature, the term 'creative

cluster' is usually defined as one place that accommodates a wide range of individuals and enterprises engaging in creative industries (Florida, 2002b; Ma & Shen, 2010) and a diverse, open and vibrant environment that encourage knowledge exchange and stimulate individuals' creativity (Chapain & De Propris, 2009; Serra, 2016). According to the Ontario Ministry of Tourism, Culture and Sport (2017), it extensively contains all activities involving the development and production of creativity-based services and products. The sustainability of a creative cluster is reliant on not merely geographically co-location of creative enterprises, but the ability to generate economic boom which continuously attracts others into the cluster (Drinkwater & Platt, 2016). Moreover, the creative cluster is also known as 'creative park' in East Asia. The concept was originally derived from the conventional industrial park model (Ma & Shen, 2010).

2.1.3 Creative Cluster Practices

There is a wide range of creative clusters predominantly across Europe, North America and East Asia. Some well-known practices include Museumsquartier in Vienna, the West End in London, MediaCityUK in Manchester, Soho in New York, 798 Art Zone in Beijing, and so on. Existing studies reflect various views on how to classify creative clusters. Scholars distinguish them by scale, e.g. a clustering of buildings, a district or a city as a whole (Drinkwater & Platt, 2016; Landry, 2012); by sectors, e.g. single sector domination or multiple sectors co-location (Chen, 2010); by location, e.g. sitting in old town, new economic zone or being proximity to universities, institutes and technology enterprises (He, 2014); or by spatial characteristics, e.g. reusing declining industrial and residential spaces or using newly-built spaces (Ma & Shen, 2010). This research intends to explore their differences according to the development patterns, that is, spontaneous approach or policy-led approach (Chu, 2009; Drinkwater & Platt, 2016; Gu, 2014; Gwee, 2009).

Spontaneous Development Pattern

It is a bottom-up agglomeration process and is always concerned with the revitalization of the old towns or the derelict industrial areas (Drinkwater & Platt, 2016; Evans, 2009). Initially, the rising creative industries had enormous demands for workplaces with large spaces, cheap rent and ample urban amenities, which stimulated creative people to rent the disused buildings and renovate them for working and living (O'Connor & Gu, 2014). The industrial agglomeration effects, in conjunction with the socio-economic characteristics of creative people, progressively contributed to gentrify the place and eventually formed creative clusters (Gong & Hassink, 2017; Ma & Shen, 2010). These places, in the form of informal governance, became vibrant. The economic potential further attracted creative enterprises to move in and the process could continually flourish local economy (Zhang & Hui, 2007). Importantly, this type of creative clusters requires a tolerant cultural and creative environment and the market needs to ensure the growth of creative clusters. Local authorities, in this case, need to intervene to some extent by integrating creative cluster development into broader urban development strategy and enable creative clusters to gain competitive advantages locally and globally (Gong & Hassink, 2017; Zhang & Hui, 2007). However, the creative cluster's rising reputation and gentrification effect always pushed the land value up. Therefore, the commercial pressures to redevelop may threaten place identity (Drinkwater & Platt, 2016).

Soho, Renowned for theater, film and radio industries, is the main entertainment district of the West End in central London. Soho was surrounded by a variety of cultural venues like museums and theatres, but it was initially planned to be completely redeveloped by the Greater London Council in the 1960s due to its depressed local economy (Drinkwater & Platt, 2016). To prevent the businesses and residential communities from demolition, several activists

established a society and convinced local authorities to support the *Soho Conservation Plan,* a grassroots-drafted planning document. Ultimately, the society was allowed to participate in the revitalization of the area by local authorities through being granted consultative status with all planning, environmental and review affairs. Apart from local communities' engagement, landowners also had a crucial effect on shaping the built environment and promoting the agglomeration of related industries. The three major landowners in Soho aimed for long-standing benefits instead of short-term gains and thereby formulated long-term plans for Soho. These landowners were in charge of new investment and redevelopment and took decisions about building renovation and reuse. Meanwhile, they supported art activities and community events. As a result, numerous film enterprises were attracted to the place. The film industry cluster has contributed to the place-making of Soho, such as the vibrant public realm, renovated built environment, enhanced community ties and positive image (Drinkwater & Platt, 2016).

Policy-Led Development Pattern

It typically involves a top-down agglomeration process and is more prevalent in newly industrialized countries such as Singapore, China and South Korea. In the post-industrial era, these countries attempt to leapfrog into emerging high-growth sectors of the global economy in a short time (UNCTAD, 2019). Hence, local authorities intentionally 'create and sustain' creative clusters through various possible combinations of policy initiatives which, in turn, reinforce urban competitiveness (Chapain & De Propris, 2009; Zhang & Hui, 2007).

Digital Media City (DMC), South Korea's first policy-led creative cluster, is a digital media district planned and sponsored by the Seoul City Government. It was redeveloped from a landfill site and today it houses TV, games, ICT, movie and music sectors (Cohen, 2014). After

suffering from the 1997 Asian Financial Crisis, South Korea, together with the capital Seoul, started to promote the development of cultural contents, internet and globalization. Soon after, the *Culture Industries Promotion Law* was enacted and a cultural industry five-year plan was introduced. The establishment of DMC was viewed as a crucial effort by local authorities to contribute to Seoul to become a global city. The then vice-mayor of Seoul was appointed to be the project manager of DMC in the early stage, which allowed DMC to become an ideal place to implement policies. Namely, DMC's role as a promotion organization and incubator for cultural industries was an embodiment of policies. DMC was initiated and developed by strong leadership and a world-class team. A diversity of actors with different backgrounds and viewpoints significantly contributed to the planning process. For example, DMC was planned to accommodate a variety of qualified cultural enterprises and support numerous economic activities in order to promote the development of entertainment and international tourism; plenty of studies were conducted to help increase the productivity of the place optimally; digital cultural industries and ICT infrastructure were supported as priorities (Cohen, 2014). In response, some public sectors and cultural institutes have been relocated in DMC. Besides, many local cultural enterprises have been or have a plan to move to DMC owing to various factors, such as subsidized rents, accessible resources and infrastructure, DMC incentives and political pressure.

Not only has the policy-led development pattern been practiced in some Asian cities, but it also has spread to Europe, such as MediaCityUK in Manchester (Cohen, 2014). Yet, gaps exist between planning and implementation in some creative clusters, including changing political support and insufficient financing. Some policy-led creative clusters face the critics of loss of authenticity, such as over-commercialization, the lack of creativity, low degree of openness and high entry barrier (Cohen, 2014; Keane, 2009). In some creative clusters, creative

enterprises are only simply co-located without forming value chains and embedded ties (Flew, 2010). While many creative clusters have been designed with aesthetic considerations, there is a lack of cosmopolitan or place-specific features (Cohen, 2014). Scott (2006) argues that the emergence of a creative and vibrant milieu is not a short-term process.

On the whole, spontaneous development pattern is mainly driven by the decisions of the creative class, entrepreneurs, residents, landowners, property owners and related NGOs. It can cater to the fluidity and interactivity of creative clusters. By contrast, policy-led development pattern is strongly intervened by local authorities from the outset, professional planners and designers, real estate developers and related institutes. It can develop long-term, step-by-step plans for utilizing creative resources and delivering supports to creative industries (Drinkwater & Platt, 2016). Accordingly, the recent debate concentrates on whether spontaneous development pattern is more sustainable for urban development than policy-led one or vice versa.

2.2 Drivers of Creative Cluster Development

2.2.1 Market

Empirical studies show that creative cluster development is always associated with urban revitalization (Brinkhoff, 2006; He, 2014; Zhang & Hui, 2007). These places provide spacious working spaces, while the rent costs are affordable in the initial development stage. Due to the effects of deconcentration and/or deindustrialization, a rent gap emerged in these places (He, 2014; Smith, 1987). The rent gap theory describes '*the disparity between the potential ground rent level and the actual ground rent capitalized under the present land use*' (Smith 1979, p. 545, cited in Smith, 1987). Importantly, not only does the rent gap involve an economic gap,

but it also refers to a historical gap caused by a complicated pattern of investment and disinvestment. Obviously, during the formation process of many creative clusters, property owners or landowners (such as the companies operating the former factories) sought to maximize returns coming from their possession of the land use rights (Zielke & Waibel, 2014). At the same time, regarding the intense development demands of creative industries, many real estate developers aimed for potential commercial gains and long-term benefits by redeveloping and renovating the disused places into creative spaces, instead of simply bulldozing the buildings and developing real estate projects (Zielke & Waibel, 2014).

For another, agglomeration economies (or external economies of scale) have long been employed to understand the concentration of one industry in certain locations (Marshall (1890/2009). In this line, Wenting (et al., 2011) point out that this notion can assist in explaining the agglomeration of creative industries as well. Especially, agglomeration economies describe the factors outside of an individual enterprise that can lead to a growth in productivity of the entire industry, region or economy (Devereux, Griffith, & Simpson, 2007; Marshall, 1890/2009). Marshall (1890/2009) identifies labor market pooling, knowledge spillovers and input sharing as the three prime sources of external economies of scale. Porter's (1998) cluster theory further stresses that the clustering of similar economic activities contributes to creating competitive advantages through enhancing the productivity of enterprises in the cluster, stimulating innovation and spurring entrepreneurship. All in all, it can be thought that the market, acting as an invisible hand, accelerates the agglomeration of creative industries.

2.2.2   Local Authority

As long as local authorities are concerned, there are two major motivations behind creative cluster development (Flew, 2010). The first one is to promote urban revitalization. In many European cities, creative clusters have become a catalyst for urban revitalization since the past decades (Drinkwater & Platt, 2016). Creative cluster development is now viewed as a feasible solution to redevelop declining industrial and residential areas for post-industrial uses, such as business incubators, loft apartments and arts districts. Simultaneously, it could effectively preserve urban memory such as industrial heritages (Flew, 2010). Moreover, as Zielke and Waibel (2014) note, the local authorities typically have a high preference for city image-making, including cultural diversity, openness and sustainability. Creative cluster development has a strong potential to improve image-making and city-branding through developing a great deal of cultural infrastructure that renovate the image of a city and further boost local tourism (Flew, 2010; Zielke & Waibel, 2014). The second primary motivation is to stimulate the development of the new economy. Politicians typically suffer from pressure for economic performance (Zielke & Waibel, 2014). As mentioned earlier, creative industries play a decisive role in urban competitiveness (Clifton, 2008; Florida, 2002a, 2002b; Kamarudin & Sajilan, 2013; Scott, 2006; Serra, 2016; DCMS, 2016). Accordingly, granting disused industrial areas with commercial development permission has become necessary for policymakers.

The roles of local authorities are various in the creative cluster development, depending on the development pattern, development stage and local institutional environment (Chu, 2009; Drinkwater & Platt, 2016; Gong & Hassink, 2017). For example, local authorities tend to regulate clusters and related industries via legislations (e.g. the US); promote and support cluster development through comprehensive planning and public engagement (e.g. the UK); directly construct and sponsor various types of creative clusters (e.g. South Korea); and directly

take institutional intervention to redevelop and administrate creative clusters (e.g. China) (Lin, 2011; Luan et al., 2013). Some cases show that local authorities act as mediators in the formation stage of creative clusters as they assist enterprises in dealing with complicated coordination issues with other stakeholders in the market (Gong & Hassink, 2017; Zielke & Waibel, 2014). Meanwhile, Flew (2010) indicates that local authorities are also thought as attractors of tourism and sometimes more contentiously – investors.

In general, local authorities have big-picture thinking and sufficient political and social resources, which allow them to formulate detailed creative industries development plans and discharge development missions (Berg, 2015; Zhang & Hui, 2007). The survival and development of creative clusters are always reliant on a mixture of institutional instruments directly or indirectly, including acts, regulations, development plans, public and private partnerships (PPPs) and other policy initiatives (Drinkwater & Platt, 2016; Scott, 2000). Moreover, local authorities integrate creative cluster development into the broader urban development strategies to gain competitive advantages locally and globally (Gong & Hassink, 2017; Zhang & Hui, 2007). Comparatively, the effect of policymakers is more influential on the policy-led development pattern than the spontaneous one. As Gong and Hassink (2017) highlight, the funding of some policy-led cases is primarily coming from public sources. These clusters are responsive and sometimes vulnerable to policy formulation and funding allocation. Nevertheless, there is a trend for local authorities to adopt the term 'creative city' without considering its real development mechanism. Some scholars criticize that the notion of creative city and creative cluster have become catch-all phrases and been in danger of losing their meanings (He, 2014; Luan et al., 2013).

2.2.3 Creative Class

There has been a broad consensus on the significance of talents in promoting economic growth in the post-industrial era, but the question of how to measure talents is debatable (Florida, 2002a). The traditional measure is based on educational attainment, i.e. share of the population with a bachelor's degree and above. More recent research indicates, however, that it is more crucial to measure what people do than what they study. Therefore, occupation-based measures have been increasingly focused (Florida, Mellander, & Qian, 2012; Mellander & Florida, 2006). Florida (2002b) first introduces the 'creative class' in his book *The Rise of The Creative Class*. The creative class is a specific socio-economic group defined by occupations that people have, such as architects, artists, novelists, engineers, musicians and planners, etc.

As for many spontaneous practices, creative people tended to actively engage in the historical and architectural preservation of the disused areas during their initial agglomeration processes (O'Connor & Gu, 2014; Zielke and Waibel, 2014). More importantly, for both spontaneous and policy-led development patterns, the creative class can contribute to the formation, development and sustainability of creative clusters by their presence. As the 'tenant' of the creative clusters, the presence of creative people (regardless of entrepreneurs or employees) could foster an open, dynamic, personal and professional creative milieu (Florida, 2002a). According to Landry (2012, p. 133), '*a creative milieu is a place…that contains the necessary preconditions in terms of 'hard' and 'soft' infrastructure to generate a flow of ideas and inventions…in an open-minded, cosmopolitan context and where face-to-face interaction creates new ideas, artifacts, products, services and institutions and as a consequence contributes to economic success.*' It has been proven that the creative class as a highly mobile socio-economic group is not forever wedded to one place but likely attracted by an open and tolerant environment as well as a diversity of urban amenities and activities (Borén & Young,

2013; Clifton, 2008; Florida, 2002b). Therefore, creative milieu could attract more creative talents, entrepreneurial activities and investments. Eventually, the accumulative effect can boost creativity and build the place identity (Clifton, 2008; Florida, 2002a; Serra, 2016).

2.3 Influential Factors of MCEs' Location Choice

2.3.1 Overview

The location behavior of economic activities has been studied by various theoretical approaches to explain how enterprises select their locations (Blakely and Leigh, 2013; Hayter, 1997; Manjón-Antolín & Arauzo-Carod, 2011). In essence, enterprises choose locations in order to maximize profits (Blakely & Leigh, 2013). Pred (1969) points out that location decisions are often based on a set of well-defined criteria.

Location theories could be originated from Alfred Marshall's concept of the industrial district, Alfred Weber's emphasis on the industrial spatial organization and Adam Smith's theories of competition and specialization (Drinkwater & Platt, 2016; He, 2014). In the industrial era, enterprise location highlighted the central roles of raw materials, transportation cost and labor cost. However, due to the unprecedented influence of economic globalization, location theories have started to consider a diversity of location determinants, such as localization and urbanization economies of scale, natural and urban amenities, rent cost, logistics, human capital, taxes, open and tolerant environment and so on (Florida, 2002a; Blakely & Leigh, 2013; Clifton, 2008).

Furthermore, Blakely and Leigh (2013) present that the location determinants of enterprises are tightly linked with their industrial characteristics. For example, textile enterprises involve

labor-intensive production, so they are more likely based in low income per capita areas with a pool of cheap labors. Corporate headquarters are highly reliant on urbanization economies of scale, and thereby they prefer to move to places with advanced business services and amenities. In auto assembly sectors, the outputs are always bulkier than the inputs, which urge the enterprises to be in proximity to the market (i.e. market-oriented). Gong and Hassink (2017) analyze the location choice of creative industries from a macro level. The result shows that cities, or more specifically, densely populated urban regions, are more likely to attract creative people, characterized by their ample urban amenities. Moreover, creative industries as a knowledge-intensive sector emphasize on specialized labors and tolerant social environment (Serra, 2016; Sivitanidou, 1999).

Yet, Tschang and Vang (2008) suggest that traditional economic approaches only provide a partial explanation for the spatial characteristics of creative industries. It is needed to explore whether other factors can affect their location choice, especially at their micro level.

Portuguese researchers Cruz and Teixeira (2014) have conducted location choice research towards MCEs. The findings show that urbanization economies, tolerance/institutional factors and human capital are three most notably location determinants for local MCEs. Besides, though little literature draw attention to the determinants of MCEs' location choice in Chinese context specifically, Sun and Zhang (2008) evaluate the variables from economic, social, cultural and political aspects in regard to the location behavior of creative enterprises. Therefore, this research will review potential location determinants of MCEs from economic, institutional and creative aspects.

2.3.2 Economic Factors

Agglomeration Effects

Industrial agglomeration effects have been seen as a fundamental factor that that could impact enterprises' location choice by many researchers (Devereux, Griffith, & Simpson, 2007; Porter, 1998; Manjón-Antolín & Arauzo-Carod, 2011; Marshall, 1890/1920). According to Hanson (2000), the agglomeration of an industry in one place could help enterprises to get access to various specialized resources and services. In this line, Serra (2016) summarizes that the agglomerated enterprises could benefit from multiple agglomeration advantages, such as industrial network (Brinkhoff, 2006), branding effect (Drake, 2003), steady suppliers and customers (Zhu, 2008). Further, similar and complementary enterprises concentrated in one place are capable of facilitating the spillovers of tacit knowledge and stimulating innovation (Brinkhoff, 2006; Devereux, Griffith, & Simpson, 2007). Besides, enterprises may have incentives to co-locate with each other to diminish transaction costs which, in turn, promotes coordination, collaboration and mutual trust (Brinkhoff, 2006). O'Connor and Gu (2014) claim that the clustering of one industry results in common branding and place identity.

Serra (2016) argues that these agglomeration effects are equally important for creative industries because the creativity and exchange of knowledge are especially key in the production process. McAdam and Marlow (2008) point out that networks show four decisive roles in the growth of micro-enterprises, including sharing and creating knowledge and learning, providing access to new resources and ideas, facilitating the achievement of credibility and connecting the various relationships. Similarly, Culkin (2013) believes networking benefits entrepreneurial activities by the provision of new ideas and information. Hence, micro-enterprise growth is more of a co-operative challenge for entrepreneurs.

Geographical Proximity

Knowledge-intensive enterprises prefer to near productive amenities, including skilled labor resources, specialized enterprises, universities, institutes and infrastructure (Cruz & Teixeira, 2014; Sivitanidou, 1999). According to Sivitanidou's (1999) research, productive amenities are local attributes that straightforwardly increase the benefits or decrease the costs of knowledge-intensive enterprises. Subsequently, Florida (2002b) introduces the '3Ts' theory of economic development – technology, talent and tolerance, which further highlights the significance of talented people and technologies in the post-industrial era.

Universities, for example, are essential for attracting and supporting MCEs in several ways (Florida, Mellander, & Qian, 2008; Gong & Hassink, 2017). First, universities are important venues of nurturing talented people such as high-quality graduates, which means creative enterprises in proximity to universities can benefit from a pool of highly skilled labors as well as lower search costs (Florida, Gates, Knudsen, & Stolarick, 2006; Gong & Hassink, 2017; He & Gebhardt, 2014; Sohn & Kenney, 2007). Regarding Zhu, Zhao, Wu and Liu's (2013) research, the growing clustering of creative enterprises around Beijing's universities stress creative enterprises' intense demands for talented workers. The second benefit of geographical proximity to universities is to draw on the universities' numerous resources, such as academic knowledge and facilities, state-of-art technologies, and professional and social networks (Florida et al., 2006, 2008; Gong & Hassink, 2017). Wu's (2005) research on New York's fashion cluster finds strong connections between schools/universities and industries in the form of university-industry collaboration, co-operative education and enterprise managers serving as instructors (or vice versa). Art schools, in this case, serve as a conduit for building social networks with fashion cluster, instead of merely providing a place for design training (Gong &

Hassink, 2017). Last, the presence of universities contributes to creating an open and tolerant environment (which will be analyzed in more depth from creative aspect).

Micro-enterprises' location behaver is more easily influenced by subjective factors when they choose the location than larger enterprises' (Manjón-Antolín & Arauzo-Carod, 2011). For example, entrepreneurs are more likely to start their business in their geographical origins or graduation places so as to remain existing social networks (Polonyová, Ondoš, & Ely, 2015). A large number of start-ups tend to co-locate with their parent universities because university resources facilitate the local commercialization of academic knowledge, which is critical for generating new business ideas (Heblich & Slavtchev, 2014). In Culkin's (2013) research, entrepreneurs based in university incubators have a higher likelihood of success than the others without strong university ties.

Cheap Rent Cost

Cheap rent cost can be seen as another economic factor affecting MCEs' location choice (Brinkhoff, 2006; Drake, 2003; Kong & O'Connor, 2009; Liu, 2018). Affordable rent, along with spacious workplaces at most times, could contribute directly to the enterprise targets of lowering costs (Serra, 2016). Most creative clusters are located in places where there are convenient transportation systems and sufficient urban amenities. Before urban revitalization, the land prices and rent prices were low due to the decline in the economic base, which generated a rent gap in these places (He, 2014; Smith, 1987). Yet, the rent gap would be spontaneously bridged as a result of gentrification and urban revitalization (Smith, 1987). In the case of Soho, London, the rising reputation and the impacts of gentrification of the creative cluster led to skyrocketing rent prices. Inevitably, a portion of creative enterprises, especially

micro-ones, cannot afford the rent and had to be replaced by chain stores and global enterprises (Drinkwater & Platt, 2016).

2.3.3   Institutional Factors

Institutional Environment and Policy Incentives

Intellectual property (including trademarks, design, copyright and patents) is the core driving force of creative industries (DCMS, 2016). It has also become unprecedentedly important for micro-enterprises that have less awareness and weaker ability to protect intellectual property than larger enterprises (Zhang and Hui, 2007). Accordingly, Luan (et al., 2013) stress that a mature legal system with a focus on intellectual property protection is able to attract and nurture both creative industries and entrepreneurial activities. For another, it has been acknowledged that micro-enterprises generally have a preference to choose places where there are numerous policy incentives, e.g. loans, grants, subsidies, tax refunds and abatements (Berg, 2015; Chandler, 2012; Haisch & Klöpper, 2015; Maryunani & Mirzanti, 2015). For the policy-led development pattern, institutional support and subsidies allow cheaper rent and many other benefits for MCEs directly (O'Connor & Gu, 2014). Indeed, micro-enterprises face high uncertainty and have relatively weak anti-risk ability due to their small scale. Mainly, one of the difficulties is access to financing (Chan & Lin, 2013). In practice, many governmental programs have been put in place to lower the barrier to credit and provide good access to finance for these rather small businesses (Chandler, 2012). Besides, Maryunani and Mirzanti (2015) argue that the role of local authorities in the entrepreneurial process lies in the supply of a conducive environment and needed infrastructure. In many countries, incubator facilities sponsored by public sectors have appealed to a great number of start-ups (Chu, 2009; Gong & Hassink, 2017). Hence, it can be found that solid institutional guarantee, in conjunction with a

mixture of feasible policy incentives, does have obvious impacts on the location behavior of both creative industries and micro-enterprises.

2.3.4 Creative Factors

Place-Specific Aesthetics

Many cases show that creative industries tend to be attracted by certain attributes of places (Clifton, 2008; Lazzeretti, Boix, & Capone, 2008). Normally, these places are characterized by their aesthetics in architecture and urban landscape, unique socio-cultural setting or place identity, which could include urban historical and cultural heritages, and representative residential, industrial and entertainment districts. According to Drake (2003), 'place' is a resource of inspirations, stimuli and visual raw materials that could stimulate creativity. It is not only an objective and real entity but also a subjective, emotional and imagined space. The thematic associations and featured styles of a place can be favorable for creative industries. Furthermore, different creative people may understand and interpret the same place by using various ways and thereby create various products. Drake (2003, p. 513) explains that creative people's '*subjective, personal or emotional response to place will affect how they may use the attributes of that place for aesthetic inspiration, and that response will be molded by individual identities, perceptions and beliefs.*' Currid and Williams (2010) claim that historically significant places and iconic infrastructure in some ways have a crucial impact on the cultivation of place branding. Similarly, He (2014a) argues that the popular images of old industrial areas and old towns can be seen as prime motivations for attracting creative enterprises. These spaces are more likely renowned, whilst the rent costs are affordable.

Quality of Place/Urban Amenities

Extensive economic geographic literature has examined the important role of quality of place/urban amenities in the location behavior of creative enterprises. It is because high amenity environments are places where creative people prefer to live (Clifton, 2008; Florida, 2002b; Marlet & Woerkens, 2005; Rao & Dai, 2017; Serra, 2016; Sivitanidou, 1999; Turok, 2003; Zandiatashbar & Hamidi, 2018). In Sivitanidou's (1999) research, apart from productive amenities, non-productive amenities are equally perceived as vital location determinants for knowledge-intensive industries. These amenities have the potential to maximize the profits or minimize the costs of the enterprises indirectly, including good environmental quality (e.g. green spaces), cultural venues (e.g. museums, cinemas and theatres) and recreational amenities (e.g. cafés, restaurants and shops) (Serra, 2016; Sivitanidou, 1999). Several scholars point out that land-use diversity and density embed an urban buzz can contribute to the face-to-face encounters and thus enhance knowledge exchange and innovation productivity (Chatman & Noland, 2011; Wood & Dovey, 2015). Florida (2002b) finds that certain aspects of the quality of place are essential factors attracting creative people, particularly visual and audio prompts (e.g. bustling street scene, outdoor recreation and dining, nightlife and public art events). Austrian research indicates that creative people has a strong preference to concentrate in pedestrian-friendly neighborhoods surrounded by various activities (Wood & Dovey, 2015). Likewise, creative enterprises in the US prefer to locate in the accessible and walkable places with efficient transit services (Zandiatashbar & Hamidi, 2018). Yet, it is important to note that a high amenity environment might trigger skyrocketing property value, which can act as a 'disamenity' especially for MCEs (with relatively limited financial support) (Zandiatashbar & Hamidi, 2018).

Tolerance/Openness

A tolerant and open environment is an irreplaceable location condition for many creative enterprises. In other words, creative enterprises are more likely located in open, vibrant, multicultural and inclusive places because these places are adaptable to their technologically creative requirements and culturally unconventional behaviors (Florida, 2002a; Haisch & Klöpper, 2015; Ma & Shen, 2010; Rao & Dai, 2017). Cruz and Teixeira (2014) find that large urban centers show more tolerance and openness to immigrants, foreigners and sexual and racial minorities than other urban areas.

In the book *The Death and Life of Great American Cities*, Jacobs (1961) underlines that diversity helps to spur both creativity and urban development, because a diverse place that tolerates various thoughts, accepts new ideas and accommodates different lifestyles and cultures is more able to succeed economically. Likewise, Florida (2002b) suggests that lowering entry barriers for newcomers is essential so that these people can be accepted into various kinds of economic and social arrangements in a short time. All else being equal, such places are more likely to attract and retain entrepreneurs who can generate new knowledge and innovation. Thus, a tolerant and open environment contributes to fostering entrepreneurial activities (Florida et al., 2008). As mentioned earlier, universities not merely export a large number of talented people and academic knowledge, but provide open venues where talents of all stripes interact and generate free thoughts (Florida et al., 2006). That is, the presence of universities facilitates shaping an open and inclusive environment to diversity and an entrepreneurial ecosystem to newcomers (Florida et al., 2006; Gong & Hassink, 2017; Polonyová, Ondoš, & Ely, 2015).

2.4 Theoretical Framework and Research Model

Most of creative clusters are either developed spontaneously or guided by local authorities. As a matter of fact, Drinkwater and Platt (2016) point out that the majority of creative clusters are developed spontaneously, in the meantime, they become the focus of policy interventions, based on their comparative research on the film industry clusters between Soho, London, and Beyoğlu, Istanbul. After comparing spontaneous creative clusters and policy-led creative clusters, this research identifies that the market, local authority and the creative class all play indispensable and complementary roles in spurring creative cluster development. The market acts as a catalyst accelerating the agglomeration and development of creative industries. Policymaking is required during different development stages of creative clusters in order to provide solid institutional guarantee and needed infrastructure. Last, the presence of the creative class contributes to forming a diverse, open, thick and ever-changing network of knowledge exchanges that foster creative people's uniqueness and strengthen the vitality of the places (Chapain & De Propris, 2009). Meanwhile, it is also evident that the weight of each driver somewhat varies in different development patterns.

Hayter (1997) distinguishes location determinants in accordance with neoclassical, institutional and behavioral approaches. In the neoclassical theories, an enterprise's location decision is rationally influenced by factors that can create the expected profits, including agglomeration economies, market size, labour costs and transportation (Devereux, Griffith, & Simpson, 2007; Glaeser, Kallal, Scheinkman, & Shleifer, 1992; Manjón-Antolín & Arauzo-Carod, 2011; Marshall, 1890/1920). One the one hand, agglomeration economies contribute to generating competitive advantages among similar and complementary enterprises (Brinkhoff, 2006; Drake, 2003; Serra, 2016; Porter, 1998). On the other hand, geographical proximity to cheap rent cost, transportation and the availability of expertise and labors assist enterprises to either increase

benefits or decrease the operation cost (Sivitanidou, 1999). Institutional theories focus on the role of institutional instruments when modeling an enterprise's location decision (Hayter, 1997; Manjón-Antolín & Arauzo-Carod, 2011). Enterprises operate within a complicated network of suppliers, clients, local authorities and competitors. Under the circumstances, a transparent, fair and efficient local authority along with sound policy incentives and implementations are more able to guarantee the sustainability of local economic activities. Last but not the least, advocates of behavioral location theory highlight the significance of 'internal' and 'entrepreneurial' factors in the location decision (Manjón-Antolín & Arauzo-Carod, 2011). The decision-makers of enterprises (in this case, entrepreneurs), especially of relatively small-sized ones, choose their location in an uncertain environment with limited locational information and time, so the location choice in some ways is built on subjective arguments, such as geographical origin, graduation site and other personal experiences of entrepreneurs as well as the age of enterprises (Carod & Antolín, 2004; Pred, 1969). Besides, Gong and Hassink (2017) provide interesting insights into the key location determinants of creative industries – agglomeration economics, institutional environment and (university and corporate) spinoff formation.

Arauzo-Carod (2013) introduces that the location choice model can be built by two different approaches. One stresses the territory where the enterprises are located (e.g. social environment and infrastructure). The other one focuses on the choice behavior of the enterprises (e.g. size, employment and industrial sector). Similar arguments were also developed by Cruz and Teixeira (2014). This research will adopt these two approaches so as to better understand the location choice of MCEs in the city of Shanghai.

Regarding Chinese research, particularly, plenty of scholars have concluded the factors impacting creative enterprises' location choice from various aspects. Wang (2007) identifies

four influential factors of creative enterprises' location choice at the national level, which include the innovative environment, industrial characteristics, locational environment, and local authority's support. Gu's (2014) research indicates that social networks affect MCEs' location behavior significantly in Shanghai. Many local entrepreneurs, based in spontaneous creative clusters, made a location decision simply due to friend's suggestions and ties.

Zhu (et al., 2013) carry out a study that explores how urban planning and design enterprises evaluate the influential factors of location choice in Beijing, which include four main aspects – industrial agglomeration effects and geographical proximity (to clients, universities and institutes), policy factors, environmental factors (e.g. urban and natural amenities and public transit system), and cheap rent cost. The study indicates that creative enterprises concentrate in specific places primarily because of industrial agglomeration effects and geographical proximity to the skilled labor market. For the most participated enterprises, the preferential policy incentives were limited; the rent in the area was not cheap; and the location was even far away from their clients, but all of which could be offset significantly by the benefits of agglomeration economies.

He (2014) summarizes the locational characteristics of Shanghai's creative enterprises. Additionally, interviews with local creative enterprises related to location decisions were conducted at the same time. The researcher combines all potential location determinants into two grouped factors - social agglomeration factors and economic agglomeration factors. The result shows that the location choice of local creative enterprises needs to be explained by a comprehensive method consisting of both grouped factors.

Overall, existing theories have offered a solid research framework for the location behavior of both creative enterprises and micro-enterprises. A large amount of empirical evidence has proven that creative industries prefer to cluster in specific geographical spaces, such as declining industrial areas, old towns and places close to universities. According to their spatial characteristics, several potential location determinants derived from economic, institutional and creative aspects are developed, which will be evaluated based on a qualitative analytical method. The model of this research, therefore, is illustrated in Figure 1.
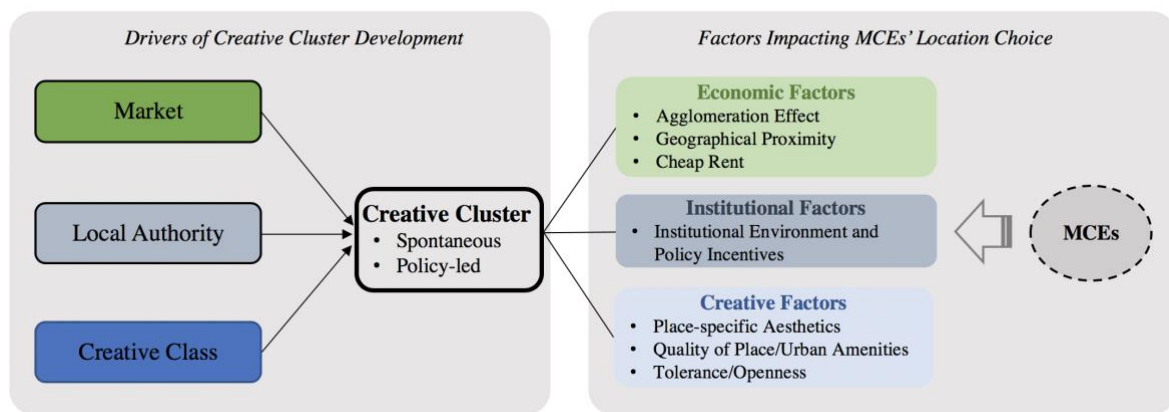
Figure 1 Research Model (Source: Author, 2019)

2.5 Literature Gaps

The notion of creative cluster has been introduced in Shanghai and incorporated into its city development guideline for a long time. Many researchers have put their focus on the categorization of these clusters from a variety of aspects. Yet, few have analyzed creative cluster development from the three drivers - the market, local authority and the creative class.

Unlike creative clusters in the Western context, China's local authorities play a predominant role in the development of local creative clusters. In many Chinese cities, though some renowned creative clusters grow spontaneously (such as 798 Art Zone in Beijing and

Tianzifang in Shanghai), a sizeable portion of them are typically guided by local authorities and managed by the designated real estate developers. Those creative clusters have been influenced by institutional interventions to different degrees. However, little research has been conducted to compare spontaneous development pattern and policy-led development pattern with regard to their sustainability and the ability to attract, retain and nurture MCEs.

The location determinants of creative enterprises have been explored in various approaches by many Chinese scholars. Whereas, micro-enterprises in creative industries have received comparatively less attention. Furthermore, little literature evaluates the factors impacting MCEs' location choice as well as their weights at Shanghai's neighborhood level, especially from enterprises' perspectives. In fact, due to their rather small scale, this type of business is more likely to be influenced by market changes, institutional environments and behavioral factors.

Chapter 3 Methodology

The methodology is based on the case study of two creative clusters in Shanghai - M50 and The Bridge 8. This chapter first introduces approaches to solve the three research questions. It then provides an overview of the study areas, methods of data collection, ethical considerations in research and methods of data analysis.

3.1   Approaches to the Research Questions

This research aims to examine Shanghai's creative clusters and thereby identify the roles of the market, local authorities and the creative class in the agglomeration process. In the meantime, it attempts to evaluate the key location determinants of MCEs. The three research questions derived from research topic could be responded by the detailed approaches as shown below:

1) What roles do the market, local authority and the creative class play respectively in the development process of creative clusters in Shanghai?

Local planning context, policies and implementations in relation to creative clusters, creative industries and micro-enterprises have been reviewed, which could clearly show how those three actors impact the development of local creative clusters. Field observation of the two study areas has been performed to explore and compare their urban landscape, physical environment, spatial structure, as well as creative milieu. Besides, interviews with the management sectors of both creative clusters have been conducted to get a deep understanding of the development process, management mechanism and sustainability.

2) From the perspective of MCEs, what factors have impacted their location choice in Shanghai?

A questionnaire regarding how MCEs choose their location has been completed by approximately 50 participants from each study area. Descriptive analysis has been employed to examine the weights of various factors. Factors have been compared not only between two development patterns but also between two sub-sectors of creative industries in order to seek the potential differences.

3) What kind of improvement strategies can be identified from the case study that would better attract, retain and nurture MCEs?

Several proposed recommendations have been offered to MCEs to select in Part 3 of the questionnaire. The proposed recommendations have been analyzed and illustrated. Additionally, a portion of the proposed recommendations have been discussed with management sectors in the interviews in order to ascertain and verify their feasibility.

3.2   Case Study and Study Areas

3.2.1   Creative Cluster Development in Shanghai

Key Development Stages of Local Creative Clusters

The development of creative industries in Shanghai was highly associated with the urban revitalization of the old town. From the 1990s to the 2000s, Shanghai had been in the vital transition of economic structure (Luan et al., 2013). The implementation of the *Tui Er Jin San* strategy led a large number of state-owned enterprises to reform and develop tertiary industries, move to suburban areas, or permanently close down. Nevertheless, it raised a series of economic and social problems at the same time, including the decrease of employment opportunities in the old town, the decrease of revenues for local authorities and the difficulties of effectively reuse the old warehouses. Therefore, local authorities needed to seek new

economic potential in the old town and demonstrate a clear direction of transformation and development for those industrial lands after the relocation (Luan et al., 2013).

Initially, owing to the inadequate ability of local authorities to exercise control over urban revitalization, a growing number of disused warehouses were rented out for other land use purposes and at relatively low prices. In 1999, Teng, an individual architect, converted the old warehouse of about 2,000 m2 into a design studio along Suzhou Creek. Similarly, Liu, a designer, rented 5,000 m2 warehouses as a personal studio nearby. Soon after, the way in which subletting and reusing the old warehouses based on the modern architectural aesthetics appealed to a number of avant-garde artists and design enterprises that later settled in along Suzhou Creek and gradually formed the earliest form of local creative clusters. This spontaneous agglomeration process of creative industries was seen as the first development stage of Shanghai's creative clusters (Luan et al., 2013). Ma and Shen (2010) state that the co-location of creative industries promoted effective information sharing and business cooperation. Additionally, the specific creative milieu built by the creative class continually reinforced the attribute of the places. These creative clusters were normally operated and managed by the new companies established after the reconstruction of the state-owned factories (Chu, 2009). During this stage, the most influential and representative creative clusters were M50, Tianzifang, and Sihang Warehouse, which were recognized as art-oriented communities based on spontaneous agglomeration and land use transformation. These creative clusters were also characterized by their participatory planning process - involving various actors, such as the creative class, residents, owners of old factories, investors, NGOs and so on (He & Gebhardt, 2014).

It is worth mentioning that the informal nature of these creative activities was in an uncertain situation – local authorities might forbid it as a result of the illegal use of industrial lands. Many

changes in the creative clusters came prior to the policies (O'Connor & Gu, 2014). Meanwhile, the appeals by the creative class to reuse the industrial buildings generated a fierce conflict with the then mainstream urban redevelopment pattern of demolition and reconstruction of decayed areas. Since the development of creative industries in the old town could not only gentrify the disused lands, but also encourage new economy, these creative clusters gradually gained the public's support on a wide basis (Luan et al., 2013).

After referring to the concept of the creative economy from developed countries, Shanghai's policymakers recognized that creative cluster development could become a feasible solution for both declining infrastructure and new economic prosperity of the city (Gu, 2014; Luan et al., 2013). As a result, local authorities decided to practice the conventional industrial park model in creative industries (He, 2014). Through analyzing the needs of creative industries and the preferences of creative people, municipal and district governments evaluated the regional development situation comprehensively from economic, social and cultural perspectives. Accordingly, they defined specific development areas geographically and formulated the development strategies for creative industries. Then, local authorities appointed eligible real estate developers based on the assessment of the latter's development abilities. The designated developers were responsible for the planning, (re)development and investment attraction of the creative clusters. Typically, they were also in charge of routine operation and property management (Ma & Shen, 2010).

In early 2005, Shanghai Commission of Economy and Informatization (SCEI) officially certified 18 creative clusters, including M50, The Bridge 8 and Tianzifang, etc. It granted licenses for both spontaneous and policy-led creative clusters and defined clear boundaries for all of them (Ma & Shen, 2010). The adoption of a series of policies formalized the occupation

of industrial lands by creative industries (O'Connor & Gu, 2014). After that, it was followed by several development waves. By 2009, there had been around 80 officially certified creative clusters in total (see Figure 2) (Luan et al., 2013). During this period, institutional power was indispensable as it was reflected by introducing a series of policies and regulations that guided and planned creative clusters. More importantly, almost all the certified creative clusters had management sectors, a public-private management organization instituted to oversee the clusters, which allowed the local authorities to regain control (Zielke & Waibel, 2014). This top-down planning period was viewed as the second development stage of Shanghai's creative clusters, which was distinct from the previous spontaneous agglomeration process (He & Gebhardt, 2014). Zielke and Waibel (2014) highlight that local authorities not only played the role of supervisor, but also acted as mediators between different stakeholders and as facilitators through policy implementation and funding distribution.

Figure 2 Four development waves of creative clusters in Shanghai (Source: Luan et al., 2013)

37

Location Choice of Local Creative Enterprises

Shanghai is divided by the Huangpu River, a human-made tributary of the Yangtze River. Seven central districts are located in the west bank of the Huangpu River (or Puxi), which are collectively referred to as the old town of Shanghai (see Figure 3) (Rong, 2005).
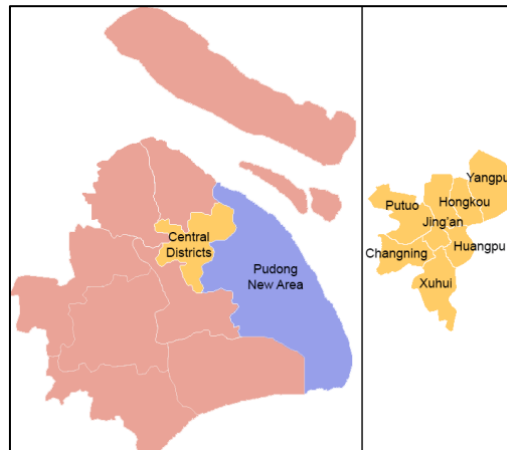
Figure 3 Administration Divisions of Shanghai (Source: Shanghai Statistical Yearbook, 2010)

Creative enterprises in Shanghai reflect clustering in specific locations. Chinese scholars have studied the spatial characteristics of those creative clusters (Chu; 2009; He, 2014). As Chu (2009) states, their characteristics can be summarized as 'a semicircle (environed by the Inner Elevated Ring Road and Huangpu River), a corridor along Suzhou Creek and two circles around university clusters (i.e. Shanghai Jiao Tong University-centered and Tongji University-centered respectively) (see Figure 4).

Figure 4 Spatial distribution of creative clusters in Shanghai (Source: Luan et al., 2013)

Foremost, the majority of creative clusters are distributed in central districts, environed by the Inner Elevated Ring Road and Huangpu River. It suggests that creative clusters have a high preference to concentrate in the old town of Shanghai, particularly like Jing'an District and Huangpu District (He, 2014). These two central districts had been part of Shanghai International Settlement and French Concession until the end of the World War II, which left not only the western style of streetscape and buildings, but also the attributes of openness and cosmopolitanism. He (2014) points out that there is a tight association between creative industries and Shanghai's local culture and history. Those places with diverse culture and unique urban memory are important for the development of creative industries. In contrast, the newly developed Pudong, the east bank of Huangpu River, has fewer creative clusters but a number of concentrated high-tech parks (like aviation, microelectronics and aerospace manufacturing). Besides, traditional industrial parks like automobile, petrochemical and steel are primarily dispersed in suburban districts.

39

Reuse of old industrial areas is another remarkable characteristic. Suzhou Creek, as one of the largest industrial areas in China before the 1980s, is well known today for the agglomeration of avant-garde artists in the old warehouses (He, 2014). Over 60% of the certified creative clusters are situated in Shanghai's old industrial areas, which is related to the massive needs of local urban revitalization in the past decades. The closures and relocations of numerous factories brought opportunities for the creative class to renovate old industrial buildings as creative spaces (while still being affordable in rent cost) (He, 2014). Other well-known cases include The Bridge 8 (reconstructed by a disused automobile brake factory) and Tianzifang (reused by old factories and the Shikumen neighborhood).

It is also evident that a great number of creative clusters are close to universities, especially Shanghai Jiao Tong University and Tongji University. On the one hand, those universities are able to invest and develop creative industries proactively based on their brand influences, academic and social networks and unique creative resources, e.g. multidisciplinary, specialized knowledge and talents (Zhu et al., 2013). On the other hand, creative enterprises could benefit from spillover effects and thus draw on the universities' many resources (Florida, Gates, Knudsen, & Stolarick, 2006; Gong & Hassink, 2017). In practice, software clusters around Shanghai Jiao Tong University and architecture and design clusters around Tongji University are two of the most well-known samples (Ma & Shen, 2010).

However, several questions arise now: What are the key factors impacted local creative enterprises' location choice? To what extent these factors impacted their location decision? Are there any significant differences in the location decision between general creative enterprises and those at the micro level (i.e. MCEs)? In fact, there have been many studies concentrating

on the location determinants of creative enterprises using different analytical models. However, the location determinants of MCEs have received relatively less attention. Particularly, He (2014) claims that location choice of creative enterprises in Shanghai is impacted by both social agglomeration factors and economic agglomeration factors. The former consists of cultural diversity, institutional environment, tolerance/openness, intellectual property protection, inter-personal communication, average educational attainment of the neighborhood and urban amenities. The latter contains industrial networks, the popularity of the place, cheap rent cost, innovative atmosphere, skilled labor force and transportation convenience. In comparison, economic factors weigh more heavily in the location choice than social factors. Moreover, the findings also found an apparent differentiation between sub-sectors of creative industries concerning their emphasis on location determinants. All in all, this analytical model provides a valuable insight into how creative enterprises make a location decision, which could be applied to evaluate the influential factors of MCEs in this research in some ways.

3.2.2 Policy Review

Local authorities play a vital role in the development of Shanghai's creative clusters. In 2004, Shanghai established Shanghai Creative Industry Center (SCIC), a semi-governmental organization supervised by SCEI, to assist the municipal government to formulate development plans and strategies for creative industries and to take charge of services for creative enterprises (SCIC, 2019). In 2010, Shanghai joined the UNESCO Creative Cities Network. It indicated Shanghai's ambition to put creativity at the core of the city's sustainable economic development (UNESCO, 2017). Subsequently, Shanghai Cultural and Creative Industry Promotion Office (SCCIPO) was established in the same year and supervised directly by the municipal government. SCCIPO replaces some of the responsibilities of SCIC but possesses stronger institutional power of resources integration, inter-sectoral coordination and

international cooperation in the creative industries. (UNESCO, 2017). During the *12th Five-Year Plan for The Development of Creative Industries in Shanghai* (*12th Five-Year Plan*), Shanghai had been home to 87 certified creative clusters, around 240 cultural and art community centers and over 4,000 creative and innovative institutes or agencies (SCEI, 2017; UNESCO, 2017). According to O'Connor & Gu (2014, p. 7), creative clusters in Shanghai '*have been a great success. Their proliferation fed into the burgeoning image of Shanghai as a global cultural city, able to showcase its own refurbished buildings alongside those factories, warehouses, railways stations, tram depots, hospitals…*'. The industrial park model was proved to be effective in Shanghai's creative cluster development. By the end of the *12th Five-Year Plan,* creative industries occupied over 12% of the overall city's GDP, increased from 9% in 2011. Also, the annual average growth rate of creative industries is 12.6%, nearly twice of the overall city's GDP (SCEI, 2017). Creative industries have become strategic components of Shanghai's economic development.

In the context of marketization, some creative clusters have developed competitive advantages based on creative assets and creative networks, but others confront with development dilemma. By 2013, ten certified creative clusters (or 11% of the total) had been decertified. Luan et al. (2013) suggest that local authorities need to understand the rationale and development mechanism of creative clusters thoroughly. Moreover, many creative clusters suffer from the problems of low value-added products, insufficient intellectual property protection, product homogeneity, lacking original brands and low international influences. In response, Shanghai has initiated to adjust its policies and development plans for creative industries, reflecting its determination to promote economically, socially and environmentally sustainable development. According to the *Shanghai Master Plan (2017-2035)* and the *13th Five-Year Plan for The Development of Creative Industries in Shanghai* (*13th Five-Year Plan*), Shanghai is targeted

to become an international city of design, fashion and innovation in 2035. Shanghai's creative clusters will be rooted in the locality while connecting to the global network (SCEI, 2017; Shanghai Municipal People's Government, 2018; Zhang & Hui, 2007)**.**

Policies on Creative Clusters

As the rising concerns about the protection of urban memory and industrial heritages, there was more criticism to the overly demolishment and reconstruction (Luan et al., 2013). The first milestone in protecting industrial heritages took place in 2002 when Shanghai issued the *Regulations on the Protection of Historical and Cultural Areas and Excellent Historic Buildings of Shanghai*. Apart from providing legal support for the protection of buildings and areas with historical and cultural features, the *Regulations* also provided a development guarantee for creative clusters (Zheng, 2017; Zielke & Waibel, 2014). As a consequence, the old town of Shanghai was revitalized by modern constructions, whilst its historical built environment was retained. The old buildings were reused by creative industries as creative spaces, complying with the needs of Shanghai's economic restructuring. As a social contract between the market, local authorities and the creative class, developing creative clusters seems to be recognized as a panacea to carry out broader urban revitalization plans (He & Gebhardt, 2014; Keane, 2009). In 2014, Shanghai set a target of 'zero growth of urban construction land' in order to encourage land-use intensification and mixed-use development. This policy was further emphasized in the *Shanghai Master Plan (2017-2035)*, demonstrating the necessity of exploring sustainable urban redevelopment based on industrial heritage protection and low-carbon development (Shanghai Municipal People's Government, 2018; Zheng, 2017).

After the rapid development of creative clusters, there was an increasing criticism involving commercial development in the disguise of creative clusters, illegal reconstruction, high rental

vacancy rate, numerous non-creative enterprises and other maladministration problems (Luan et al., 2013). Some of the certified creative clusters were initially guided by local authorities, followed by real estate developers' planning and operation (known as creative real estate). In practice, most of them faced the issues of over-commercialization and loss of authenticity (He, 2014). Keane (2009) criticizes that comparing to the spontaneous creative clusters, policy-led creative clusters reflected a sense of 'made'. Zou & Liu (2006) note that many creative clusters merely maintained an owner-tenant relationship with their creative enterprises and made limited efforts to seek long-term, sustainable development of creative clusters. Some creative clusters have become places of production and sale of tourist commodities and therefore had insufficient creativity. Furthermore, though creative clusters can gain various policy supports and financial supports, many of them are still under pressure to repay bank loans. To encourage the sustainable development of creative clusters, several district governments have refined the assessment of creative clusters. Yangpu District, for instance, uses four classes to assess creative clusters, namely 'excellent', 'good', 'qualified' and 'unqualified'. The management organizations of 'excellent' and 'good' creative clusters will be rewarded; 'unqualified' creative cluster will be asked to rectify and reform within a given time or be decertified (SCCIPO, 2015). Moreover, the *Shanghai Master Plan (2017-2035)* illustrates that there would be a substantial increase of urban heritage protection budget from the public budget (Shanghai Municipal People's Government, 2018).

Policies on Creative Industries

As discussed earlier in the research, creative industries involve diverse and problematic categories. In Shanghai, creative industries were first emphasized as a critical industrial component in *the 11th Five-Year Plan for The Development of Creative Industries in Shanghai* (*11th Five-Year Plan*) (He, 2014). Through evaluating the city's industrial structure and

development targets, creative industries were refined into five major sectors, including architecture and design, advisory planning, culture media, research and development, and fashion consumption (He & Gebhardt, 2014).

Subsequently, aimed to reflect Shanghai's creative industries precisely and systematically, creative industries were re-classified at the beginning of the *12th Five-Year Plan.* According to the *Shanghai Cultural and Creative Industry Classification Catalogue* (SCCIPO, 2011), creative industries include:

1. Information Technology

2. Software and Computer Services

3. Advertising and Marketing

4. Consulting and Planning Services

5. Architectural Design

6. Crafts

7. Design: Product, Graphic and Fashion Design

8. Art: Music, Performing and Visual Arts

9. Media: Film, TV, Video, Radio, Photography, Publishing, Museums, Galleries and Libraries

10. Leisure and Entertainment Services

To further stimulate the development of Shanghai's creative industries, the *13th Five-Year Plan* has launched an extensive number of initiatives, such as optimizing the structure of creative industries, promoting complementarity and cooperation between varying creative sub-sectors, attracting international capital and resources, reinforcing copyright and trademark protection and strengthening financial supports for creative achievements transformation, brand building

and talents attraction and nurturing (SCEI, 2017). Accordingly, SCCIPO (2019) has introduced a guideline that provides detailed funding support to different types of creative industries and creative projects, e.g. soft loans, subsidies and government purchase of services.

Policies on Micro-Enterprises

Through implementing the *Shanghai Cultural and Creative Industry Development Three-Year Action Plan (2016-2018),* Shanghai has nurtured hundreds of incubators, co-working spaces and entrepreneurial bases (SCCIPO, 2016). Micro-enterprises, especially start-ups, could benefit from a variety of financial supports from the public sectors, e.g. income tax deduction and tax rebates and exemptions for export cultural and creative products. For example, Putuo District would provide qualified enterprises with loans up to worth of 50% of total enterprise assets (Putuo District Bureau of Finance, 2016). Moreover, the *Shanghai Master Plan (2017-2035)* indicates that Shanghai will continue providing micro-enterprises with financing, consulting, training and other professional services and infrastructure in order to create a more attractive environment for entrepreneurship (Shanghai Municipal People's Government, 2018). However, it can be found that most of the financial supports are provided to high-tech, IT or software start-ups. Supports for traditional culture-related sectors are far from sufficient.

3.2.3   Study Areas: M50 and The Bridge 8

This research looks at two creative clusters of Shanghai: M50 and The Bridge 8 (see Figure 5). As for urban development process, these two creative clusters express some similarities:

1)   Both study areas were certified in the first wave of creative cluster development in 2005 and have built good place-based reputations;

2)   Both study areas can reflect the typical spatial characteristics of Shanghai's creative clusters:

    a. sitting in the old town of Shanghai, being influenced by Western culture to some extent;

    b. reconstructing and reusing declining industrial buildings.

3) According to the reviewed literature and local context, some characteristics of creative clusters are shared in both Chinese and Western contexts, which can be observed in both study areas as well:

    a. being in proximity to infrastructure (e.g. the Inner Ring Elevated Road and the North-South Elevated Road respectively);

    b. being in proximity to affluent urban amenities;

    c. featured urban and architectural aesthetics;

    d. human-scaled spatial structure and design.
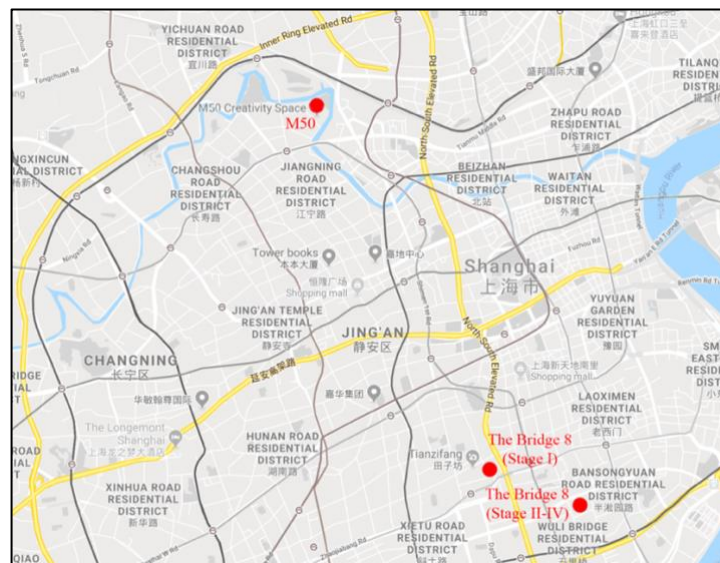

Figure 5 Locations of two study areas in the central districts of Shanghai (Source: Google Map, 2019)

Meanwhile, there are some significant differences between the two study areas, such as the size, development pattern and dominated creative industries. These differences are analyzed and compared in the next chapter in order to understand their underlying impacts on MCEs' location choice.

3.3　Data Collection

The case study, carried out in April 2019, was comprised of three components - field observation, questionnaires with entrepreneurs who have created, managed or owned an MCE in the designated study areas and semi-structured interviews with the management sectors of both creative clusters.

3.3.1　Field Observation

Observation is a traditional research method of gathering data through noting physical characteristics and watching people or activities in their natural setting. This research used direct observation – the researcher endeavored to be unobtrusive in order to avoid biasing the observations (Duke University, 2019). Observation could gather up-to-date data and capture what is happening at that moment. Additionally, it could use technologies (e.g. photographs and videos) to gather data that could not be best described by the text. Field observation was also employed in a research carried out by Berg (2015) to examine the dynamics of a creative clustering of film and TV industries in Seoul.

Field observation of M50 and The Bridge 8 was first conducted in order to examine the overall creative milieu. Urban design, streetscape, architectural aesthetics and other visual and place-based characteristics were recorded as photographs. It was aimed to seek how both development patterns had respectively (re)shaped spatial layouts of the creative clusters. Main activities, services and the overall walking experience were identified. First, urban creative and cultural amenities were marked via online map tools and confirmed in the field. Apart from urban amenities, universities, institutes and related specialized enterprises were also identified. After that, transportation, public transit system, pedestrian and bicycle-friendly networks were noted to assess the accessibility of both study areas. Moreover, safety, noise and sense of well-

being were assessed, which highly relied on the researcher's self-experience during the walking tour. Last, the surrounding areas of both creative clusters were studied via an online map in order to evaluate the neighborhoods' overall development conditions.

3.3.2 Questionnaire Design

The questionnaire was adopted to explore the influential factors of MCEs' location choice. It collected MCEs' viewpoints and the potential improvement strategies towards the study areas (see Appendix 1). The potential participants are defined as entrepreneurs who have created, manage or own MCEs and they would be randomly selected within the study areas. There are three criteria for the selection of the participants: 1) they must engage in creative industries (classified as below); 2) their enterprises must have less than 10 workers, and; 3) their enterprises must be located inside the designated creative clusters. The researcher applied a screening process before conducting the questionnaire in order to determine whether the potential participants met the criteria of the recruitment standards or not. The list of creative enterprises in each study area could be acquired from either the creative cluster's local websites or the management sectors. Due to the size limits of both study areas, it was expected to collect 50 responses from each of them.

As introduced in the previous chapters, the definition and classification of creative industries vary across countries. Referring to the *Shanghai Cultural and Creative Industry Classification Catalogue* (SCCIPO, 2011) and DCMS's creative industries classification in the UK, in conjunction with other categorization viewpoints and industrial attributes (He, 2014; SCCIPO, 2011; Department for Culture Media and Sport, 2016; UNCTAD, 2019), creative industries as a whole can also be divided into three sub-sectors, including Technology-Based Industries

(TBIs), Service-Based Advisory Industries (SBAIs) and Cultural, Art & Fashion Industries (CAFIs).

TBIs include:

- IT
- Software and computer services

SBAIs include:

- Advertising and marketing
- Consulting and planning services
- Architecture

CAFIs include:

- Crafts
- Design: product, graphic and fashion design
- Media: Film, TV, publishing, video, radio and photography
- Music, performing and visual arts
- Museums, galleries and libraries

With regard to Shanghai's industrial distribution, most of TBIs are concentrated in specific high-tech parks or dispersed across the city. For another, according to the definition and practices of leisure and entertainment services in Shanghai, they should be viewed as auxiliary services for the creative clusters rather than one type of creative industries. Creative café and artistic restaurants are representative examples because most of them cannot create meaningful new forms in their production process. The case study specifically focused on SBAIs and

CAFIs, as they can reflect the massive diversity and eclectic feature of the creative industries in the context of Shanghai's local creative clusters. In the meanwhile, there are significant differences between them, which can be further compared and discussed (Drake, 2003).

The questionnaire contained three parts with a total of twelve questions. It took 5-10 minutes for participants to complete. In Part 1, Question 1-8 involved basic information of enterprises, employment and entrepreneurs, such as enterprise type and size, the share of part-time workers, education attainments and graduation locations of entrepreneurs. Part 2 was aimed to assess the location determinants of MCEs. There were twelve factors in total derived from economic, institutional and creative aspects. Economic factors contained agglomeration effects of an industry, cheap rent cost, geographical proximity to universities, research institutes or technology enterprises and geographical proximity to a pool of talents/the creative class. Institutional factors involved policy incentives and support for micro-enterprises and creative industries respectively. Creative factors consisted of urban and architectural aesthetics, openness and tolerance, cultural diversity, mixed-use land development, human-scaled spatial structure and design. To allow participants make self-determination on the intensity of varying influential factors, Five-Point Likert Scale method was used in Question 9 with choices of 'most unimportant', 'somewhat unimportant', 'moderate', 'somewhat important', and 'most important'. Part 3 included three questions concerning the main challenges of MCEs and their recommendations towards study areas. The participants had the opportunity to select feasible development strategies from a set of recommendations.

The questionnaire was carried out from 9 am to 5 pm during weekdays. Ultimately, 98 valid responses were collected and used for data analysis, with 51 in M50 and 47 in The Bridge 8.

51

3.3.3 Interview Design

Semi-structured interviews with the management sectors of both creative clusters were arranged after completing questionnaires. The interviews were designed to collect information about management mechanisms, policy support, future planning actions and improvement strategies (see Appendix 2). Each interview lasted approximately 15 minutes.

The semi-structured interview has been broadly used in qualitative research. The researcher (in this case, an interviewer) in a semi-structured interview had an outline of topics to be developed based on literature, field observation and questionnaire results (Creswell, 2017). Besides, it allowed new thoughts to be brought up during the interview according to what the management sector (in this case, an interviewee) responded. In the literature, Drinkwater and Platt (2016) conducted semi-structured interviews to explore the effects of 'place' on creativity and to compare the pros and cons of two film clusters in different institutional environments.

A set of proposed questions were first asked, including 'What is the share of non-creative enterprises within this creative cluster?' 'How to balance the number of creative enterprises and non-creative enterprises?' 'How do you think the differences between policy-led and spontaneous development patterns in terms of attracting, retaining and nurturing MCEs?'

As the interviews became in-depth, the following questions were come up according to the newly captured information. Some questions included: 'What are the main challenges of this creative cluster currently?' 'Is this creative cluster economically, environmentally or socially sustainable?' 'What is the development planning for the next ten years?'

3.4   Research Ethics

In this research, it is significant to take ethical consideration into account as human participants are involved when conducting questionnaires and interviews in M50 and The Bridge 8. Prior to the initiation of the survey, the University of Waterloo Research Ethics Committee (ORE#40481) had approved ethics clearance in April 2019 to ensure that personal privacy and dignity were maximumly respected and risks and harms of the potential participants were minimized. Data collected from the study areas consisted of photographs, hard copies of questionnaire and audio-recordings. First of all, the photographs were not about humans. Photographs taken in the public areas of both study areas were transferred from personal telephone to personal laptop. The completed questionnaire sheets were kept in a locked place. The coding process took one week. The hard copies of the questionnaires were kept after coding in case the researcher needed to go back to refer them or if there were any issues about coding. Audio-recordings of interviews were transferred from personal telephone to personal laptop and were deleted after transcoding into text. The researcher attempted to keep electronic data in an encrypted folder on the researcher's password-protected laptop for two years. After two years, all data will be erased.

3.5   Data Analysis

Qualitative descriptive analysis was used to examine the data collected from field observation, questionnaires and interviews. This analysis method is capable of describing a phenomenon and summarize its characteristics, which have become popular procedures for research in social science fields (Nassaji, 2015). This research payed particular attention to conduct spatial characteristics analysis, socio-demographic analysis, location choice analysis and development recommendations analysis.

First, spatial characteristics of two study areas were analyzed primarily based on the results of the field observation and the interviews. With the help of the online map tool, the overall walking experiences were converted as textual data. Additionally, visual data, including photographs of internal spaces, buildings and public spaces, can serve as a vital source of insight and was thereby utilized to substantiate findings generated from the field observation. The analysis result could contribute to addressing the first research question.

Second, the results of the questionnaire (Part 1) were categorized and calculated by using the Microsoft Excel statistics tool. This was aimed to understand the socio-demographic characteristics of the participated MCEs clearly. Zhu (et al., 2013) carried out a study that explored how creative enterprises evaluated the influential factors of location choice in Beijing. The questionnaire used the Five-Point Likert Scale method for enterprises to assess the influence degree of factors derived from four main aspects. This method has become a useful tool for conducting the location choice study of economic activities (Demirbag & Glaister, 2010; Kamarudin & Sajilan, 2013). Thus, this research adopted the Five-Point Likert Scale method to illustrate and compare the influencing factors of MCEs' location choice. Twelve factors provided in the questionnaire (Part 2) were quantified. Different scores were given for 'most unimportant', 'somewhat unimportant', 'moderate', 'somewhat important', and 'most important', ranging from 1 to 5 respectively. The mean scores of all factors were measured and compared between the two study areas in order to understand the underlying impacts of different development patterns on MCEs' location choice. Meanwhile, the potential differences in the location choice between different sub-sectors, SBAIs and CAFIs, were also explored due to their distinguishing industrial characteristics. The analysis result could answer the second research question to a large extent.

Last, Microsoft Excel statistics tool was employed to calculate the participants' recommendations towards the study areas. The results were analyzed and compared between the two study areas. Meanwhile, the validated interview data was presented to assist in answering the third research question.

Chapter 4 Findings and Discussions

4.1 Spatial Characteristics Analysis

4.1.1 Spatial Characteristics of M50

M50 (or 50 Moganshan Road) is located in an old industrial area along Suzhou Creek in Putuo District. It is geographically and socially segregated from its adjacent area as it is bounded by Suzhou Creek to the north and east, by an enclosed residential community to the southwest and by a construction site to the west. M50 was once a state-owned factory, known as Shanghai Chunming Slub Mill (see Figure 6). In the late 1990s, due to the citywide restructuring of the textile industry, the factory ceased production and became inactive (Gu, 2014; Luan et al., 2013). In 2001, the ownership of these old industrial buildings was transferred to ShangTex, a large state-owned textile and garment group. Subsequently, Shanghai Chunming Slub Mill was renamed as M50 and it commenced to take charge of the operation and management of the creative cluster.

Figure 6 Shanghai Chunming Slub Mill in the 1990s (Online Shanghai, 2017)

In the initial development stage of M50, creative people established close social networks through introducing their friends and clients progressively (Chu, 2009). At first, M50 drew in some oversea visitors who were interested in Chinese contemporary art. Many galleries were

also interested in purchasing works from local artists. M50 promoted increasingly cultural consumption and internationalization. In the 1990s, there were few localities like Shanghai's M50 where creative industries could be directly connected with the global market (Gu, 2014). Furthermore, owing to their artistic attributes and similarities to creative clusters in the Western context, this spontaneous development pattern of creative clusters triggered widespread concerns (Rong, 2005).

There were several management rules for all enterprises located within M50. For example, enterprises were allowed to partially repair warehouses on the basis of remaining the original appearance of the buildings; the management sector controlled the quality and quantity of artistic and creative activities in order to enhance the overall artistic atmosphere of the creative cluster (Hong & Tong, 2009). It can be seen that the growth of M50 was unplanned, involving spontaneous agglomeration and development. As local authorities recognized the potential for developing creative clusters, this pattern of urban revitalization was officially authorized in 2005. Since then, the development of M50 has begun to be intervened by institutional power (Zielke & Waibel, 2014). Today, M50 has become a contemporary art community that is home to over 130 artists and creative enterprises coming from more than twenty countries (Gu, 2014). Its representative creative industries include crafts, galleries, graphic design and visual arts.

M50 showed its effort on favorably combining its unique industrial heritage with historical and cultural elements. It possessed 25 industrial buildings that have well retained various architectural styles from the 1930s to the 1990s (see Figure 7). Meanwhile, it also means that there was no apparent continuity in aesthetics. It was still easy to see the original appearance and structure of buildings, whilst most of the buildings have been renovated to some extent through utilizing decorations, lights, posters as well as various building materials (see Figure

8), which was derived from the International Settlement era. Moreover, many internal spaces have been restructured or refurbished. For many creative people, reused warehouses can provide flexible spaces to exhibit their works.

Figure 7 The guide map of M50 (Source: Author, 2019)

Figure 8 The internal and external views of some typical buildings in M50 (Source: Author, 2019)

M50 has developed a sense of communal space. Different styles of seating areas and open spaces were provided and allocated in almost every corner, decorated with posters, artifacts and art sculptures. However, most public spaces were not in use frequently. Instead, many creative people preferred to socialize in their studios or cafés. M50 had a main courtyard enclosed by severe buildings, which offered a large open space for creativity-related events. According to the content of the posters, a series of art events would be organized in this courtyard shortly (see Figure 9). Additionally, there was a riverside park on the north side of

M50, but it has been closed for a long time due to the impact of the adjacent construction site. Another green space could be observed on the east side of Moganshan Road, but it was not in use frequently neither.

Figure 9 Public spaces in M50 (Source: Author, 2019)

There is a trend of 'experiential service' inside M50 in the form of a café combining with music and performing art, a restaurant combining with vintage exhibitions or a café combining with apparel selling, etc. Yet, urban amenities in surrounding areas were limited to the east side of Moganshan Road, including a furniture mall, a few restaurants, small libraries, dry cleaning stores and cafés. Moreover, related industries could not be observed around M50.

Regarding accessibility, the nearest subway station was Jiangning Road Station, which has less than 10 mins walking distance (not flat road). There was no bus service provided around M50. Thanks to the rise of the bicycle-sharing system in Shanghai as well as the whole country, a great number of people had preferences to arrive M50 by bicycle. Furthermore, creative people and visitors could only access to M50 from one road – Moganshan Road, either from its east side or west side. Both the road and its sidewalks were very narrow. According to the researcher's observation, vehicle, bicycle and walking were the three most popular travel methods for people to arrive at M50. Roadside parking spaces were available on another narrow road, Suzhou West Road, which made the path even less accessible. Like most other redeveloped creative clusters in Shanghai, underground parking areas were unavailable, so

parking spaces inside M50 were limited, which could, to a minimum extent, meet creative people's needs.

Safety, noise and sense of well-being were noted, which highly depended on the researcher's self-experience during the walking tour. Due to the existence of M50's security system and a police office on the east side of Moganshan Road, walking around the study area was very safe. M50 itself was an open art district with several entrances and exits for both pedestrians and vehicles. It is interesting to mention that a few security guards were standing in each gate for safety purposes. Some of them were recruited from the former state-owned factory (which is a popular way to solve the unemployment issue after the closedown of state-owned enterprises). However, the existence of so many security guards produced a feeling of being watched for people. Though there was a construction site on M50's west side, the noise level was acceptable from both inside and outside M50.

Owing to the unique historical and aesthetic attributes of the preserved industrial heritage, M50 has become a popular travel destination. Most visitors came for tourism purposes, who visited M50 individually or in a tour group. An increasing number of tourists showed their interest in how creative people worked and lived in M50. Tourists were welcome in M50 because they were seen as potential clients. It is important to note that oversea tourists or art dealers accounted for a sizeable percentage of all visitors, which reflected the influential branding of M50 at the international level.

The enclosed residential community was completed in 2003, which is a relatively new real estate development project and the nearest residential community of M50. Though the north gate of the residential community nears M50, most residents prefer to use another gate because

the latter near a subway station. Thus, no visible link can be found between residents and M50. In short, M50's geographically and socially exclusiveness contributes to creating a quiet and safe physical environment. Simultaneously, despite sitting in the central part of Shanghai, M50 resembles a little pocket of marginalized land, which could only attract the attention of tourists and art dealers as well as delivery personnel.

4.1.2 Spatial Characteristics of The Bridge 8

The Bridge 8 (or Ba Hao Qiao), located in the former French Concession of Huangpu District, was once Shanghai Automobile Brake Factory (a state-owned factory) sitting in Middle Jianguo Road (see Figure 10). With the support of SCEI and the Government of Luwan District (merged into Huangpu District in 2011), the ownership of the factory was transferred to Shanghai Huaqing Investment and Life Style Centre Holdings. Through planning, positioning, design and investment attraction, the disused factory was soon reconstructed and renamed as The Bridge 8 by the end of 2004 (The Bridge 8, 2019).

Figure 10 A disused warehouse of The Bridge 8 before reconstructing (Source: Sina, 2017)

The development sector of The Bridge 8 saw creative industries as advanced business services in the upscale office environment, thereby the majority of old warehouses and offices were

designed with industrial aesthetics. The element of 'bridge' was embedded in the design, which has become a remarkable icon for The Bridge 8. With the increasing reputation and commercial potential, The Bridge 8 overwhelmingly expanded its boundary through reconstructing three old factories on the Jumen Road. Today, The Bridge 8 is comprised of two dispersed areas in Huangpu District with totally four sub-clusters, named The Bridge Phase I, II, III and IV. Phase I is solely located in Jianguo Middle Road, which is the earliest developed sub-cluster and the most well-known one of The Bridge 8 (The Bridge 8, 2019). Phase II, III and IV were developed after the success of Phase I. All of them sit in Jumen Road, which has 30 mins walking distance (or 10 mins by bicycle) from Phase I. Each sub-cluster contains 5-8 buildings (see Figure 11). The Bridge 8 has attracted a diversity of creative enterprises in architectural design, media, advertising and fashion design, etc. The Bridge 8 has become an aspirational model for many creative cluster developers due to its success in creative cluster branding (O'Connor & Gu, 2014).

Figure 11 The guide map of The Bridge 8 Phase I, II and III (Source: Author, 2019)

Most of the buildings in Phase I-III have been thoroughly renovated or reconstructed, so it was hard to observe the original appearance and structure of buildings. The Bridge 8 has retained the unique characteristics of old industrial buildings and infused various modern elements (see Figure 12). Many wall surfaces of the building have been replaced or covered by stainless steel or reflective glass, illustrating a cosmopolitan context. For Building 5 of Phase I, the white

powder outer wall of the original warehouse was replaced by bricks that removed from the old buildings. The way of laying bricks with concave and convex pattern highlights the texture of the wall surface. As mentioned earlier, the name 'The Bridge 8' was initially derived from the connections between buildings. These connections have been kept and the concept of 'bridge' has been further improved in various forms. Today, these bridges not merely provide paths for creative people to access, but also create exciting places for face-to-face interactions. Regarding Phase IV, the old warehouses have been thoroughly reconstructed and most buildings are newly built. Thus, Phase IV has become a purely business model, known as 'creative real estate.'
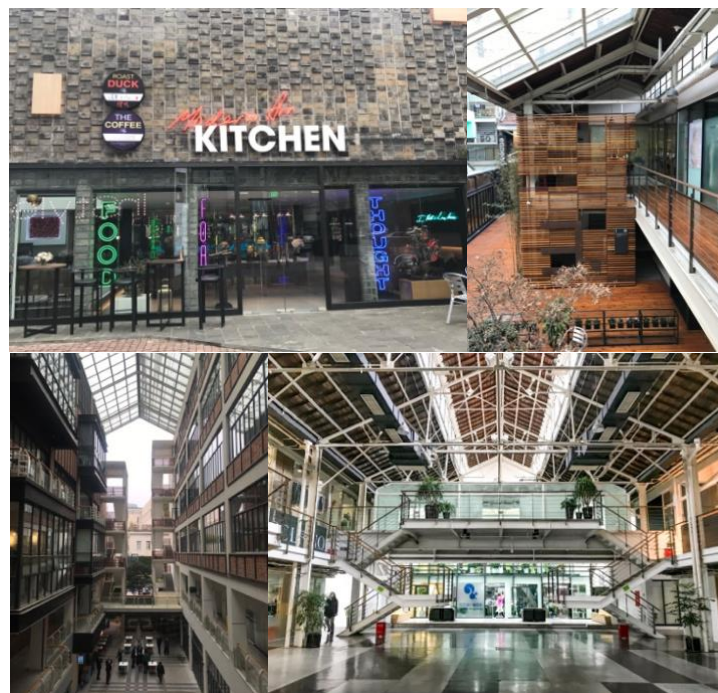
Figure 12 The internal and external views of buildings in The Bridge 8 (Source: Author, 2019)

There were a variety of public spaces across Phase I-IV (see Figure 13). In the outdoor and semi-outdoor corridors, wood strips were chosen to lay the floors and decorate the outer walls. The warm colors, in conjunction with greeneries, added a warm feeling for the outdoor environment. In Phase III, plenty of simple-designed seating areas were provided. In Phase II and IV, rooftop areas have been designed as public spaces. The rooftop of Phase IV, in

particular, contained a multi-functional stage and a green space, which allowed creative people to organize activities and plant flowers. It is significant to note that Phase IV has been certified by LEED (Leadership in Energy and Environmental Design) due to the advanced design in sustainability. Overall, these public spaces were often used by creative people during their leisure time. By contrast, although most public spaces opened to the general public, they were not in use frequently, especially those in the rooftop areas.

Figure 13 Public spaces in The Bridge 8 (Phase I-IV) (Source: Author, 2019)

The Bridge 8 possessed a number of creative cafés, high-end restaurants, bars and convenience stores, etc. Both two dispersed areas were located in an old neighborhood of central Shanghai, which left a large amount of cultural and historical heritages from French Concession era. All sub-clusters were adjacent to ample creative and cultural urban amenities, including shopping malls, cinemas, libraries and bookstores. Many businesses provided outdoor seats as leisure spaces, which contributed to building a lively neighborhood.

All sub-clusters were close to convenient public transit systems. Phase I was adjacent to Xintiandi Station, Madang Road Station and Dapuqiao Station. Approaching these subway stations needed less than 10 mins walking distance. Phase II-IV was adjacent to Xizang South Road Station, Luban Road Station and EXPO Museum Station. Approaching these subway stations needed approximately 10 mins walking distance. According to observation, creative people in the Bridge 8 preferred to commute from subway stations to workplaces by bicycle, which was similar to those in M50. Moreover, both two dispersed areas were adjacent to South-North Expressway, one of the most important arterial roads passing central Shanghai.

Differing from M50, each sub-cluster of The Bridge 8 only had one entrance, monitored by several security guards, which ensured a safe working environment. Yet, closed cluster layouts, to some extent, restricted outsiders, especially those who first visited and were unsure whether The Bridge 8 opened to the public or not. This arrangement might partially explain the low use efficiency of the open spaces inside The Bridge 8. The noise level of Phase I is much higher than that of other sub-clusters because the former is next to the expressway and business areas while residential communities and small businesses enclose the latter. Most areas of The Bridge 8 are car-free, contributing to an enjoyable and safe walking experience.

The Bridge 8 Phase I, as the most well-known sub-cluster, has built a positive image of its neighborhood and has drawn in plenty of tourists. By contrast, Phase II-IV are less able to do so, which probably because of the far distance from Phase I and a lack of popularity. In Phase II-IV, many MCEs used electronic locking systems and thereby only opened for employees and targeted clients. Phase IV was more like a traditional business office area. Casual face-to-face interactions among different enterprises could hardly be observed.

4.2   Socio-demographic Characteristics Analysis

4.2.1   Type of Micro-Creative Enterprises

In Part 1 of the questionnaire, Question 1 examines the type of MCEs from both creative clusters. As Figure 14 shows, M50 accommodated all eight types of creative industries. Clearly, *Crafts* occupied the most significant share, with nearly 40% of all the participated MCEs. The second-largest share was *Museums, galleries and libraries,* with 19%. The remaining types of creative industries took up similar proportions, ranging from 6% to 12%, except *Architecture* (with only 2%). Besides, according to the classification of two sub-sectors, the share of CAFIs was heavily weighted in M50, with 84% while only 16% of MCEs belonged to SBAIs.

By contrast, there was no single dominant creative industry in The Bridge 8 (see Figure 14). *Design: product, graphic and fashion design, Consulting and planning services, Architecture, Consulting and planning services* and *Media: Film, TV, publishing, video, radio and photography* all took up critical proportions, ranging from 13% to 26%. Interestingly, there was no *Crafts*-related MCE in The Bridge 8. According to the classification of two sub-sectors, approximately 57% of the participated MCEs belonged to SBAIs, which was moderately higher than that belonged to CAFIs (with a total of 43%).

After comparing the types of MCE in both creative clusters, it can be found that M50 was a CAFIs-dominated cluster. In contrast, the Bridge 8 was collectively driven by several creative industries. This situation could be caused by the significant difference in their agglomeration process. For M50, a number of avant-garde artists first moved to the old factory and made efforts to renovate the place. Through social networks and informal links, more creative people and creative enterprises were attracted to the place. The spontaneous agglomeration process considerably contributed to the formation of M50. For The Bridge 8, the old factories were

redeveloped by designated real estate developers and investors. The Bridge 8 was well designed in order to appeal to the needs of creative people. The mature business mode, along with advanced infrastructure, attracted different types of MCEs to move in, especially those involving in SBAIs which have higher requirements for working environments. However, whether these creative industries (with various production processes) could generate knowledge spillover and effectively share various specialized resources and services is questioned.
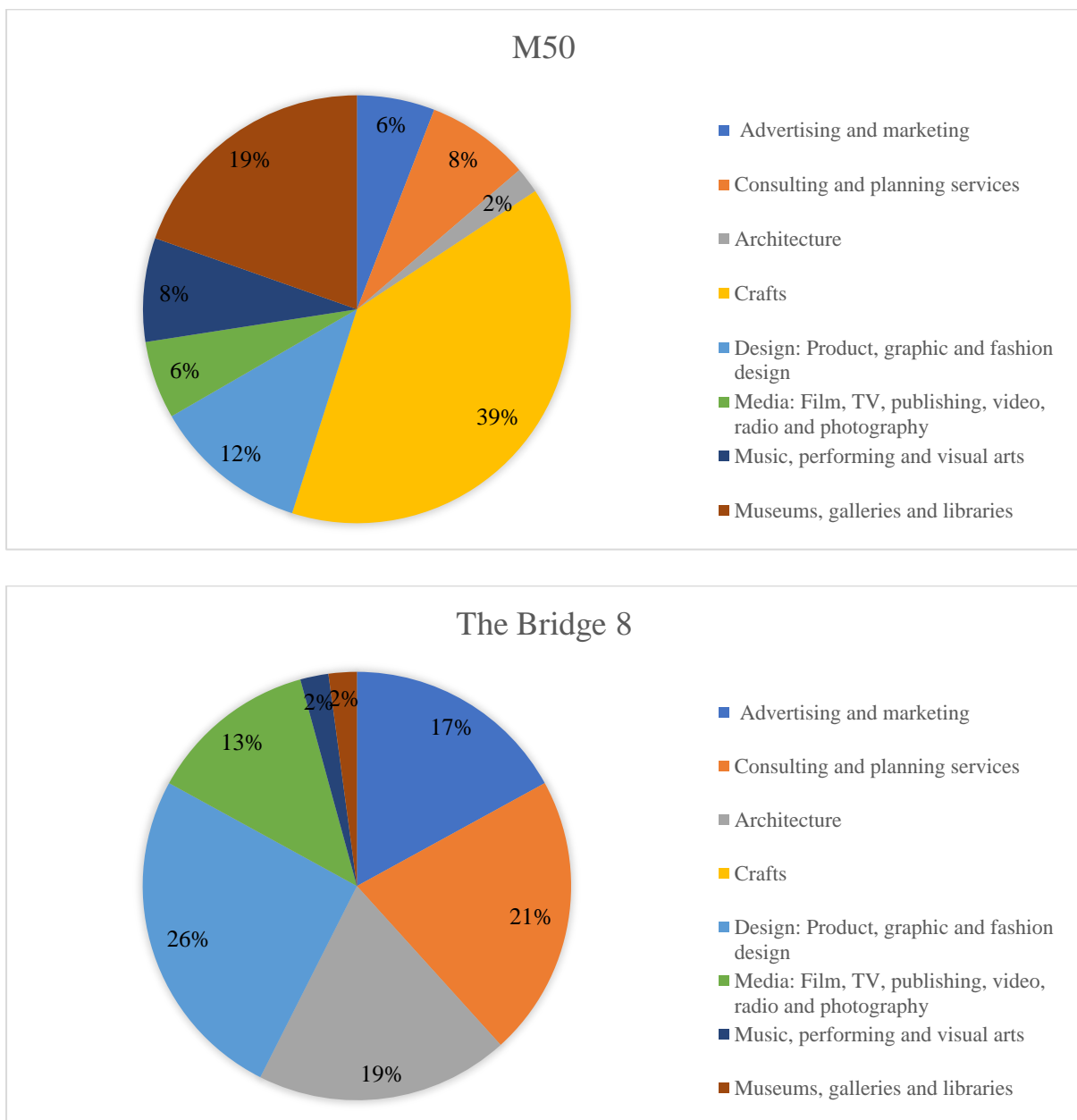

Figure 14 Types of MCE by percentage. M50 (top). The Bridge 8 (bottom)

4.2.2 Employment and Enterprise Characteristics

The phrase 'micro-enterprise' is defined as a business that has nine people or fewer, which may include entrepreneurs, employer, owner, manager, full-time and part-time employees and family members. The result of Question 2 illustrates an evident difference in the enterprise size of the participated MCEs between two creative clusters. As shown in Figure 15, MCEs from M50 typically had 2-4 people, many of which were self-employed businesses or family businesses. For The Bridge 8, the majority of MCEs had 6 people or above, occupying 91% totally. Overall, the average enterprise size of MCEs is 5.6 people in M50 and 7.8 people in The Bridge 8 respectively. Thus, regarding the enterprise size, MCEs from The Bridge 8 were generally larger than that from M50.
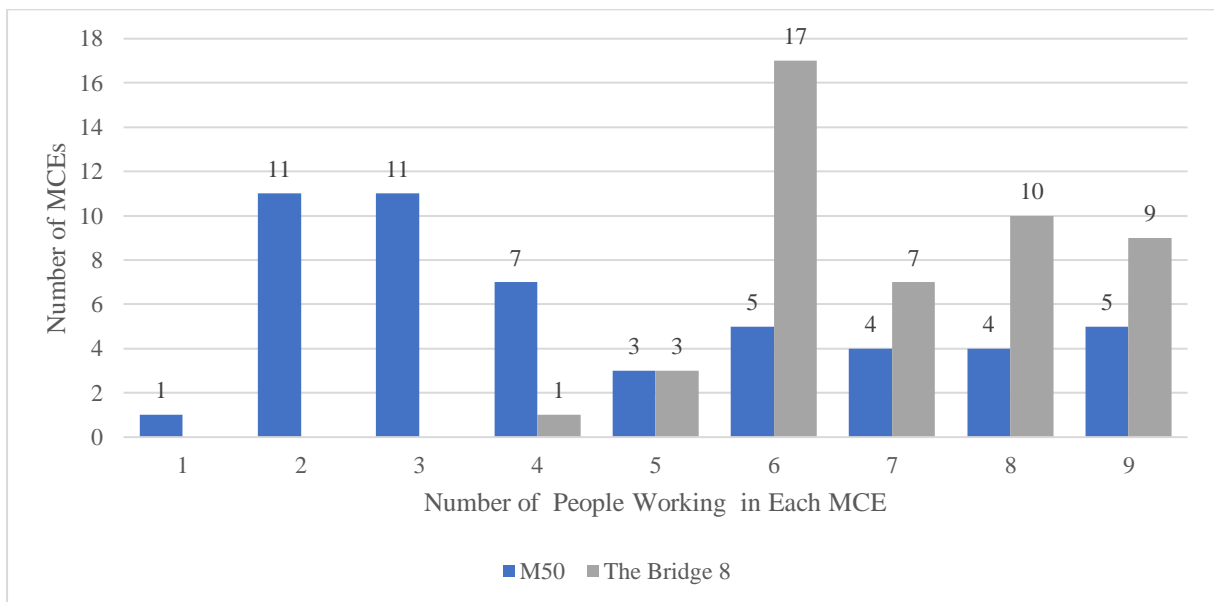

Figure 15 Size of MCEs in M50 and The Bridge 8

Question 3 is intended to understand the share of part-time jobs of MCEs. It can be seen from Figure 16 that one-quarter of the workforce in M50's MCEs were part-time. In comparison, the share of part-time people in The Bridge 8's MCEs was similar but faintly lower, with approximately one-fifth of all. As mentioned earlier, creative people have been broadly viewed

as highly mobile talents (Borén & Young, 2013; Clifton, 2008; Florida, 2002). Many of them worked in part-time or freelance forms as they dislike always being embedded in one enterprise or one place (Scott, 2006). Research conducted by Borén and Young (2013) indicated that the occupational characteristics of some creative industries (such as high degree of self-employment in *Crafts*) enable creative people to be more footloose.
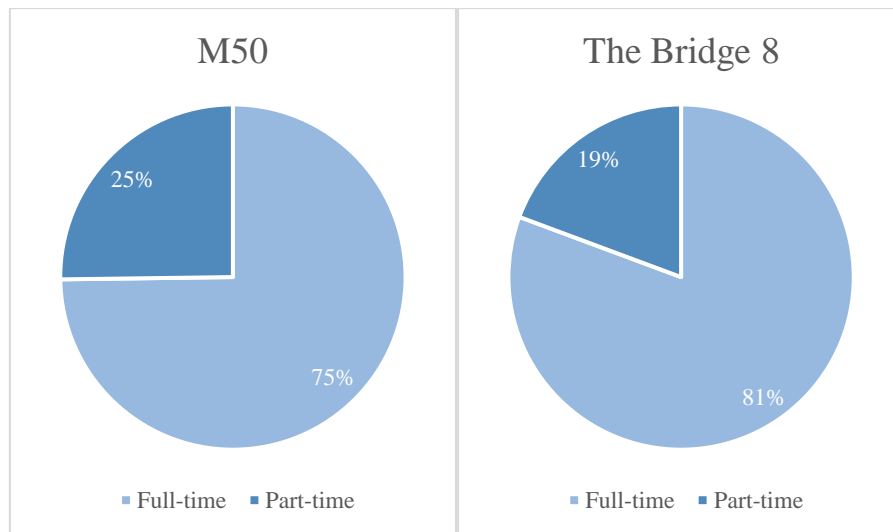

Figure 16 Share of Part-time workers in M50 and The Bridge 8

Question 4 is aimed to identify where MCEs started their businesses. As Figure 17 indicates, 38 MCEs started their businesses in M50, which accounts for approximately 75% of all. Besides, 16% of the participated MCEs were established in another place in Shanghai. In The Bridge 8, 51% of the participated MCEs started their businesses in the study area. Over 44% of the participated MCEs were established in either another creative cluster or another place of Shanghai. Additionally, MCEs established in a place out of Shanghai take up small proportions in both creative clusters, with 8% in M50 and 4% in The Bridge 8 separately.
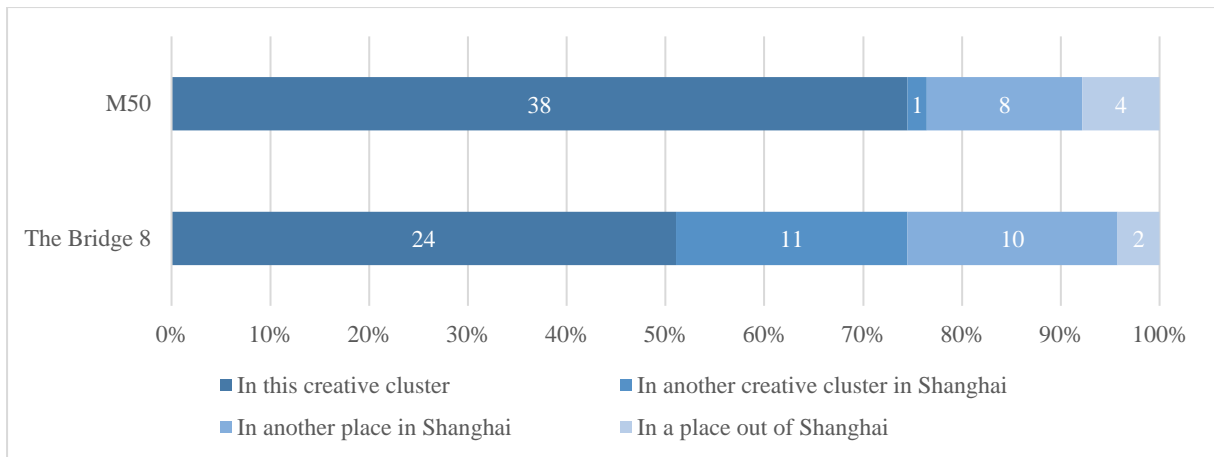
Figure 17 MCEs' establishment place in M50 and The Bridge 8

In Question 5, MCEs were asked to select how long they have been located in each creative cluster (see Figure 18). Around 24% of the participated MCEs from M50 and 28% of those from The Bridge 8 have stayed in each place less than one year. However, In M50, roughly 31% of the participated MCEs have stayed for around one to four years, 20% of them have stayed for five to eight years and more than 25% of them have stayed over eight years. These figures were considerably different from those in The Bridge 8. That is, approximately 70% of the participated MCEs in The Bridge 8 have stayed for one to four years. Only 1 MCEs have stayed in the place for over five years.
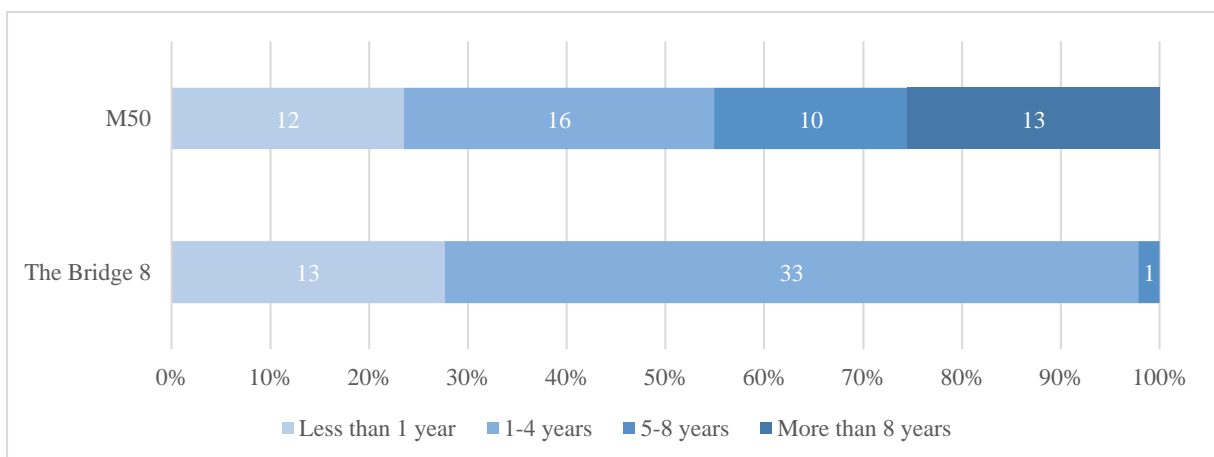

Figure 18 The length of time MCEs have been located in the place by number and percentage

M50 (top). The Bridge 8 (bottom)

70

After combining the results of Question 4 and 5, it can be said M50 had more ability to retain existing MCEs than The Bridge 8. Meanwhile, The Bridge 8 was more capable of attracting MCEs established from other places. Furthermore, comparing with MCEs from M50, those from The bridge 8 had higher frequency to change their workplaces. On the one hand, it can be thought that MCEs from The Bridge 8 were more footloose. Yet, it might mean that many MCEs suffered from poor management on the other. Additionally, overdevelopment, homogenization of the creative cluster and any other 'external' reasons could also result in the high frequency of mobility. In The Bridge 8, Phase II-IV had high vacancy rate, with around 25% averagely based on the researcher's observation. The situations of Phase II and IV were difficult, where plenty of office spaces were empty (see Figure 19).

Figure 19 An empty office space in The Bridge 8 Phase II (Source: Author, 2019)

4.2.3 Entrepreneur Background

Question 6, 7 and 8 focus on the basic information of entrepreneurs. Entrepreneurs in this research may refer to the owner, employer or self-employed people of the MCE. Question 6 provides three levels of educational attainment, including college degree, bachelor's degree and master's degree or above (see Figure 20). It can be found from the result that educational attainments of entrepreneur were evenly distributed among three levels in M50. In comparison,

entrepreneurs who obtained a bachelor's degree in The Bridge 8 occupied a similar proportion as in M50, whereas The Bridge 8 has attracted up to 60% of entrepreneurs who obtained master's degrees or above.
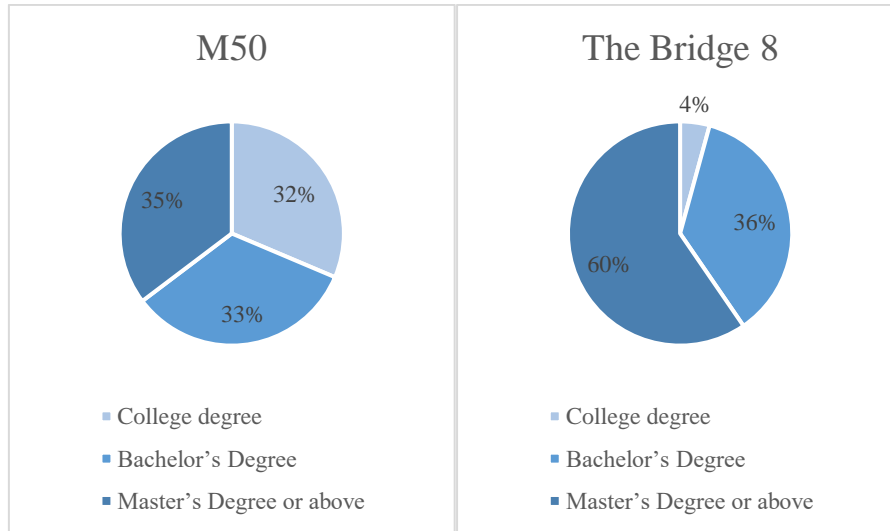

Figure 20 Entrepreneur's educational attainment by percentage

M50 (left). The Bridge 8 (right)

The result of Question 7 reflects a significant difference between the two study areas in terms of the entrepreneur's graduation place. As Figure 21 indicates, only 6% of entrepreneurs in M50 were graduated in Shanghai (either closing to the study area or other areas). Remarkably, entrepreneurs who were graduated in other Chinese provinces take up the largest proportion, with over 80% of all. Moreover, seven entrepreneurs studied abroad before they started their business in M50, which occupy 14% of the whole participants. In contrast, 28% of entrepreneurs in The Bridge 8 gradated in Shanghai and 32% of entrepreneurs graduated in other Chinese provinces. It is important to note that entrepreneurs who obtained their degrees overseas account for over 40% of all, which is nearly three times more than that in M50.
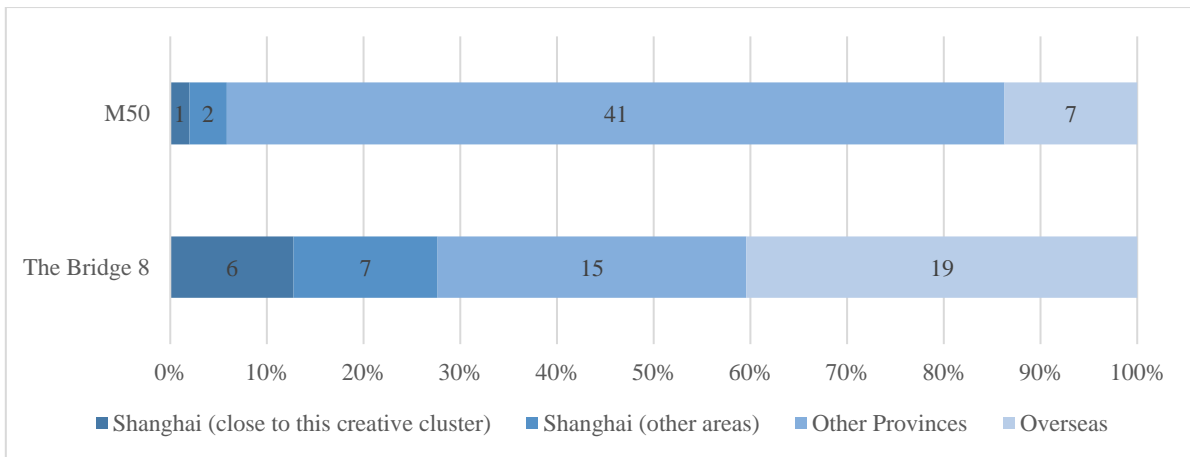
Figure 21 Entrepreneur's graduation place by number and percentage

Question 8 is attempted to identify entrepreneur's *Hukou* status (Chinese Household Registration). Comparing the pie charts of M50 and The Bridge 8, it can be observed that entrepreneurs who were born in Shanghai share a small and similar proportion in both study areas, with 12% and 11% respectively (see Figure 22). This result was in line with the field observation in which most creative people communicated in Mandarin instead of in Shanghainese (a local dialect). Normally, the more outsiders the area has, the higher proportion of Mandarin speakers there has, and thereby the more tolerant the area is. Apart from that, one-third of entrepreneurs in M50 were born in other provinces. They moved to Shanghai later and changed their *Hukou* status. In The Bridge 8, this cohort of people occupy above half of all participants. Last, entrepreneurs who were born in other provinces or other countries occupy 57% in M50 and 38% in The Bridge 8. Thus, both creative cluster study areas have strong abilities to attract outsiders.
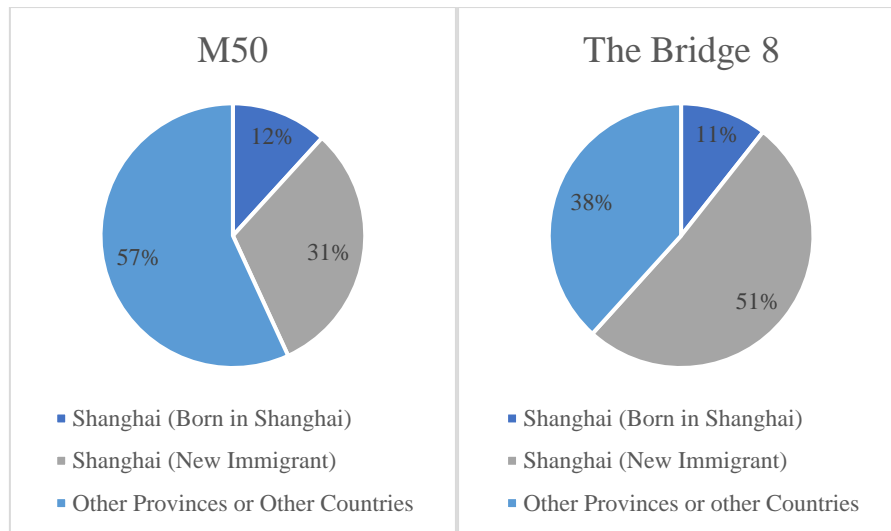
M50	The Bridge 8
12%	11%
57%	38%
31%	51%
▪ Shanghai (Born in Shanghai)	▪ Shanghai (Born in Shanghai)
▪ Shanghai (New Immigrant)	▪ Shanghai (New Immigrant)
▪ Other Provinces or Other Countries	▪ Other Provinces or other Countries

Figure 22 Entrepreneur's Hukou status by percentage

M50 (left). The Bridge 8 (right)

After integrating the results of Question 6 and 7, it is clear that entrepreneurs in The Bridge 8 averagely have higher educational attainment than those in M50, whilst more entrepreneurs who have oversea education experiences in The Bridge 8 than those in M50. Though Mellander and Florida (2006) manifest that it is more crucial to measure what people do (occupation) than what they study (educational attainment), entrepreneurs with higher educational attainment and oversea educational experience are more likely to assist enterprises to possess a global outlook and contribute to a more international, tolerant and professional creative milieu. Moreover, Shanghai's *Hukou* policies have been improved in order to attract and retain talented people. In specific, non-Shanghai residents with master's degrees and oversea returnees have priority to change their *Hukou* status and thereby benefit Shanghai's good welfare conditions (Shanghai Municipal People's Government, 2019).

It can be seen from the findings of Question 7 and 8 that many entrepreneurs were neither born nor graduated in Shanghai. Whether they had a sense of connection with the city or the creative clusters (and if so, to what extent) are hardly assessed. Regarding the field observation, most

of the creative products had no necessary linkage with the places, and the symbolic meaning of M50 might influence only a small portion of them. Besides, the results showed that location decisions of the majority of entrepreneurs were associated with neither their geographical origins nor graduation places, especially in M50. China has implemented a set of *Hukou*-related policies to restrict the mobility of citizens for decades, which has been the source of many inequalities between the developed areas and the less developed areas. Accordingly, a large number of outsiders endeavor to work in Shanghai in order to change their *Hukou* status. Thus, the results reflected the attractiveness of central Shanghai for outsiders, as one of the main destinations for aspiring entrepreneurs and young Chinese graduates attempting to engage in creative industries (O'Connor & Gu, 2014). For another, social tie still has affected entrepreneurs' location decisions. For example, according to He's (2014) research, many entrepreneurs knew very little about the creative cluster before they moved in. They chose M50 because of friends' introduction and suggestions. Therefore, the location choices of some participated MCEs were influenced by subjective factors, which conformed to the behavioral location theories to some extent.

4.3 Location Choice Analysis

4.3.1 Overview

The Part 2 of the questionnaire (or Question 9) is targeted to investigate: 1) from the perspective of MCEs, to what extent the proposed factors influence their location choice; 2) the main differences in the location choice of MCEs between the two study areas (with different development patterns); and 3) whether MECs' location choices vary according to different sub-sectors of creative industries. To allow the participated MCEs make self-determination on the influence degrees of various factors, the researcher used Five-Point Likert Scale method and

gave different scores for 'most unimportant', 'somewhat unimportant', 'moderate', 'somewhat important', and 'most important', ranging from 1 to 5 respectively. The mean scores of all factors were first calculated and compared between the two study areas. Subsequently, the detailed location choices of MCEs towards economic, institutional and creative aspects were further analyzed.

For MCEs from M50, the influence degree of different factors considerably varied (see Figure 23). *Urban and architectural aesthetics* was the most critical location determinant, which had the highest mean score (4.4 out of 5), followed by *Branding and place-based reputation* (4.3) and *Agglomeration effect of an industry* (4.2). Meanwhile, *Policy incentives and support for micro-enterprises*, *Geographical proximity to universities, research institutes or technology enterprises* and *Policy incentives and support for creative industries* were the three least important factors from MCEs' perspectives, with the mean scores of 2.6, 2.6 and 3.1 respectively. There was a striking difference between the highest mean score and the lowest one, at 1.8. All in all, the location choice of MCEs from M50 was mainly influenced by economic and creative factors over the institutional factors. Especially, they preferred to take some certain attributes (over others) of a place into consideration when they made location decisions.
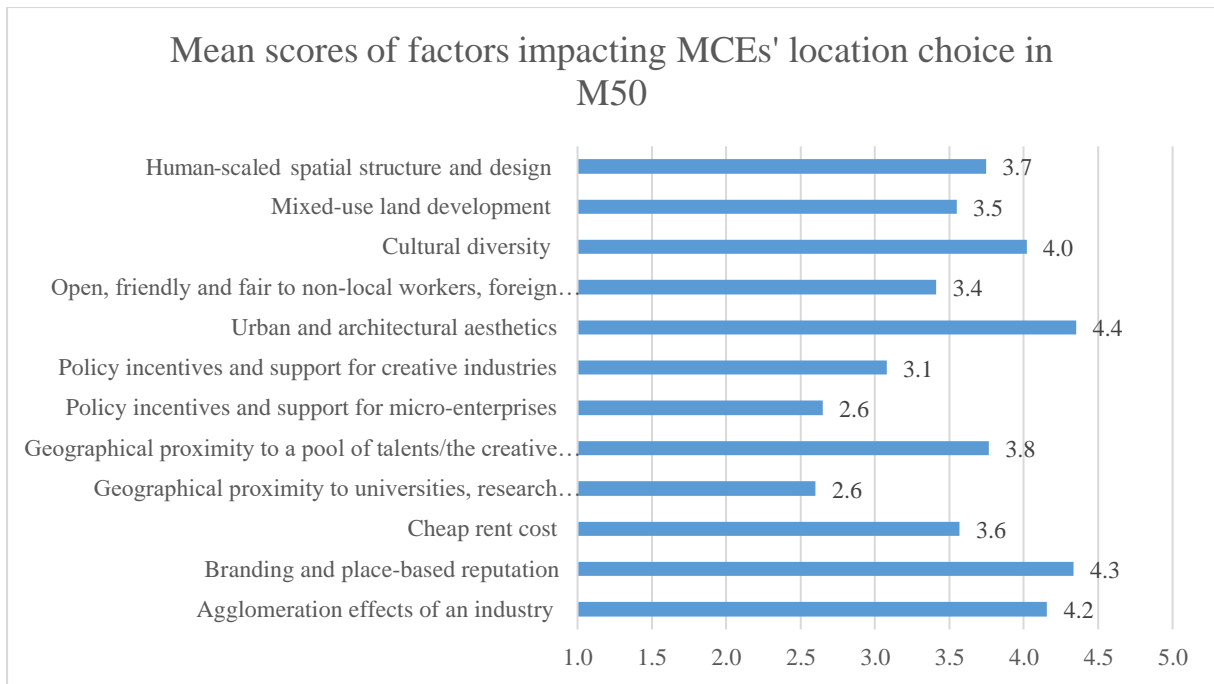
Figure 23 Mean scores of influential factors, M50

As Figure 24 illustrates, the mean scores of the proposed influential factors were relatively close in The Bridge 8, ranging between 4.1 to 3.3. The difference in the mean score between the most important factor *Agglomeration effects of an industry* and the least important factor *Geographical proximity to universities, research institutes or technology enterprises* was 0.8, which was much smaller than that in M50. In brief, it could be assumed that the location behavior of most MCEs from The Bridge 8 were influenced by economic, institutional and creative aspects collectively, with similar intensities.
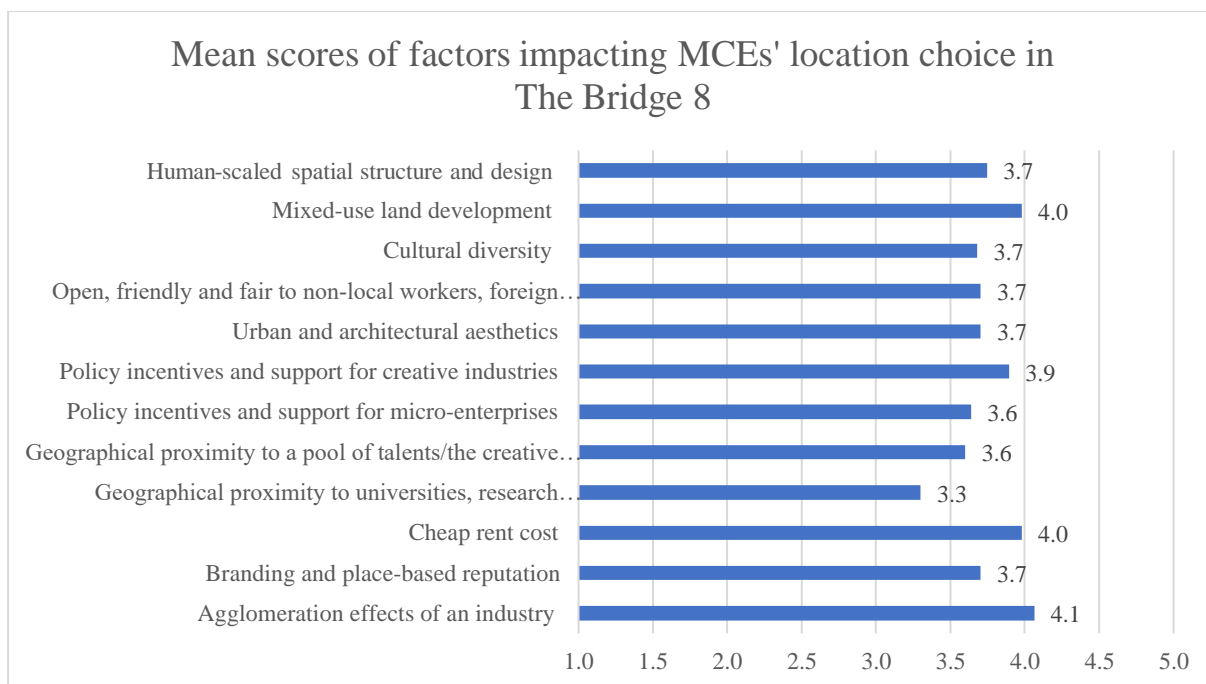
Figure 24 Mean scores of influential factors, The Bridge 8

Serra (2016) stresses that the spatial agglomeration of economic activities cannot impact all industries in the same way. It is applicable even within creative industries as they involve a very broad concept. Besides, regarding different types of micro-enterprises, blanket approaches are less helpful in understanding their development. Accordingly, the researcher further investigated the differentiation between two sub-sectors of creative industries, SBAIs and CAFIs, concerning their location choice.

For SBAIs, the mean scores of the influential factors were weighted between 3.4 and 4.1. For CAFIs, the mean scores of the influential factors were weighted between 2.7 and 4.2, where the difference was much broader than the former (see Figure 25). To look at each influential factor, the significant differences between two sub-sectors could be reflected in three factors, namely, *Policy incentives and support for micro-enterprises*, *Policy incentives and support for creative industries* and *Geographical proximity to universities, research institutes or technology enterprises*. MCEs from CAFIs responded with a lower degree of importance to all

these three factors than those from SBAIs. The result helps to explain the spatial differentiation of MCEs in Shanghai to some extent.
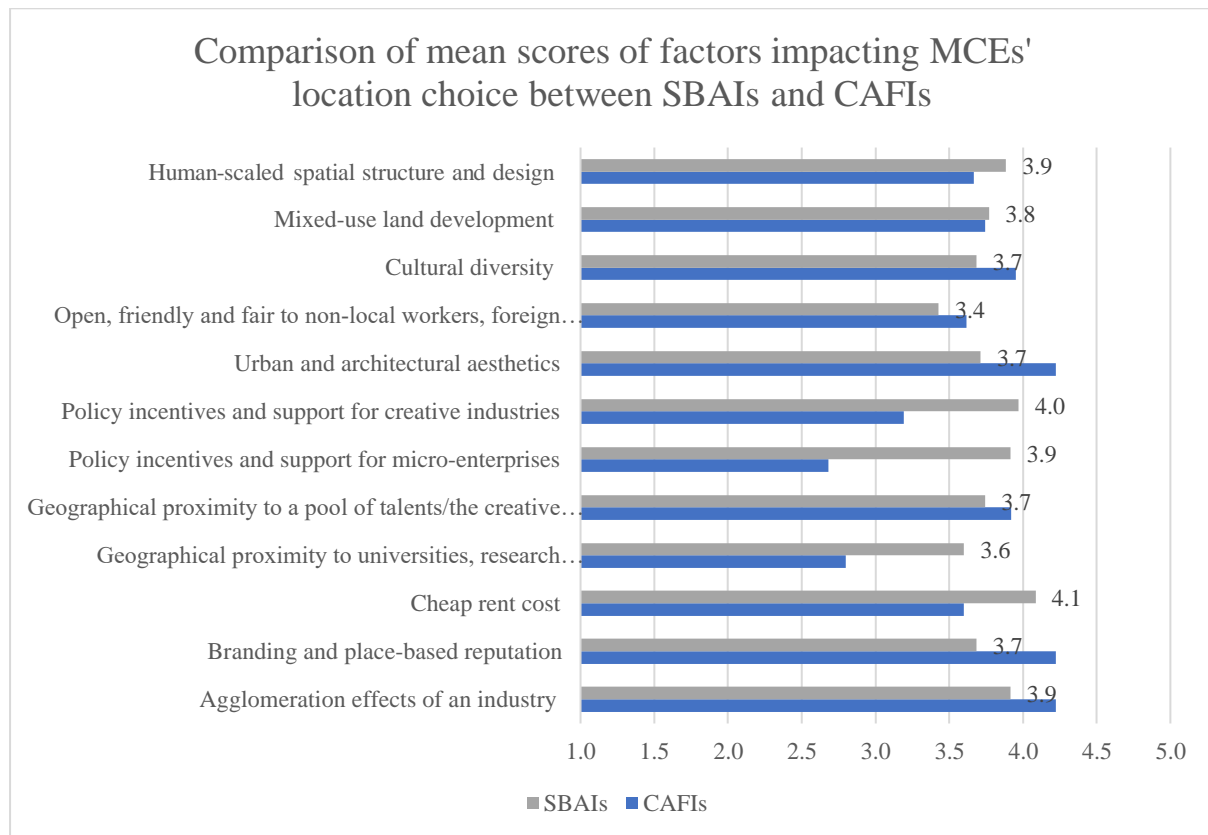

Figure 25 Comparison of mean scores of influential factors between SBAIs and CAFIs

4.3.2 Economic Factors

There was a consensus on the significance of the agglomeration effects between the two study areas. In M50, 84% of MCEs thought that industrial agglomeration effects had an essential impact on their location choice, including existing industrial networks, customer guarantee and competitive advantages (see Figure 26). In recent research, Gu (2014) finds that many MCEs chose to agglomerate in M50 largely due to the previous existence of artistic activities and the increasing network of the Chinese contemporary art market. Similarly, 86% of MCEs from The Bridge 8 highlighted that industrial agglomeration effects as a whole was actually one of their main location considerations (see Figure 27). An architect who operated a start-up in The Bridge 8 Phase II said, '*the original motivation to choose The Bridge 8 was due to the existing*

architecture network and entrepreneurial environment. There are a clustering of excellent architecture and planning enterprises and our clients can find us all in one place.'

Up to 86% of MCEs from M50 took branding and place-specific reputation into account when they evaluated a potential location. In comparison, this share was smaller in The Bridge 8, with 62%. This result was in line with the previous research conducted by He (2014), which reflected the importance of the authenticity and reputation of M50 for creative activities and entrepreneurship. Place-specific reputation has been acknowledged as a valid catalyst for local economic vitality. On the one hand, it is able to draw a great number of visitors (which could be seen as potential clients), promote tourism and attract investments. On the other hand, it helps to build a symbolic value of the creative products which, in turn, generates a market effect by brand (He, 2014). Micro-enterprises do not have the same client reach as larger ones. Thus, it is economically reasonable to operate a business in a well-reputed and popular place.

Cheap rent cost was less attractive for MCEs from M50 than those from The Bridge 8. Around 83% of the participated MCEs thought that The Bridge 8 was attractive largely due to the cheap rent at the initial development stage. As the management sector of The Bridge 8 mentioned in the interview, policy-led creative clusters generally could receive more public subsidies than spontaneous ones, which significantly reduced the rent burdens of MCEs. However, it is clear that rent advantage cannot be an attraction of The Bridge 8 any longer. According to Zou and Liu (2006), the core development strategy of The Bridge 8 was to develop lands phase by phase. Through promoting the early creative sub-cluster, the popularity of the whole place has been strengthened, which greatly increased the brand value. The business success of Phase I stimulated the developer to continue developing creative sub-clusters, i.e. Phase II-IV, and

allowed it to increase the rent. Simultaneously, the whole land value of the neighborhood increased sharply due to large-scale urban revitalization and gentrification.

The importance of *geographical proximity to universities, research institutes or technology enterprises* was assessed in the two study areas. The results were rather different - 20% of MCEs from M50 and 63% of MCEs from The Bridge 8 thought this factor played a significant in their location choice. Co-location with these sectors could help MCEs benefit from knowledge spillover. Also, it is worth mentioning that the percentage of entrepreneurs who graduated from Shanghai in The Bridge 8 was as four times as that in M50 (based on the finding of Question 7). However, according to the field observation, there were few related universities, research institutes or specialized enterprises in the surrounding areas of both creative clusters. Hence, it could be explained that the location of parent university might have some effects on entrepreneurs' location choice at the city level rather than at the neighborhood level. In other words, entrepreneurs may not necessarily start their business near their parent universities, but in the city where the universities sit so that entrepreneurs can utilize the existing academic resources and social networks.

In both study areas, closing to creative talents was thought as a competitive asset by many participated MCEs. Indeed, it is hard for micro-enterprises to recruit talents due to a lack of exposure. Good access to an existing pool of talents could help them to select suitable employees and effectively diminish enterprise cost.
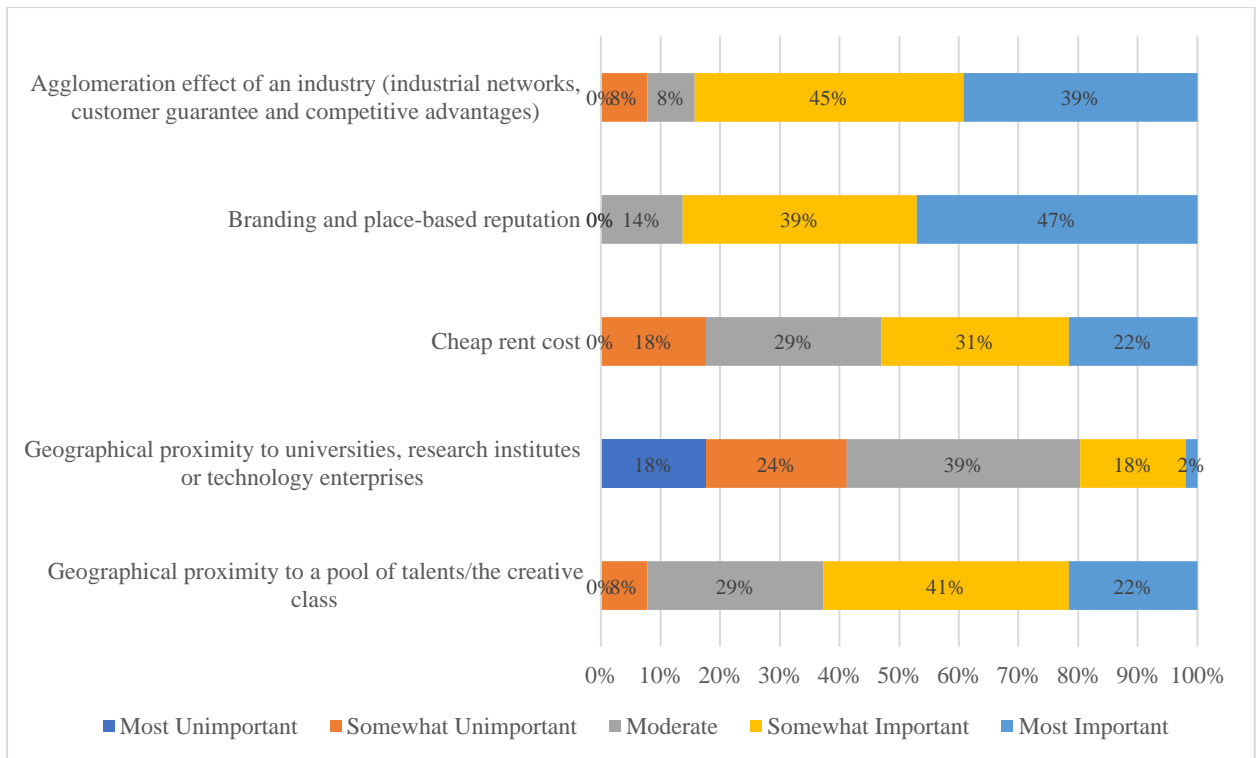
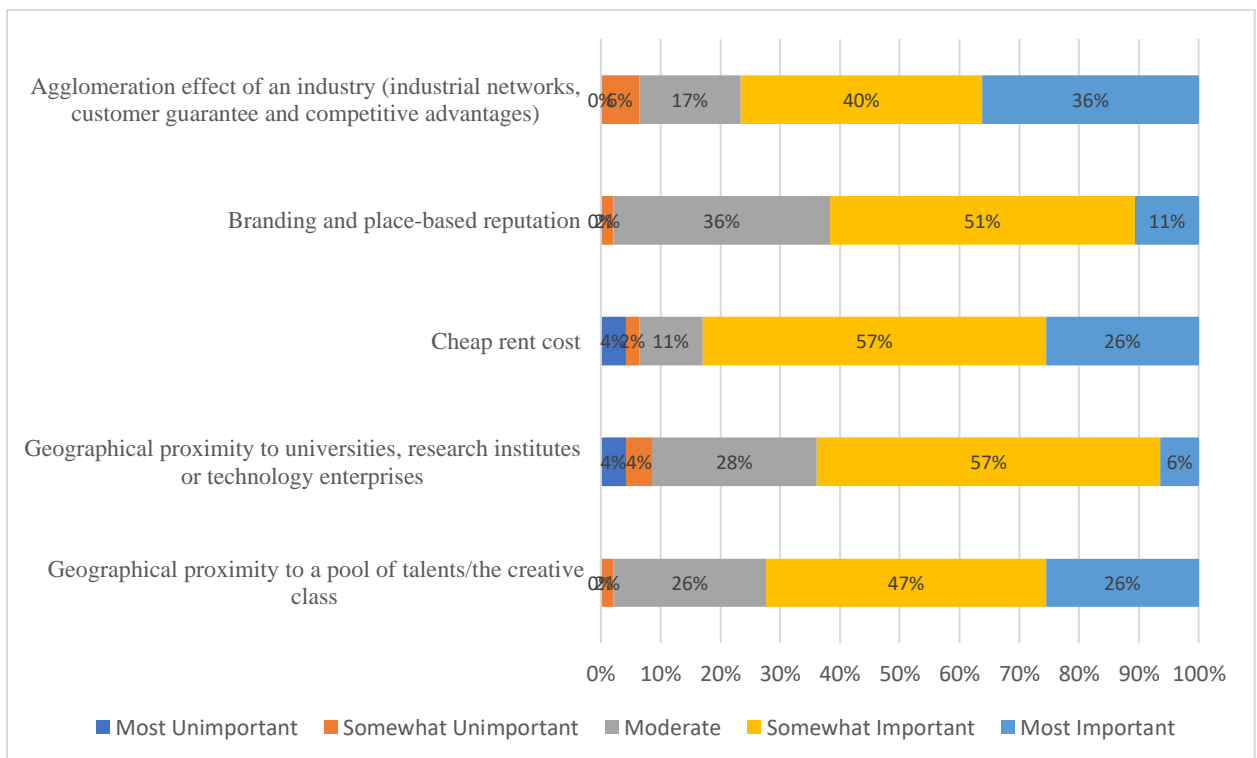*Figure 26 Location choice for economic factors, M50*

Figure 27 Location choice for economic factors, The Bridge 8

4.3.3   Institutional Factors

Policy incentives and support play a limited role in the location choice of MCEs from M50. As seen in Figure 28, merely 30% of MCEs from M50 thought that *Policy incentives and support for micro-enterprises* were critical in their location choice. MCEs' choices were evenly distributed among four levels, ranging from 'most unimportant' to 'somewhat important'. Thus, it was ranked as one of the least influential factors. Comparatively, *Policy incentives and support for creative industries* were slightly more attractive for MCEs. Putuo District has introduced numerous financial supports to encourage the development of micro-enterprise, e.g. *Putuo District Small and Micro Enterprises Special Credit Loans* (Putuo District Municipal Government, 2016). Yet, for micro-enterprises, there is no difference between choosing M50 or choosing another place of Putuo District in terms of gaining institutional support. On the other hand, according to the Putuo District Municipal Government (2018) and the interview with the management sector of M50, local authorities have made great efforts to support creative industries, such as allocating *Putuo District Special Fund for Cultural Industries Development.* Nevertheless, several local policy incentives for creative industries focused on either large-scaled businesses or the creative clusters as a whole.

The opinions towards institutional factors were much positive in the Bridge 8. More than half of the participated MCEs were reliant on policy incentives and support for both micro-enterprises and creative industries (see Figure 29). Though a mixture of institutional support offered by Huangpu District had no major difference from what Putuo District offered, local authorities played a central role in attracting MCEs, especially in the initial development stage of The Bridge 8. As a policy-led creative cluster, The Bridge 8 has been sponsored in the form of substantial financial subsidies and institutional guarantee.

In fact, all the certified creative clusters have benefitted from policy incentives to varying degrees. Comparatively, policy-led development patterns could receive much more subsidies from the public sectors than spontaneous ones (Hong & Tong, 2009). On the other hand, M50 is a CAFIs-dominated cluster. O'Connor and Gu's (2014) research states that entrepreneurs in CAFIs (such as visual art, fashion, music and design) were more 'footloose', and thereby were reluctant to have many connections with local authorities. Thus, comparing with MCEs from M50, the institutional factors of the place are much more crucial for those from The Bridge 8 in order to strengthen competitiveness.
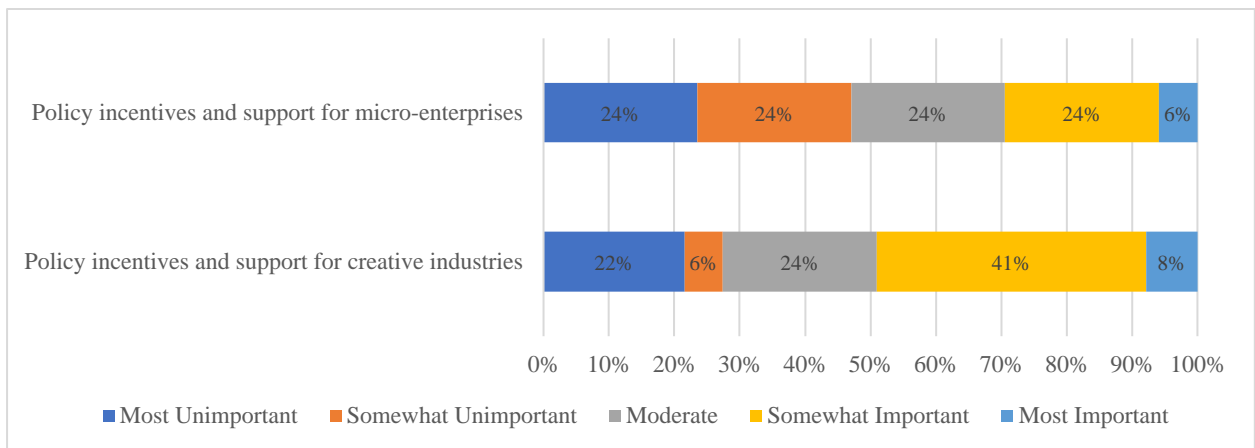

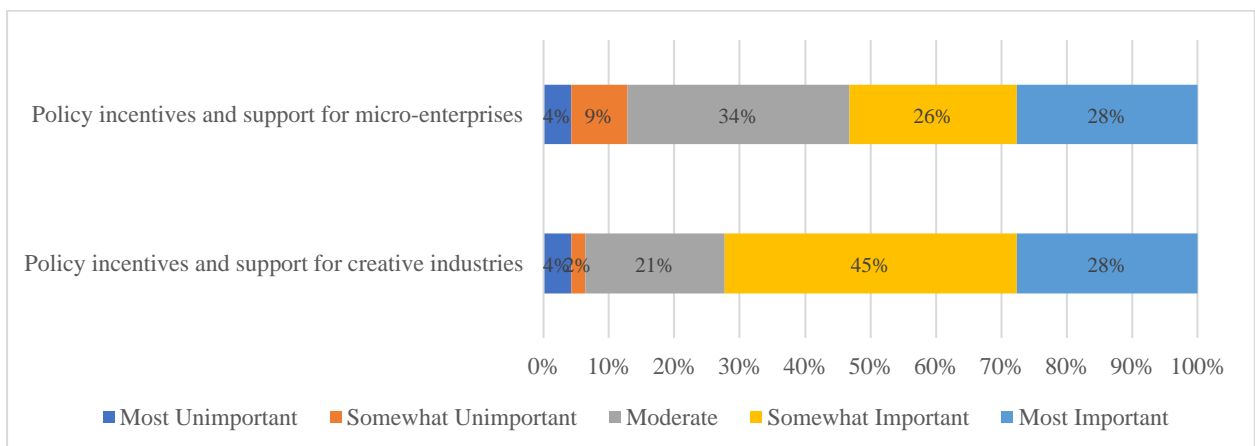*Figure 28 Location choice for institutional factors, M50*

Figure 29 Location choice for institutional factors, The Bridge 8

4.3.4 Creative Factors

First, more than 86% of MCEs from M50 recognized the featured urban and architectural aesthetics as a vital location determinant (see Figure 31). By contrast, only around 51% of the participated MCEs from The Bridge 8 had the same opinion (see Figure 32). It could be partially explained by the characteristics of two sub-sectors in creative industries. As mentioned earlier, 84% of MCEs from M50 can be categorized as CAFIs while 57% of MCEs from The Bridge 8 can be categorized as SBAIs. These two sub-sectors were dominant in each creative cluster and thereby might have a potential impact on MCEs' location choices. SBAIs are highly reliant on context-specific services based on professional knowledge and ICT. Drake (2003) points out that this character allows creative enterprises to relatively easily set up new spatial relationships and networks in different spatial scales regardless of the location restrictions so as to access wider resources and global markets. In contrast, CAFIs is dependent not only on global flows of symbols, signs and images but also on 'place' for inspiration, such as historical areas with culture memory and unique images.

Besides, regarding the industrial characteristics of two sub-sectors, creative people in CAFIs normally involve in 'individualized' creativity (Drake, 2003). Oppositely, many SBAIs are project-oriented, involving 'collective' creativity (Drake, 2003; Serra, 2016). SBAIs have greater requirements for advanced office facilities and well-designed working environment. Therefore, 'place' is still important for them in some ways but not due to its potential as a source of inspirations and signs.

However, according to the field observation in M50, the unusual adaptation of old factory resonated with international expectations of a creative cluster on the one hand, few creative products have reflected the industrial past of the place or the city on the other, which was in

line with Gu's (2014) research findings. Some MCEs acknowledged that the symbolic meaning of the place might be valuable but not in an overt way. Moreover, Drinkwater and Platt (2016) claim that urban design does play a critical role in promoting the continued clustering of creative industries, but there is little that urban design could do to start clustering. In other words, featured urban and architectural aesthetics can be recognized as a necessary but not sufficient location determinant for MCEs.

Second, many MCEs from both study areas preferred an open, tolerant and diverse environment. Both creative clusters were homed to a sizeable of entrepreneurs who were neither born nor graduated in Shanghai. As newcomers, they sought a place where was open to outsiders and tolerant to different socio-economic groups. Furthermore, 74% of MCEs from M50 and 60% of those from The Bridge 8 looked at the cultural diversity of the place, including rich cultural events and facilities. M50 has held a broad range of activities, such as university students' entrepreneurship fair, children art and creativity competition, modern dramas, etc. In the field observation, many enterprises showed information about temporary exhibitions for the public (see Figure 30). This open and casual method contributes to increase the popularity and foster the creative milieu of the place. Comparatively, The Bridge 8 was lacking cultural activities and was less diverse. It seemed that MCEs from the latter were more likely to communicate with their targeted clients directly.

Figure 30 A temporary art exhibition with the theme of 'Transfixed' (Source: Author, 2019)

Last, it was noticeable that MCEs from The Bridge 8 had more needs for a wide range of urban amenities than those from M50. Above 80% of the participated MCEs from The Bridge 8 tended to be located in a mixed-use and amenity-rich neighborhood. An entrepreneur said '*I chose The Bridge 8 because it is a well-designed creative cluster located in central Shanghai with a variety of urban amenities nearby. It is very convenient to work and live here'*. Besides, human-scaled spatial structure and design was another influential factor of many MCEs' location choice. 75% of MCEs from M50 and 62% of MCEs from The Bridge 8 took walkability, accessibility and the availability of open spaces into account when they considered their enterprise location. The choices confronted with the field observation where both creative clusters were featured by the human-scaled spatial structure and design. In brief, these two influential factors could help to explain why most creative industries tended to concentrate in the central areas of the city rather than the peripheral areas.
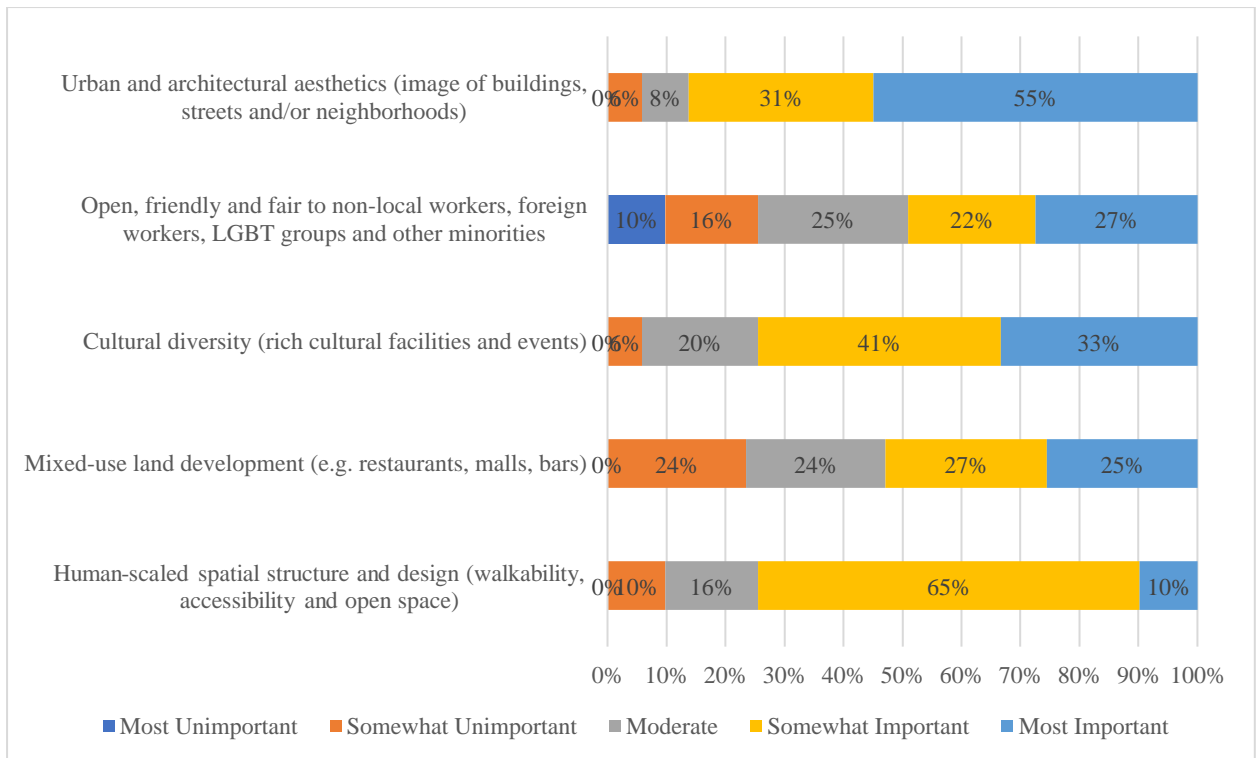
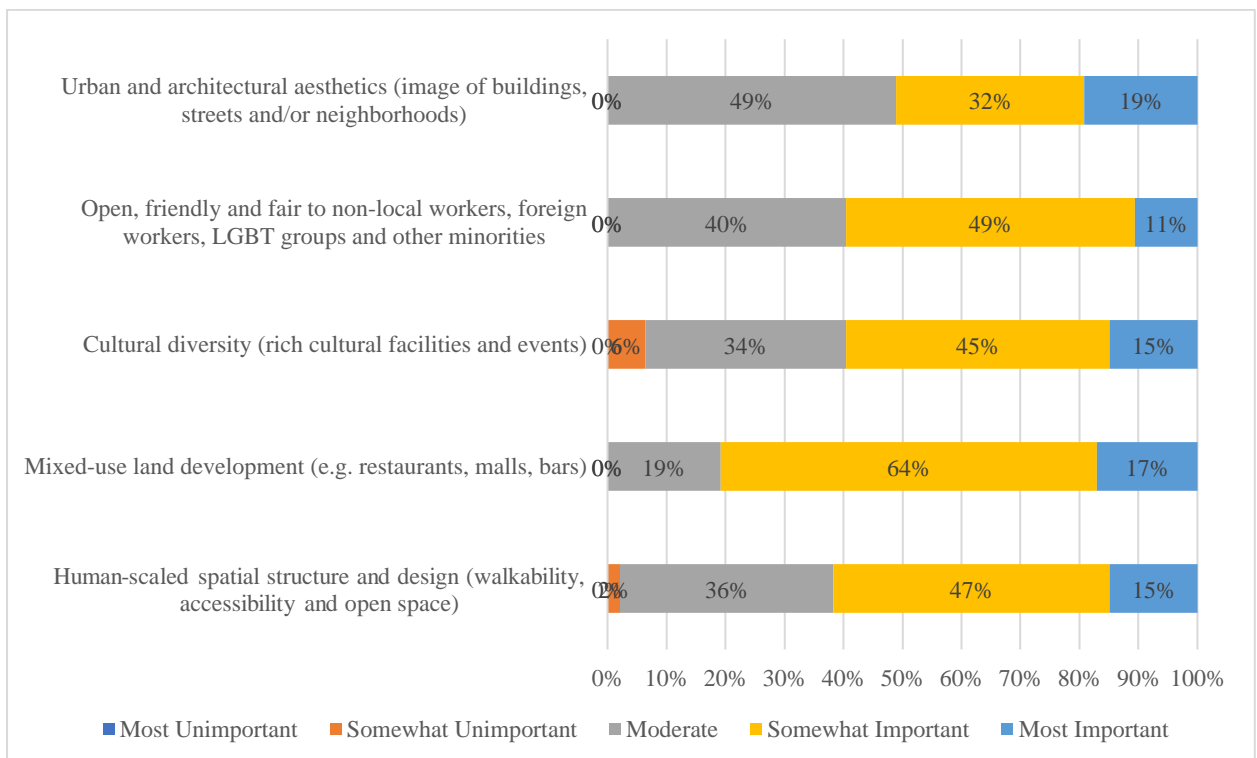*Figure 31 Location choice for creative factors, M50*

Figure 32 Location choice for creative factors, The Bridge 8

4.4   Development Recommendations Analysis

4.4.1   Overview

In Part 3 of the questionnaire, Question 10-12 are intended to understand the participated MCEs' main challenges, future development considerations and recommendations towards the study areas.

Question 10 looked at the main challenges that MCEs face in their development process, including challenges from economic, institutional and creative aspects. As Figure 33 illustrates, the shares of each type of challenge were very similar between M50 and The Bridge 8. In both study areas, over half of MCEs thought that their main challenge was from economic aspect, followed by creative aspect (with around one-third of all). Less than one-sixth of MCEs think their main challenge was from the institutional aspect.
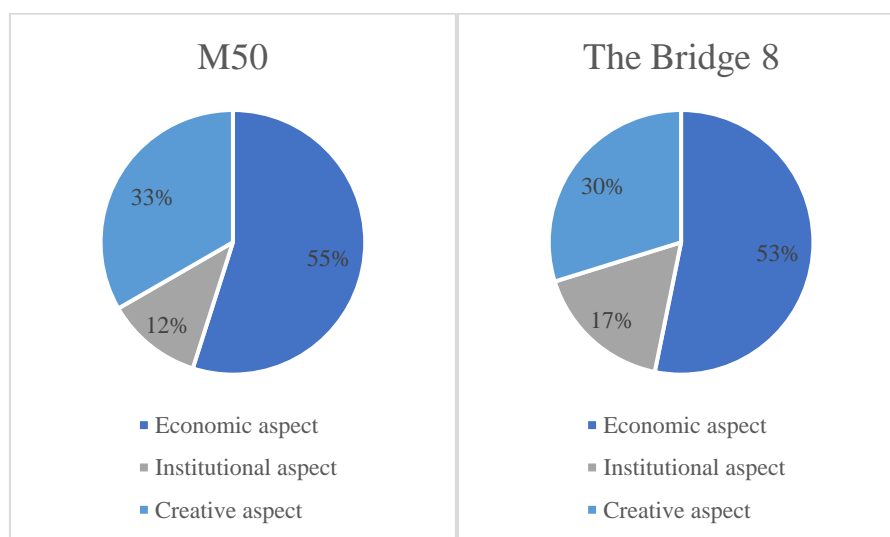
Figure 33 MCEs' Main Challenges by percentage. M50 (left). The Bridge 8 (right)

In Question 11, the participated MCEs were asked to choose whether they would like to continue staying in the place in the next three years or not. On the whole, most MCEs had positive attitudes towards the current study areas. Almost all MCEs (98%) would still stay in M50. In The Bridge 8, this proportion was also overwhelming, with 87% (see Figure 34). Six

MCEs (or 13% of all) from The Bridge 8 tended to move out in the next three years primarily due to economic challenges.
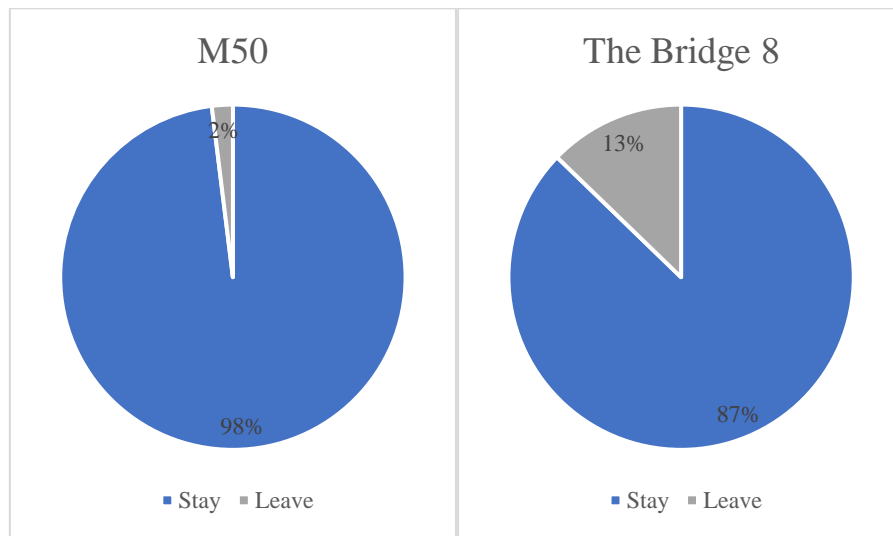
Figure 34 MCEs' Future Location Consideration. M50 (left). The Bridge 8 (right)

In Question 12, aimed to better attract, retain and nurture MCEs, several development recommendations towards the study areas were provided for MCEs to select. The results of both study areas were rather different as these two creative clusters grew in different development patterns and have possessed distinctive sub-sectors in creative industries.

As shown in Figure 35 and Figure 36, MCEs from both study areas were satisfied with the architectural design, urban amenities and policy incentives. However, two key differences can be identified - public engagement and public spaces design. Comparing with The Bridge 8, MCEs from M50 hoped to gain higher degree of public engagement in the development process and more accessible public and green spaces for socializing and relaxation. Furthermore, there were several common recommendations for both study areas, such as introducing more cultural activities and creative facilities, nurturing innovative environment, seeking more cooperation, branding the creative cluster, discouraging rent price, etc. This section analyzed these recommendations comprehensively as many of them were interrelated.

Figure 35 Development Recommendations, M50.

Figure 36 Development Recommendations, The Bridge 8.

4.4.2 Improving Public Engagement

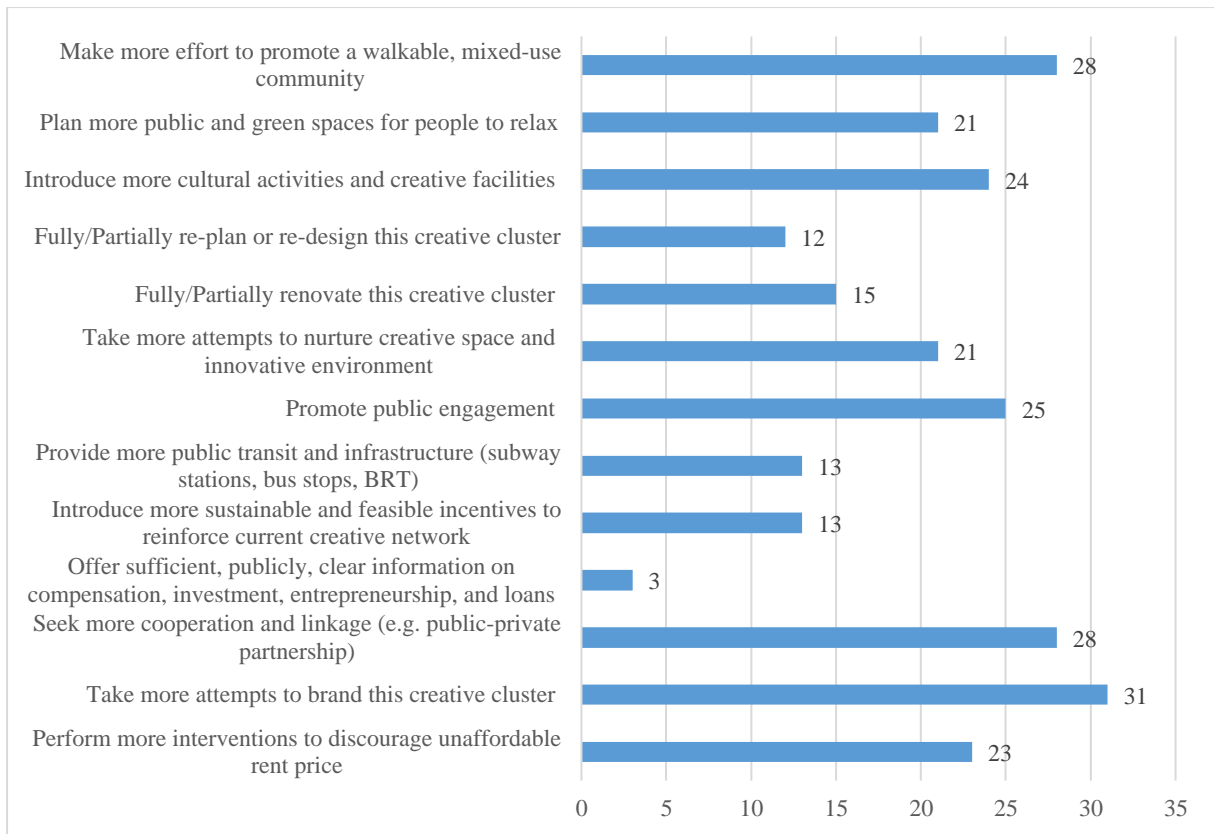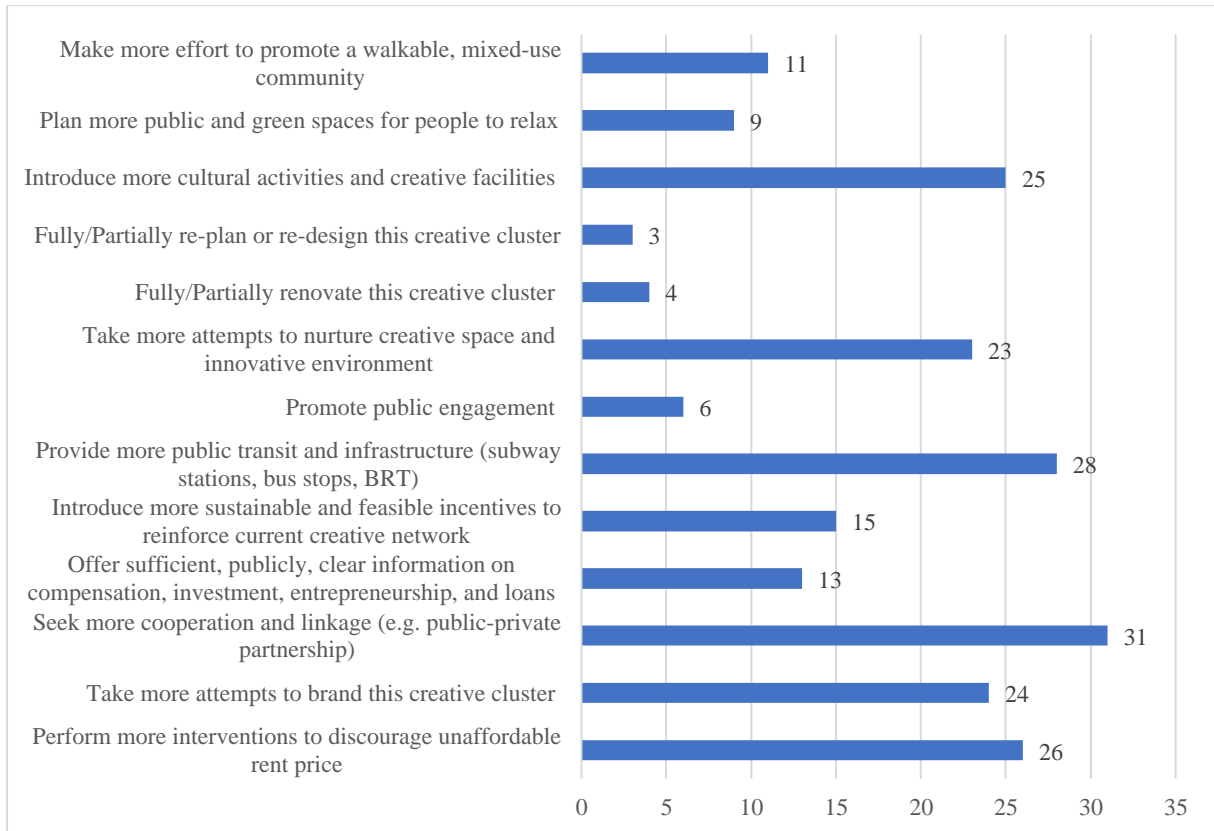One popular recommendation for M50 is to promote public engagement in the planning and management process. Regarding the initial development stage of M50, creative people played an essential role in protecting old warehouses from being demolished and engaging in the renovation process of the declining areas. However, nearly half of the participated MCEs thought that since 2005, when M50 was officially certified by local authorities, the engagement of creative people have been continuously marginalized. An artist said, '*we do not involve in any outdoor design about M50 any longer because the management sector is in charge of everything now.*' The original bottom-up development pattern has been destroyed by the increasingly tight institutional control of activities (Gu, 2014). Enterprises in M50 seem to become purely tenants.

In contrast, few MCEs from The Bridge 8 were concerned with public engagement. One possible reason is that The Bridge 8 is a top-down planned, local authority-sponsored creative cluster, enterprises had no linkage with the place from the initial development stage. Creative people had less place identity than those from M50, and thereby simply acted as tenants. Hence, it can be assumed that MCEs that chose to be located in policy-led creative cluster have relatively less interest in or awareness of public engagement, which is highly in relation to the local social and political context.

Through comparing the urban development process of two creative clusters in Soho and Beyoğlu, Drinkwater and Platt (2016) highlight that institutional factors might have a positive impact on the clustering of creative industries in some places but might not in others. Regarding Soho, the Council played a central role in involving the community by organizing

neighborhood meetings and steering groups instead of directing local development. Residents and community associations had the chance to participate in planning decision-making. The *Public Places Management Strategies* was a successful example, which was driven by the local groups and greatly promoted the sustainability of the cluster (Drinkwater & Platt, 2016). Therefore, regarding Shanghai's creative cluster development, urban governance modes need to be adjusted. Creative cluster development ought to place people instead of infrastructure at the core of planning processes. The engagement of creative people and residents help to not only build and preserve the unique characters of the places, but also attract more creative industries and talents constantly which, in turn, retain the vitality of local economy.

4.4.3   Cultivating Creative Milieu

The interview with the management sector of M50 confirmed that the majority of enterprises were creativity-driven. Besides, all working spaces had been rented out. Newcomers always had to be placed in the waitlist, which inevitably pushed rent up and increased the entry barrier. Self-employed businesses and start-ups had to compete with the branches of well-known art galleries if they attempt to move in, leading entrepreneurial activities to a harder situation (Gu, 2014). Furthermore, there has been an apparent tendency that more and more creative enterprises intentionally pursue the 'high art', which to some extent exclude the general public. Nevertheless, according to Flew (2010), creative clusters should develop a wider and more inclusive understanding of culture instead of simply high art. For another, many MCEs complained about rising rents, with 45% from M50 and 55% from The Bridge 8. Unaffordable rents are one of the major challenges that micro-enterprises face, which could significantly discourage innovation (e.g. original arts) (Zielke & Waibel, 2014). The management sectors and local authorities should perform more interventions to curb rent in order to build a sustainable ecosystem for MCEs. Last, there was a large demand for cultural activities and

creative facilities for both creative clusters. Although there have been many culture and art events in both clusters, their influences are still limited at the international level.

In The Bridge 8, the share of non-creative enterprise accounted for approximately 30%, verified by both the field observation and the interviews. There were a number of chain stores, including restaurants, cafés and retails. Though the management sector stated that all enterprises would be assessed based on the industrial characteristics before moving in, the definition of creative industries was very broad, or even arbitrary. This phenomenon could also be observed in many other local creative clusters (O'Connor & Gu, 2014). Brinkhoff (2006) claims that the dense networks of medium, small and micro-sized creative enterprises primarily make up the production process in creative industries. These enterprises are reliant on one another for professional services and inputs, whereas it does not mean that creative enterprises can be randomly selected by the management sector and be simply allocated in the same geographical territory. According to Scott (2006), the emergence of a creative and vibrant milieu is not a short-term process. The management sector needs to better realize the nature of clustering of creative industries and take feasible actions to reinforce the creative networks.

4.4.4 Strengthening Cooperation and Linkage

55% of MCEs from M50 thought that it was important to cooperate with public institutes and trans-industrial enterprises and to build effective community ties with residents. Many cases of creative cluster development demonstrate that large-scaled cultural and art institutes such as museums, art galleries, universities and large research institutes are important resources which contribute to the formation and development of creative clusters. These sectors could act as a source of inspirations and subjects for creative industries development (Jacobs, 1961; Zhang & Hui, 2007). Besides, there was still a lack of international and authoritative competitions and

awards in many certified creative clusters (SMCEI, 2017). Thus, both creative clusters should seek effective linkages with the global market.

According to the field observation, M50 is socially and geographically segregated. Strengthening the connection with the community (such as organizing open days) can help the MCEs not only to expand their influence and popularity, but also to develop educational and training services for residents, especially young generations. Besides, the management sector mentioned that *Tian An Qian Shu,* a shopping complex, was expected to open soon near M50. Its inspiration was derived from the Mount Huangshan, a world cultural and natural heritage. The entire project was reconstructed by several preserved historic buildings and would be covered with diverse trees and greenery. This project would seek cooperation with M50 from various perspectives in the future. Furthermore, many MCEs focused on walkability, mixed-use land use and public space. The interviewee revealed that the shopping complex would contain fashionable stores, leisure spaces, restaurants, cafés, entertainment and sports facilities, which would help to build a more convenient, walkable, vibrant and mixed-use neighborhood and thereby meet creative people's needs considerably.

Shanghai's many creative clusters have struggled with high vacancy rates. As observed in the field, this phenomenon was also difficult in The Bridge 8 Phase II and IV, which might be caused by the lack of creativity, overdevelopment and homogeneous competition with other local creative clusters. In response, the management sector stated that The Bridge 8 had built a business partnership with a Hong Kong co-working leading enterprise. The joint office space *theDesk Bridge 8* would be settled in Phase IV with a total office area of more than 2,000 m2. It was aimed to form an efficient knowledge sharing platform and an inclusive community for all medium, small and micro- creative enterprises.

Moreover, though both creative clusters have been recognized as the most successful and well-known creative clusters in Shanghai, there was a lack of emphasis on brand promotion, especially via new media. M50 operates official website, microblog and WeChat (a popular Chinese social media), but poor operational means and unclear brand positioning has resulted in the low efficiency of promoting branding. For example, M50's official website has yet updated since 2016 and its microblog has ceased updating since 2018. Moreover, the related information about art events and M50's contact information was very scattered. Similar to M50, The Bridge 8 operated a series of social media. However, The Bridge 8 is comprised of 4 sub-clusters which are managed by different management sectors - one is in charge of Phase I and another one is in charge of Phase II-IV. The information always mismatches. As a result, approximately 65% of the participated MCEs from M50 and 51% of those from The Bridge 8 suggested the management sectors to take more attempts to brand the study areas.

Chapter 5 Conclusion

5.1   Summary of Research

The objectives of this research are to understand the roles of the market, local authority and the creative class in the development process of Shanghai's creative clusters and to explore the factors impacting MCEs' location choice from economic, institutional and creative aspects. Based on the participated MCEs' recommendations, this research has identified feasible improvement strategies towards the sustainability of local creative clusters.

Regarding the first research question, the market, local authority and the creative class can be viewed as three indispensable and complementary drivers of Shanghai's creative cluster development. They have different motivations and pursue their specific goals. More importantly, it can be expected that each of them may have an ongoing effect on the sustainability of creative cluster development. Meanwhile, their influences vary, which highly depends on the development patterns. There are two key development stages of local creative clusters. M50 and The Bridge 8 are two of the most well-known creative clusters during these two stages, respectively.

For the spontaneous development pattern, the creative class played a central role in the initial development stage. As the closedown or relocation of state-owned factories, a growing number of creative people entered into the disused areas and renovated and reused the old warehouses as creative spaces. The continuing agglomeration of the creative people significantly fostered an open, dynamic, personal and professional creative milieu. Besides, many creative people showed strong interests in the historical preservation of the places against the demolishment driven by real estate developers, which gained the public's support on a wide basis. For the

policy-led development pattern, the role played by the creative class in creative cluster development was limited in the initial development stage because the places had been well planned and designed before creative people moved in. However, regarding sustainable development, both types of development patterns should strongly rely on the co-location of creative people as well as the industrial networks and creative milieu they have built.

Local authorities play multiple roles in creative cluster development. For the spontaneous development pattern, local authorities were tolerant about the bottom-up planning by creative people at the initial development stage due to inadequate ability of local authorities to exercise control over urban revitalization. As local policymakers realized the importance of developing creative clusters gradually, local authorities have unprecedentedly started to intervene in creative cluster development. Thus, for the policy-led development pattern, local authorities acted as planners, sponsors or even investors. Nevertheless, the year of 2005 when SCEI officially certified 18 creative clusters can be marked the start of the policy-led stage. From then on, all creative clusters have been increasingly controlled by institutional powers (with different intensities). Specifically, almost all certified creative clusters have had a management sector, a public-private management organization instituted to oversee the place, showing a sense of cooperation, or sometimes compromise, between the market and local authorities. Thus, it can be thought that local authorities act as both facilitators and supervisors.

Both the formerly state-owned factories and the designated developers (as a force of the market) saw the great development potential of creative industries. Accordingly, many of them, rather than simply bulldozing the old factories and developing real estate projects, attempted to proactively renovate the places as creative spaces in order to meet the development needs of

creative industries. Hence, the market can be viewed as a catalyst that stimulates the agglomeration of creative industries.

Moreover, the field observation revealed that both development patterns have effectively reshaped the declining industrial areas in their ways. In M50, the creative class spontaneously renovated warehouses by applying their unique aesthetic knowledge and preferences. By contrast, all buildings in The Bridge 8 had been well-redesigned by professionals in order to appeal to creative people. Most renovated buildings have become contemporary and upscale, and more importantly, conformed with the global architectural vision.

As for the second research question, the research findings illustrated that economic motivations primarily influenced MCEs' location choices. Most of MCEs tended to agglomerate in specific places in order to benefit from a variety of industrial agglomeration effects, including industrial networks, customer guarantee and competitive advantages. This location behavior accorded with the general industrial location choice. However, the spatial agglomeration of economic activities cannot impact all industries in the same way. The research finds that creative factors and institutional factors also had impacts on MCEs' location behavior to some extent due to their industrial characteristics and enterprise size. Furthermore, though most of the proposed location determinants are shared by both MCEs and the general creative enterprises, many creative enterprises at the micro level prefer to be located in well-known places or places where they have social ties. These places can help MCEs raise enterprise recognition and diminish enterprise costs (e.g. recruitment), and thereby resist market risks.

This research employed descriptive analysis methods to evaluate and compare the data collected from the questionnaires in two study areas, with different development patterns.

Generally, MCEs preferred to stay in vibrant places with ample urban amenities and cultural activities. At the same time, the result also showed that location determinants of MCEs from M50 were not exactly the same as those from The Bridge 8. For MCEs from M50, apart from industrial agglomeration effects and branding and locality-based reputation, urban and architectural aesthetics were viewed as another significant influential factors, which could be partly explained by the dominant industries of M50 – CAFIs. By contrast, MCEs from The Bridge 8 tended to decide their location based on comprehensive considerations from economic, institutional and creative aspects.

Regarding different development patterns of local creative clusters, the researcher finds that institutional factors played a more critical role in the location behavior of MCEs from The Bridge 8, such as a diversity of public subsidies and institutional guarantee than those from M50. As a policy-led creative cluster, The Bridge 8 can gain greater pollical resources than a spontaneous one. Furthermore, not all MCEs are equally willing to grow. In specific, start-ups are more sensitive to policy incentives and urban amenities than self-employed businesses. Last, new enterprises stress more on cheap rent and mature enterprises (or re-located enterprises) prefer to choose well-designed working spaces with diverse urban amenities. In brief, MCEs' location choice is highly related to their industrial characteristics, enterprise development stage and contingent factors (e.g. entrepreneurs' behavioral decisions and personal preferences).

For the third research question, the results of the questionnaire (Part 3) and the interviews reflect that MCEs generally had a positive attitude towards the study areas in terms of openness and tolerance, institutional support and urban spatial design. Both development patterns were able to attract, retain and nurture MCEs in some ways. However, many MCEs confronted with

development challenges, mainly from economic and creative aspects. Therefore, the sustainability of a creative cluster is reliant on not merely geographically co-location of creative enterprises, but the ability to generate economic boom which continuously attracts others into the cluster (Drinkwater & Platt, 2016). As a consequence, both study areas should be improved in three main aspects - improving public engagement, cultivating creative milieu and strengthening cooperation and linkage. Based on the interviews with the management sectors, it could be seen that both study areas have commenced seeking feasible solutions.

All in all, this research makes three contributions to the literature. First, Shanghai's creative cluster development experienced two key stages. The researcher analyzes the various roles the market, local authority and the creative class played in each development stage as well as in different development patterns of creative clusters (i.e. spontaneous and policy-led). Second, the researcher explores the location behavior of MCEs at Shanghai's neighborhood level, using a set of proposed influential factors derived from economic, institutional and creative aspects. Third, the researcher identifies key improvement strategies for the two study areas. The findings are limited to Shanghai's creative clusters but could be referenced for other creative clusters with similar development patterns and socio-economic contexts.

5.2   Recommendation

This case study gives preliminary insights into how different development patterns of creative cluster reshaped the declining areas in central Shanghai and what attributes of them could attract creative enterprises, especially micro-ones. Local authorities integrate creative cluster development into urban development strategy and promote creative clusters to gain competitive advantages locally and globally. It is clear that local authority's interventions could contribute

emerging markets to leapfrog into high-growth sectors of the global economy in a short time. Nevertheless, cultivating creative milieu is a long-term process. Creative cluster development ought to place people rather than infrastructure in the core of planning processes. On the one hand, creative industries refer to a large range of economic activities. Regarding various sub-sectors in creative industries and sizes, policy incentives should be more specific and flexible. For example, micro-enterprises have comparatively less awareness and abilities in terms of intellectual property protection, which thereby needs more institutional support. On the other hand, the clustering of creative industries should change from static (such as shared infrastructure) to dynamic (technology and knowledge spillover).

5.3 Limitations and Future Research

While the research design to some extent is capable of answering all the proposed research questions, there are several limitations in terms of study area selection, sample size, sample types, data collection method and data analysis approaches.

First, the scope of the case study is limited. This research chose two creative clusters as study areas out of over 80 certified creative clusters across the city. Though these two creative clusters are representative according to their development patterns, the importance of geographical proximity to university was not reflected. As reviewed in the literature, the presence of universities impacts MCEs' location choice in varying ways. Geographical proximity to universities helps MCEs to gather more academic and social resources, easily recruit highly skilled graduates and benefit from a more open and diverse environment. However, neither are the two study areas close to universities/related institutes, nor do they

have necessary ties with universities. Therefore, future studies should cover creative clusters near universities.

Second, only 51 valid responses from M50 and 47 valid responses from The Bridge 8 were obtained. One main reason is that Shanghai is homed to numerous certified creative clusters. The overdevelopment and homogenization of local creative clusters result in the small number of MCEs in each of them. The other reason is that many MCEs from The Bridge 8 used electronic locking systems and only opened for employees and targeted clients. Thus, notwithstanding The Bridge 8 accommodated more MCEs than M50, it was difficult for the researcher to get access, which resulted in a low response rate.

Regarding the data collection method, the researcher used field observation to understand the overall creative milieu of both study areas. Observation could gather up-to-date data, whilst it allowed the researcher to gather data that could not be fully described by the text. Although the researcher endeavored to be unobtrusive in order to avoid biasing, the observation highly relied on the researcher's self-experience during the walking tour was very objective, and thereby inevitably generated biases.

In Part 3 of the questionnaire, a list of recommendations derived from economic, institutional and creative aspects was provided for the participated MCEs to select. Yet, most of the recommendations focused on general creative enterprises rather than micro-ones specifically. For example, MCEs face more challenges in intellectual property protection than general creative enterprises. Thus, for future research, more specific recommendations should be developed.

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Appendices

Appendix 1:

Survey: Understanding the Location Choice of Micro-Creative Enterprises in Shanghai

PART 1. Basic Information

1. **What type of enterprise is it?**
a) Advertising and marketing
b) Consulting and planning services
c) Architecture
d) Crafts
e) Design: Product, graphic and fashion design
f) Media: Film, TV, publishing, video, radio and photography
g) Music, performing and visual arts
h) Museums, galleries and libraries

2. **How many workers are there in this enterprise (including entrepreneur, employer, owner, manager, employees and/or family members)?**

3. **How many part-time workers are employed (working less than 30hrs per week)?**

4. **Where was this enterprise founded?**
o In this creative cluster
o In another creative cluster in Shanghai
o In another place in Shanghai
o In another place out of Shanghai

5. **How long has your enterprise been located in this creative cluster?**
o Less than 1 year
o 1-4
o 5-8
o More than 8 years

6. **What's entrepreneur's educational attainment?**
o College degree
o Bachelor's degree

- Master's degree or above
- Other

7. **Where did entrepreneur graduate from?**
- Shanghai (close to this creative cluster)
- Shanghai (other areas)
- Other provinces
- Overseas

8. **What's entrepreneur's *Hukou* status (Household Registration)?**
- Shanghai (born in Shanghai)
- Shanghai (new immigrant)
- Other provinces or other countries

PART 2. Micro-Creative Enterprises' Location Choice

9. What factors have affected your enterprise's location?

	Most Unimportant	Somewhat Unimportant	Moderate	Somewhat Important	Most Important
Agglomeration effects of an industry (industrial networks, customer guarantee and competitive advantages)					
Branding and place-based reputation					
Cheap rent cost					
Geographical proximity to universities, research institutes or technology enterprises					
Geographical proximity to a pool of talents/the creative class					
Policy incentives and support for micro-enterprises					
Policy incentives and support for creative industries					
Urban and architectural aesthetics (image of buildings, streets and/or neighborhoods)					
Open, friendly and fair to non-local workers, foreign workers, LGBT groups and other minorities					
Cultural diversity (rich cultural facilities and events)					
Mixed-use land development (e.g. restaurants, malls, bars)					
Human-scaled spatial structure and design (walkability, accessibility and open space)					

PART 3. Recommendations

10. What the main challenges have you faced in the development process of your enterprise?

o Economic challenges

o Institutional challenges

o Creative challenges

11. Would you like to continue staying in this creative cluster in the next 3 years?

o Yes

o No

12. What recommendations and/or improvement strategies do you have towards this creative cluster? (multiple choice)

a) Perform more interventions to discourage unaffordable rent price

b) Take more attempts to brand this creative cluster

c) Seek more cooperation (e.g. public-private partnership)

d) Offer sufficient, publicly, clear information on compensation, investment, entrepreneurship, and loans

e) Introduce more sustainable and feasible incentives to reinforce current creative network

f) Provide more public transit and infrastructure (subway stations, bus stops, BRT)

g) Promote public engagement

h) Take more attempts to nurture creative space and innovative environment

i) Fully/Partially renovate this creative cluster

j) Fully/Partially re-plan or re-design this creative cluster

k) Introduce more cultural activities and creative facilities

l) Plan more public and green spaces for people to relax

m) Make more effort to promote a walkable, mixed-use community

Appendix 2:

Interviewee:
Creative Cluster Management Sector (M50 / The Bridge 8)

1. What is the share of non-creative enterprises within this creative cluster?

2. How to balance the number of creative enterprises and non-creative enterprises?

3. Are there any specific planning or policies related to 1) attracting, 2) retaining and 3) nurturing MCEs respectively?

4. How do you think the differences between policy-led and spontaneous development patterns in terms of attracting, retaining and nurturing MCEs?

5. Whether local authorities should play more important roles in the development of creative cluster? What about the market?

6. What are the main opportunities and challenges of this creative cluster currently?

7. Is this creative cluster economically, environmentally, socially or creatively sustainable?

8. What is the future plan of this creative cluster?