

Creative entrepreneurs in space: the case of Budapest

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The space of the Creative Class
Urban Facilities and Strategies for Creative Entrepreneurs
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Connecting cities
Building successes



Geographical
Research Institute
Hungarian Academy of Sciences

Participants of ACRE

- EU 6th framework programme, Integrated Project
- October 2006-2010
- 4.5 Million Euro
- 13 urban regions / partners



Central research questions of ACRE project

What are the conditions for creating or stimulating ‘creative knowledge regions’ in the context of the extended European Union?

What is the role of so-called ‘hard’ and ‘soft’ location factors in creating and stimulating ‘creative knowledge regions’?

Methods

parallel research in 13 metropolitan regions

- Literature review
- Analysis of paths of creative knowledge
- Survey among three target groups
 - higher educated graduates and workers (n=200)
 - managers (n=25)
 - trans-national migrants (n=25)
- Analysis of policies
- Interaction with local partners and policymakers via meetings, conferences, website and publications

Creative industries

Advertising, architecture, arts and antiques, crafts, design, designer fashion, video, film, music, photography, visual and performing arts, publishing, computer games, software and electronic publishing, radio and TV

Knowledge intensive industries


Law and business, finances, ICT, R&D, higher education



(Based on NACE codes)

Theoretical framework: five interrelated theories

- Path dependence theory
- ‘Classic’ location theory (hard conditions)
- Cluster theory
- Individual trajectories and network theory
- Soft conditions theory (‘talent’)

	Status of the city			Economic profile			Historical/cultural background		
	National/regional capital + important decision making	Considered as a world city of any rank	Competitive spirit (cities with a 'drive')	Diversified economic profile	No negative industrial heritage or image	Powerful high-tech clusters	Pathways with periods of glory	Important international function in the past	
W.Europe									
Amsterdam	3	3	2	3	3	2	3	3	
Barcelona	3	2	3	3	2	2	3	3	
Birmingham	1	2	1	2	1	1	2	1	
Helsinki	3	2	2	2	3	3	1	1	
Leipzig	1	2	1	2	2	1	3	2	
Munich	3	2	3	3	3	3	3	2	
Toulouse	1	1	1	2	3	3	1	1	
Milan	2	3	2	3	3	1	3	3	
Dublin	3	2	2	3	2	1	2	2	
E.Europe									
Budapest	3	2	3	3	2	1	3	3	
Poznan	1	1	3	3	1	1	1	1	
Riga	3	2	3	3	1	1	2	2	
Sofia	3	2	3	3	1	1	1	1	
			3 – strong 2 – medium 1 – relatively weak or no score						

Typology of cities according to their historical pathways

Economic profile		Economic profile by 1990s					
Role as a political or economic decision-making centre (national or international)	Innovation and technology policy after 1990	With heavy industry and/or seaport activities		More mixed industrial economy, specialised in engineering and high-tech		Early service profile, diverse industry	
		active	not active	active	not active	active	not active
		Internationally known as a hist.-cult. centre					
Acquired before 19 th century	yes	Leipzig	Riga	Munich	Budapest Milan	Dublin Amsterdam	
Existing from 19 th century	yes					Barcelona	
	no		Sofia				Helsinki
Not a major decision-making centre	no			Toulouse Birmingham			Poznan*

* Not active at the state level; more active at the local level

Characteristics of different city regions in the ACRE project

	Cities known as national or international political and economic decision-making centre	Internationally known historical-cultural centres	Cities with good governance and financial and organisational resources	High-tech activity or early service profile, where industry has never been a dominating sector	Active innovation and technology policy	Cities known as welcoming and pluralistic
Amsterdam						
Barcelona						
Dublin						
Munich						
Helsinki						
Budapest						
Milan						
Riga						
Sofia						
Leipzig						
Toulouse						
Birmingham						
Posznan						

Source: ACRE reports

City regions	Creative industries (%)	Knowledge intensive industries (%)	Creative and knowledge intensive industries (%)
Milan	14	17	31
Budapest	13	16	29
Munich	8	21	29
Riga	6	23	29
Sofia	8	19	27
Amsterdam	8	18	26
Birmingham	6	19	25
Leipzig	9	16	25
Helsinki	7	17	24
Barcelona	12	10	22
Toulouse	6	16	22
Dublin	11	10	21
Poznan	7	11	18



Source: ACRE reports 2.1-2.13

Challenges for creative economy in ECE cities

- Lack of cooperation
- Lack of clear strategies
- Immature civil society
- Ethnic, cultural intolerance
- High level of bureaucracy and corruption
- Outflow of talent

Location factors

Hard



Soft

- Accessibility
- Rent levels
- Available land, office space
- Tax regimes
- Subsidies / tax abatements

- Residential environment
- Public space
- Meeting places
- (Sub) cultural scene
- Tolerance
- 'Atmosphere'



Florida: the key to success is to attract *creative people*

ACRE: the key to success is to attract *creative companies*

Main reasons for living in the city (whole ACRE sample)

High importance

1. Family lives here
2. Proximity to friends
3. Good employment opportunities
4. Studied in city
5. Moved because of job
6. Born in the region
7. Diversity of leisure and entertainment
8. Size of the city

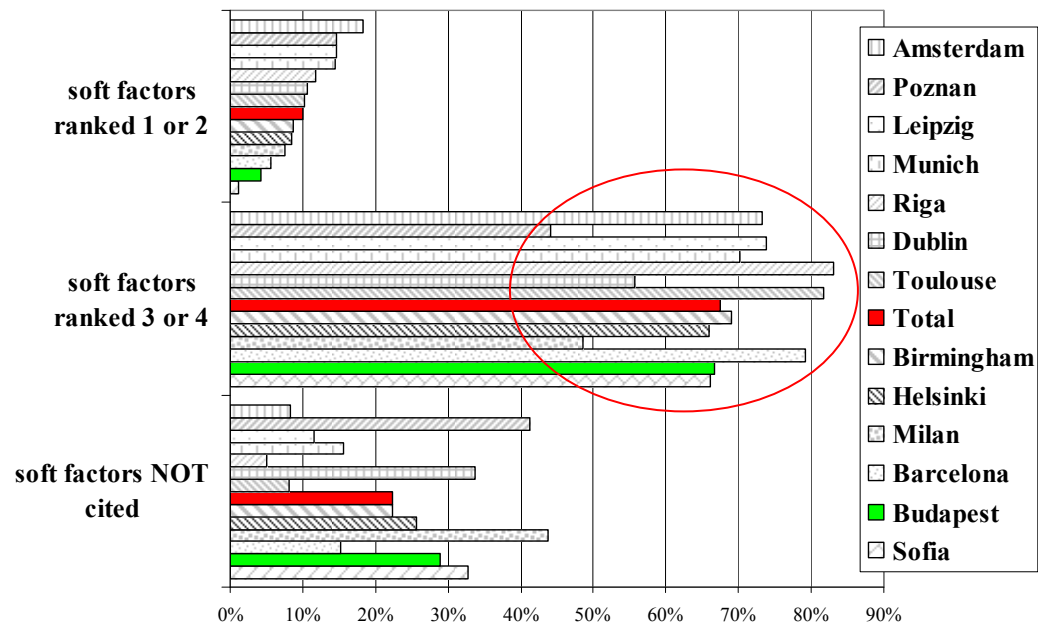
Lower importance:

cultural diversity
proximity to natural environment
good transport links
overall friendliness
presence of good universities
higher wages
housing affordability

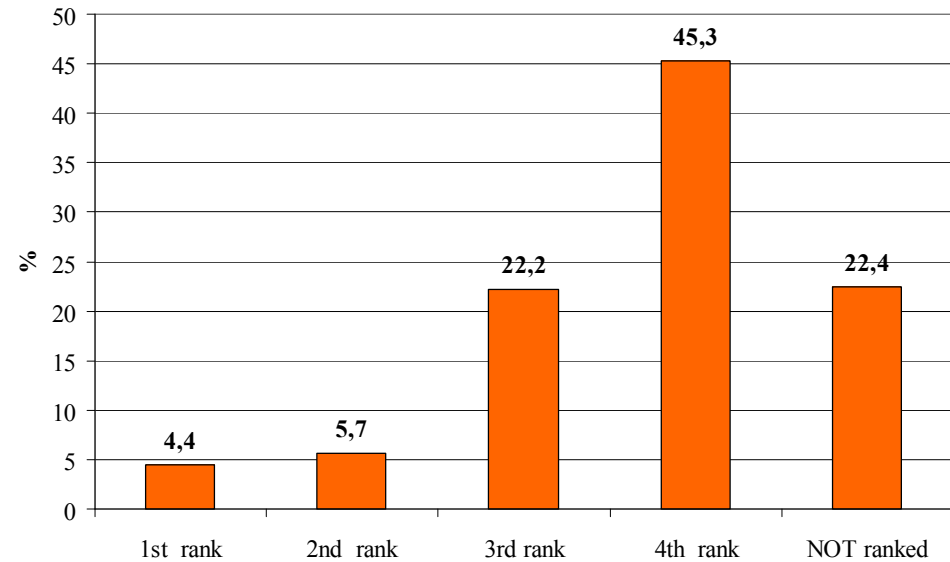
Very low importance:

Weather and climate
open society, tolerance
housing availability
diversity of built environment
language
safety for children

Role of soft factors among reasons for living in the city



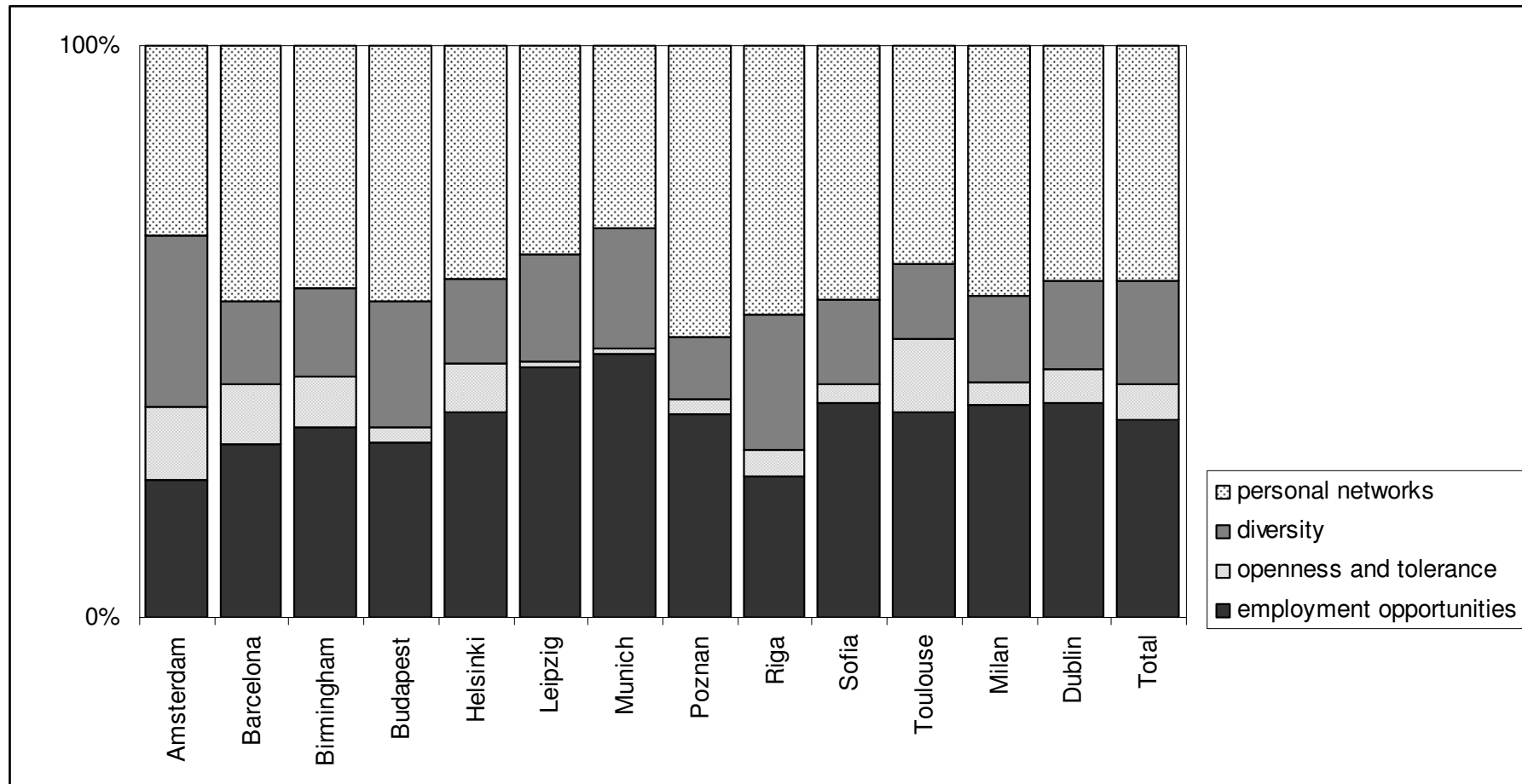
First appearance of a soft factor



Types of reasons for living in the city (%)

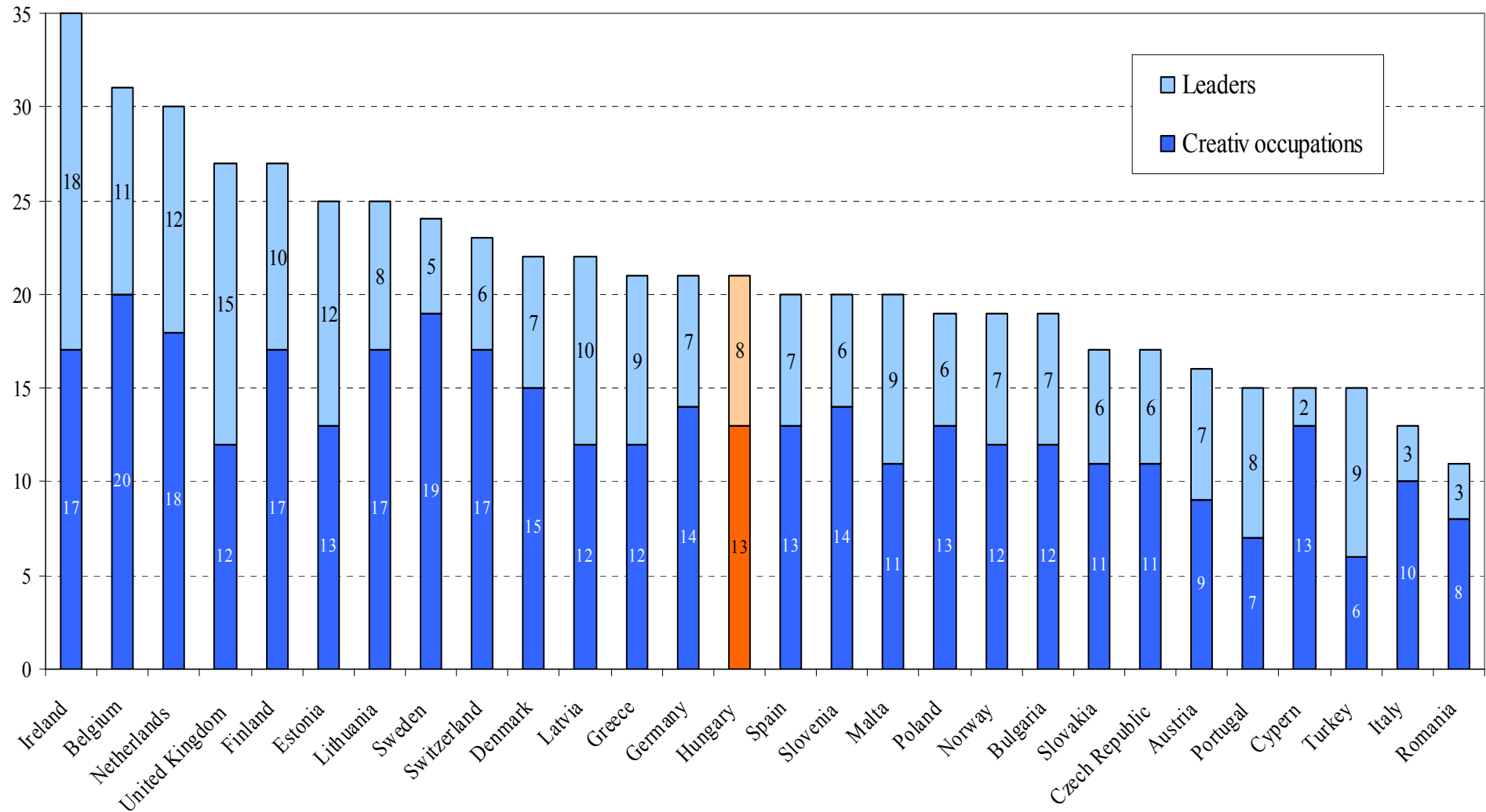
	Personal traj.		Hard factors		Soft factors
Riga	79,5	Munich	59,6	Amsterdam	26,2
Poznan	74,2	Leipzig	49,7	Barcelona	11,0
Budapest	70,6	Toulouse	42,2	Toulouse	10,5
Milan	63,9	Dublin	41,8	Helsinki	10,5
Barcelona	62,0	Helsinki	38,7	Munich	10,1
Dublin	56,7	Amsterdam	35,3	Leipzig	7,5
Helsinki	50,8	Milan	31,7	Budapest	5,1
Toulouse	47,1	Barcelona	27,0	Milan	4,4
Leipzig	42,8	Budapest	24,4	Riga	3,8
Amsterdam	38,5	Poznan	23,2	Poznan	2,6
Munich	30,3	Riga	16,7	Dublin	1,5
Total	55,2	Total	35,9	Total	9,0

Relative share of respondents that ranked indicators as among the four most important from a list of 26 indicators, assembled in specific dimensions, per urban region

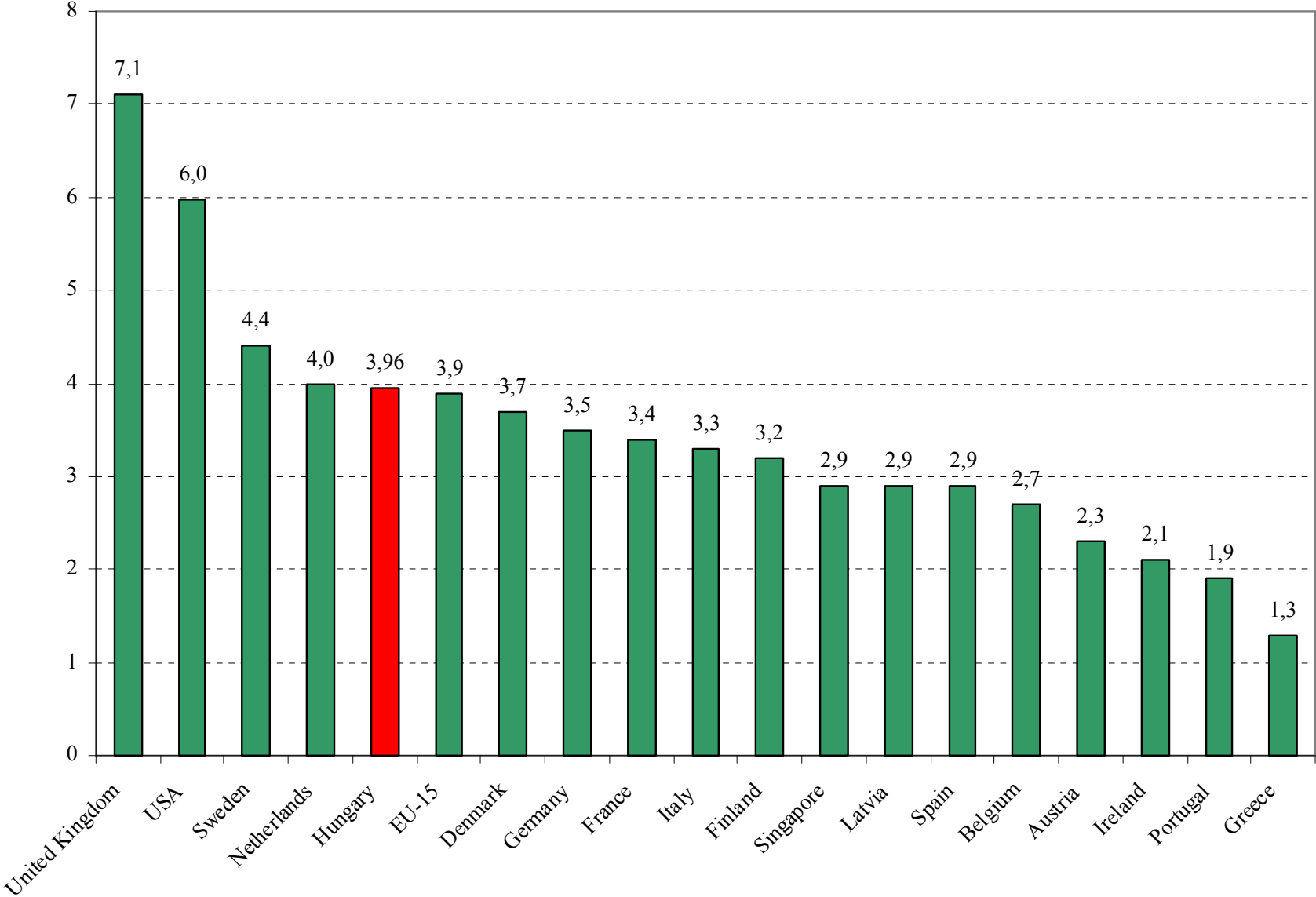


- Not so mobile creative class in Europe
- For the mobile creative population and companies hard factors are largely determining (classic hard conditions are still relevant)
- Deep structural and contemporary factors – especially personal trajectories and networks, and job opportunities – are keys to understand the development of creative economy;
- Not diversity and tolerance, but personal trajectories and networks
- Soft factors play a marginal role in the attraction of the “creative class” and companies
- Soft factors play an important role in retaining creative people and companies

Ratio of creative occupations and leaders in European countries



Contribution of core copyright-based industries to the GDP

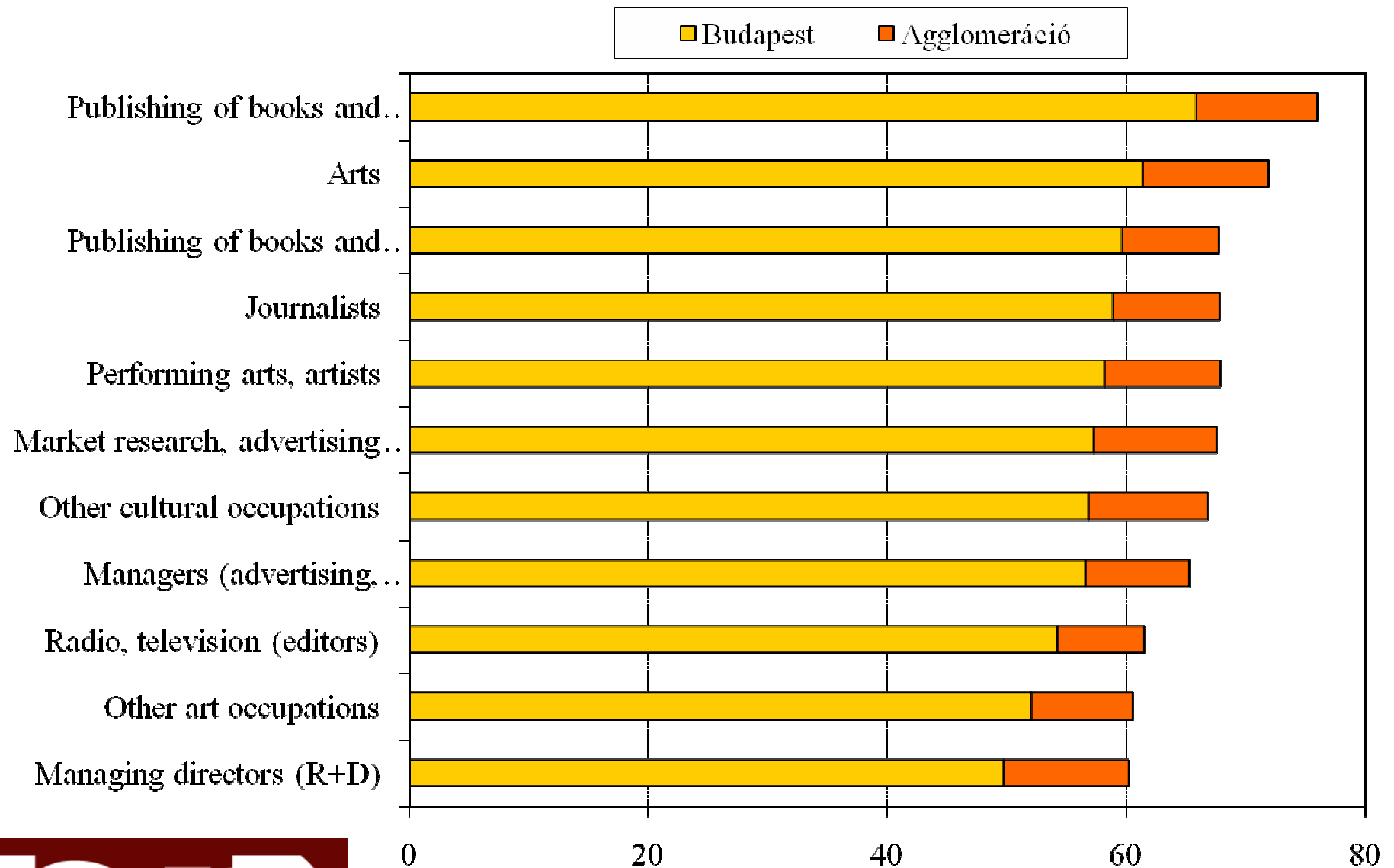


Nr.	Country	Talent	Techno- logy	Tole- rance
		r a n k		
1.	Sweden	5	1	1
2.	Finland	1	2	7
3.	Denmark	4	4	2
4.	Switzerland	9	3	5
5.	Netherlands	7	7	3
6.	Belgium	2	9	9
7.	Germany	10	5	8
8.	Norway	6	10	4
9.	Ireland	3	11	16
10.	Austria	15	6	11
11.	Spain	11	13	6
12.	France	18	8	12
13.	Slovenia	14	14	10
14.	Estonia	8	18	17
15.	Greece	13	20	15

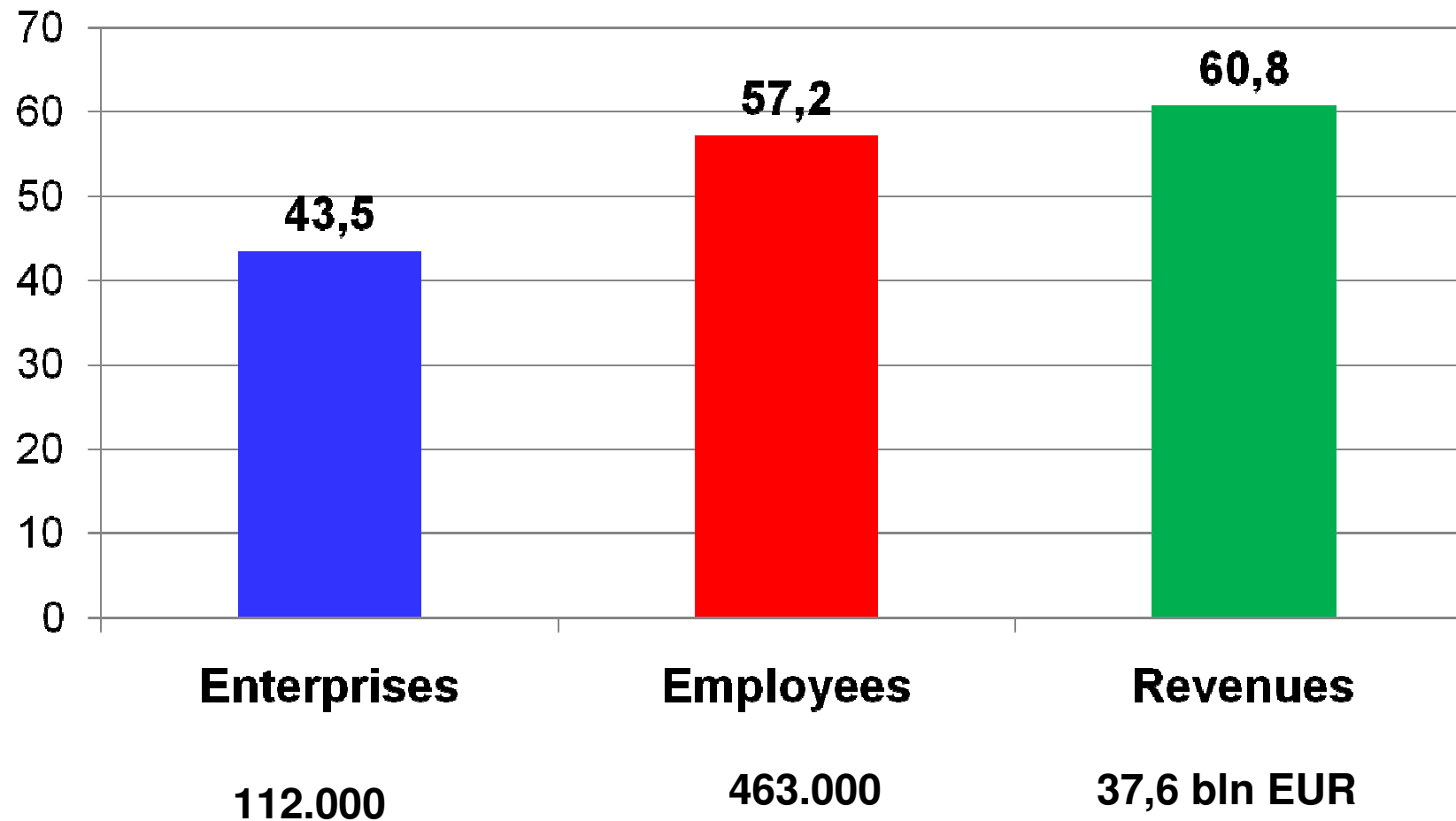
The ranking of countries based on talent-, technology- and tolerance-indexes

16.	Italy	24	12	13
17.	Czech R.	21	15	14
18.	Lithuania	12	21	21
19.	Latvia	17	19	20
20.	Portugal	23	17	18
21.	Hungary	16	16	25
22.	Slovakia	22	23	19
23.	Poland	20	22	23
24.	Bulgaria	19	24	24
25.	Romania	25	25	22

Ratio of creative employees living in the BMR



Weight of Budapest in the creative economy of Hungary



Development tendencies in the creative knowledge sector

	Enterprises	Employees	Revenues
Creative industries	119,7	107,8	212,2
ICT	136,3	125,9	312,8
Finances	185,1	120,2	307,3
Law and business	143,4	167,3	214,1
R&D, higher education	181,7	80,0	144,4
<i>Creative knowledge sector</i>	130,7	119,1	252,6
Total	122,1	109,9	269,1

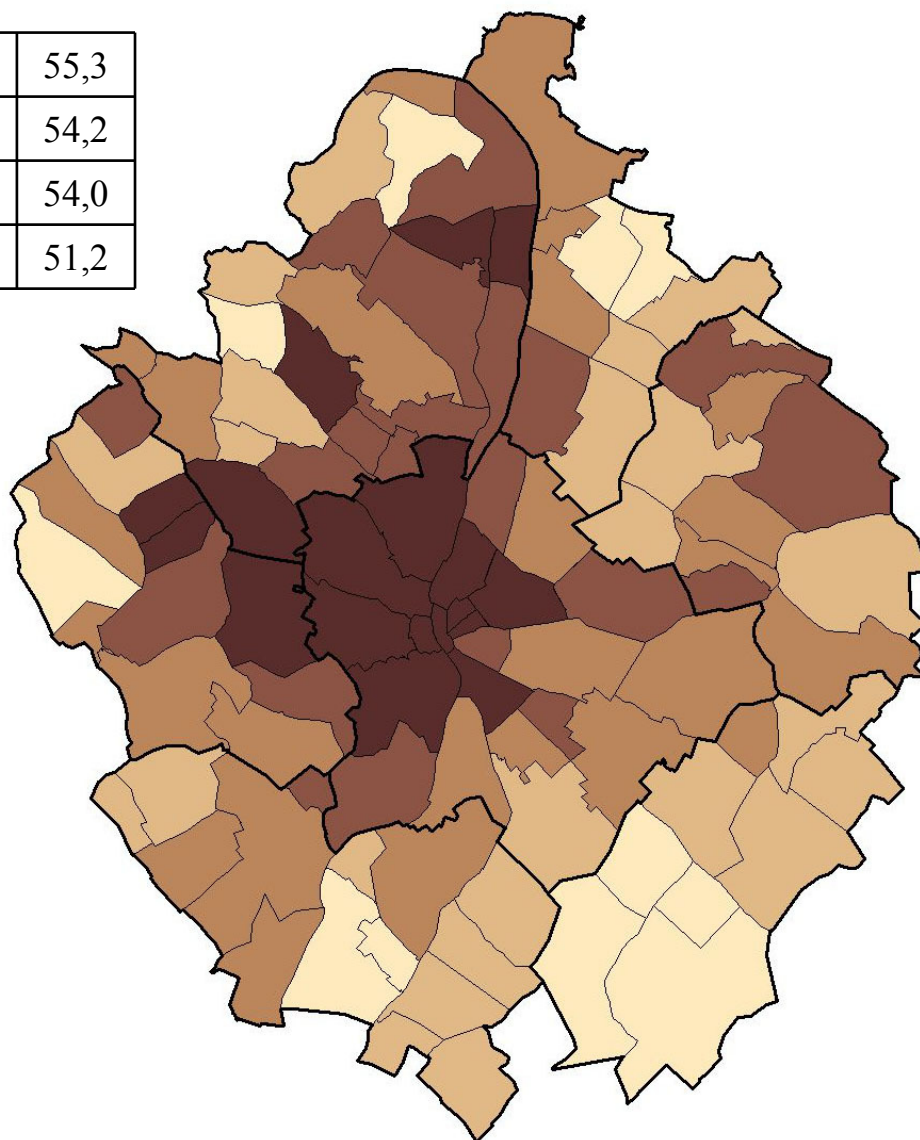
Change 1999/2007

1999=100%



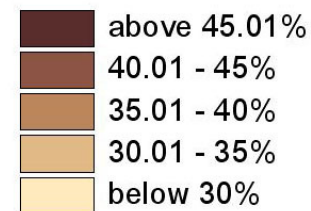
The ratio of creative and knowledge intensive enterprises in the Budapest Metropolitan Region

12. District	55,3
1. District	54,2
2. District	54,0
11. District	51,2



Budapest	46,1
West	41,8
North-West	40,5
East	38,7
Agglomeration	37,6
North	36,8
South-West	35,7
South-East	30,2

Csobánka	NW	52,1
Nagykovácsi	NW	49,9
Telki	W	48,1
Budakeszi	NW	47,9
Leányfalu	NW	47,8



Main drivers for settlement of creative and knowledge intensive companies in the BMR

- **Price and infrastructure of office**
- **Traffic and public transport related accessibility and availability**
- **Calm and quiet environment**
- **The place of residence of the management**

- **Informal links are crucial for the development of ventures in the BMR**
- **References have a prominent importance**
- **Clustering differs by sectors and sub-sectors in the BMR**

Settlement and site selection of the firms is affected by hard factors predominantly and soft factors currently do not play a crucial role in attracting enterprises and managers towards Budapest.

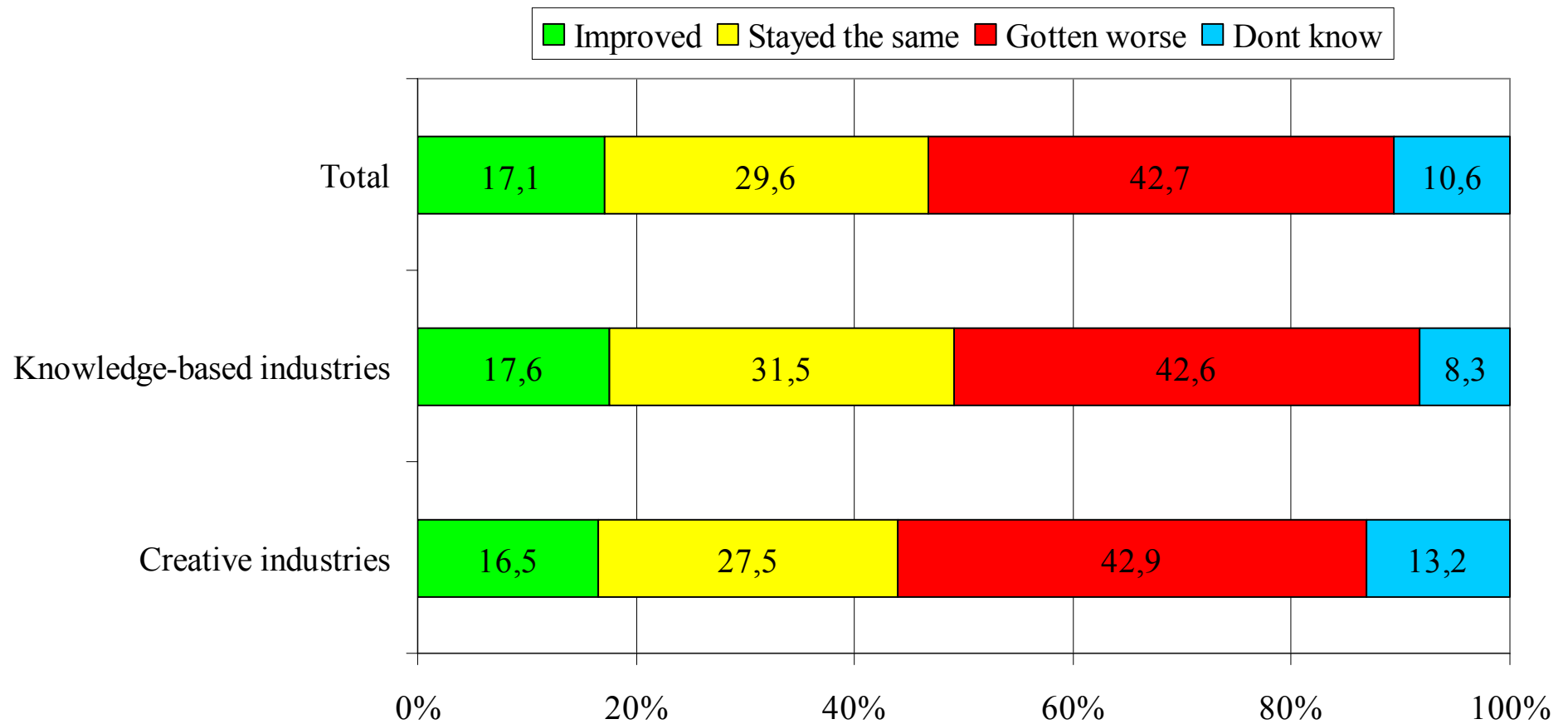
However, ceatives are more satisfied with the soft factors of the city than with the hard ones.

SWOT analysis of the Budapest Metropolitan Region

Strengths	Weaknesses
<p>Geographical location of Budapest</p> <p>Weight and positions of the city region in the creative knowledge sector</p> <p>Office space and office market</p> <p>Job and career opportunities</p> <p>Cultural services</p>	<p>Situation of traffic and public transport</p> <p>Low level of collaboration between firms, universities, research and public institutions</p> <p>Lack of business strategies and strategic thinking of managers</p> <p>Political culture, taxes, corruption</p> <p>Quantity and quality of green spaces</p>
Opportunities	Treats
<p>Attractiveness of BMR for the countryside manpower</p> <p>Concentration of companies, enterprises and universities</p> <p>Spectacular development of certain branches within the creative knowledge sector</p> <p>Great variety of neighbourhoods</p>	<p>Competition between enterprises</p> <p>High specialisation of SMEs</p> <p>Price level of experienced and well-skilled labour</p> <p>Danger of corruption regarding informal links</p> <p>Price level on the office market</p> <p>Emerging social problems, tensions and intolerance</p>



Perceptions of quality of life improvements or disimprovements



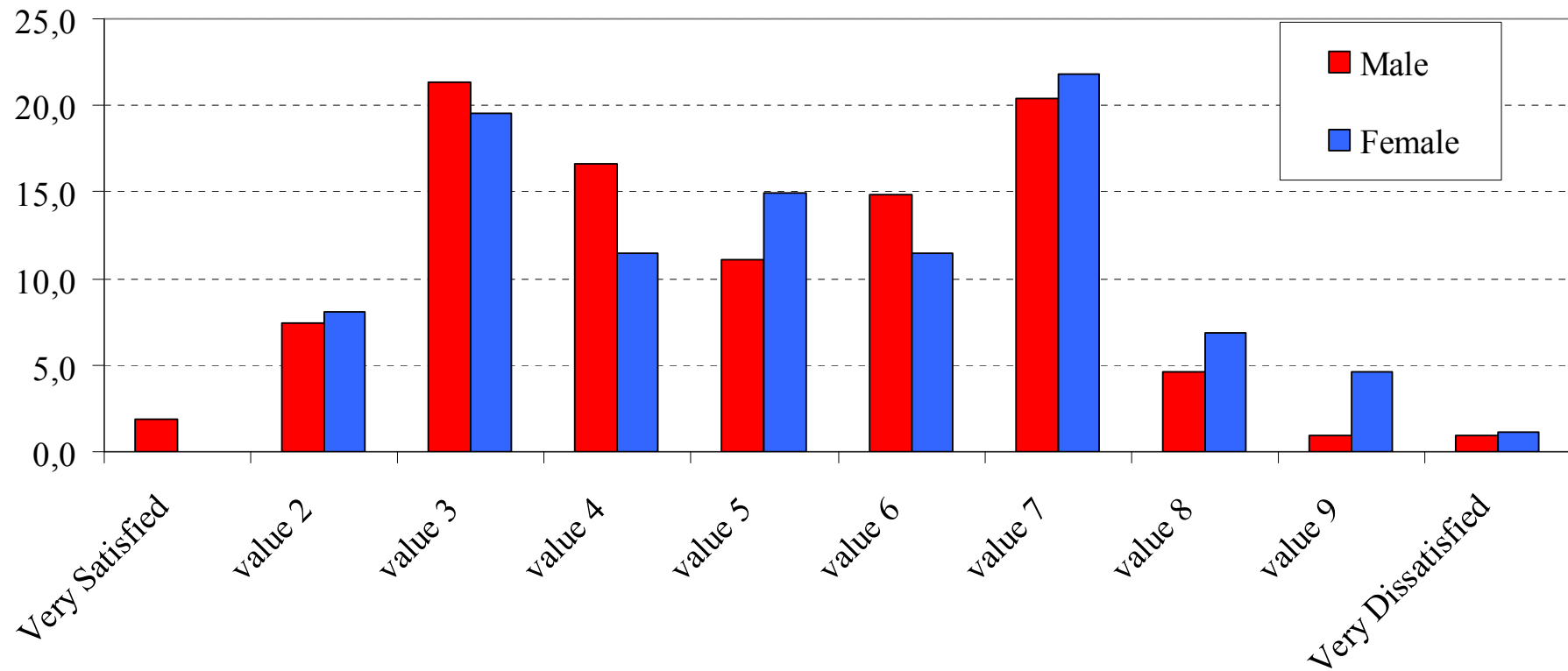
Likelihood of moving from Budapest in the next three years

	Creative industries	Knowledge-based industries	Total
Almost Definitely	4,5	4,7	4,6
Very Likely	2,2	8,4	5,6
Somewhat likely	9,0	7,5	8,2
Not too likely	51,7	39,3	44,9
Not likely at all	32,6	40,2	36,7

Budapest serves as a magnet for the young generations!
The BMR has a high retaining capacity!



Overall satisfaction with the city by gender (whole sample)



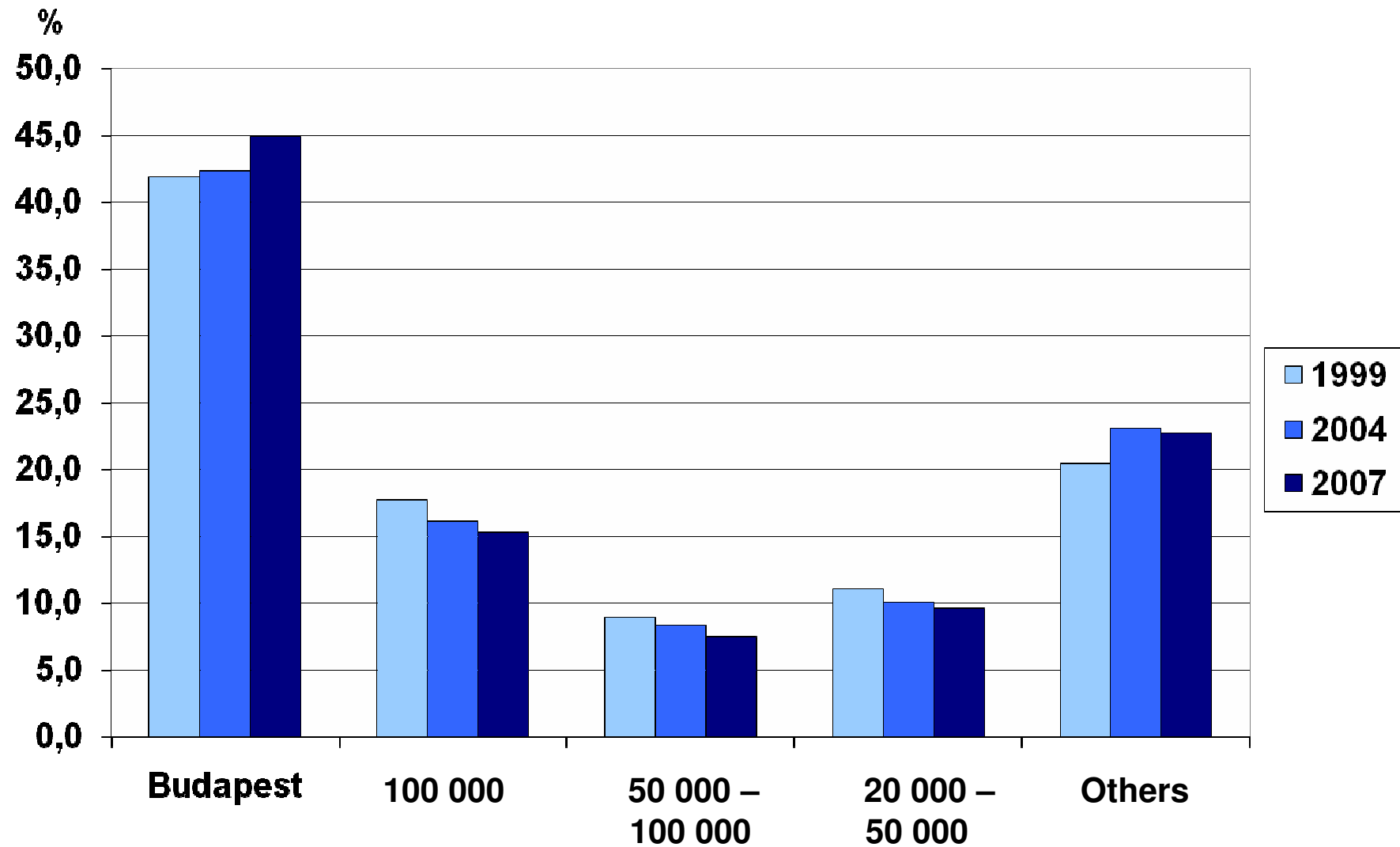
Ambivalent feelings towards Budapest!



Main limiting factors within the BMR

Factors	Type of factor
Costs of living (prices, level of wages and salaries)	hard
Traffic and public transport	hard
Cleanness of the city and living environment	soft
Air and noise pollution	soft
Intolerance, aggressiveness	soft
Homelessness, poverty, social polarization	soft
Politics, political culture	soft
Quantity and quality of green space	hard
Living standards, quality of life	soft
Public security	soft
State of building stock and public places	hard

Ratio of creatives by settlement categories



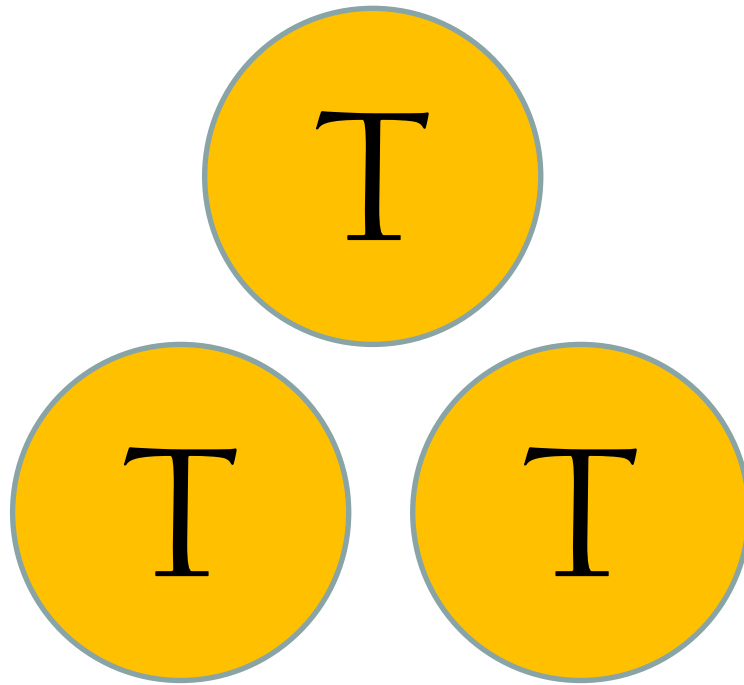


ICT Pole

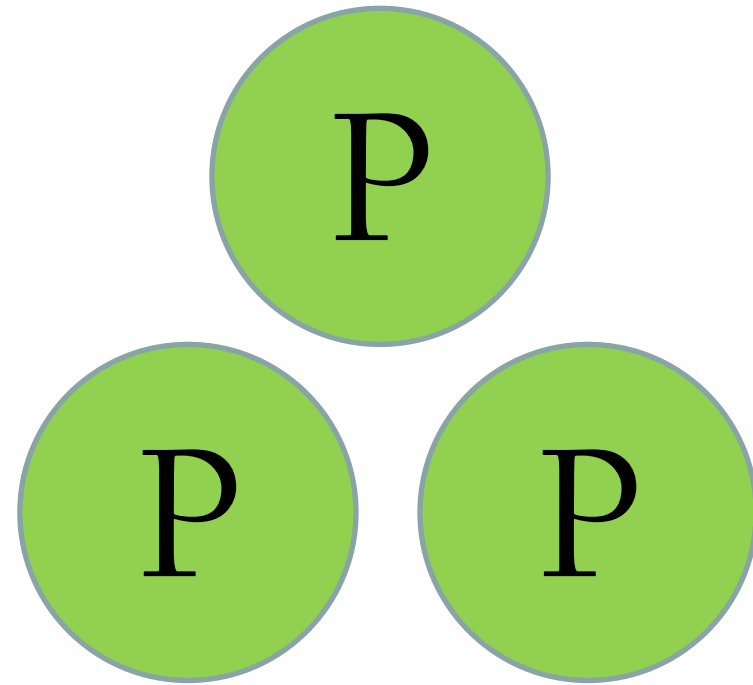
Medi Pole

Eco Pole

3 P's as an alternative for 3 T's



Talent
Technology
Tolerance



Pathway
Place
Personal networks

