CREATIVE SYNERGIES

Clustering and collective efficiency amongst craft/design firms in Cape Town and Maputo

Indalo project: Designer Nicci Drzewicki/crafters from Streetwires

Master Thesis, Cand.merc.int (Business and Development Studies)
Copenhagen Business School
Author: Kaja Tvedten Jorem
Supervisor: Søren Jeppesen
Number of taps: 181 925
December 15th 2011
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Abbreviations

ACP – African, Caribbean and Pacific group of states
CBO – Community Based Organisation
CCDI – Cape Craft and Design Institute
CCT – Creative Cape Town
CEDARTE – Centro de Estudos e Desenvolvimento de Artesanato (Centre of Craft Studies and Development)
CPUT – Cape Peninsula University of Technology
DAC – Department of Art and Culture (South Africa)
DCMS – Department for Culture, Media and Sport (United Kingdom)
DTI – Department of Trade and Industry (South Africa)
FEIMA – Maputo Craft Fair
GDP – Gross Domestic Product
IPEX – Institute of Export Promotion (Mozambique)
LDC – Least Developed Countries
MDG Fund Project – Millennium Development Goals Fund
NGO – Non Governmental Organisation
PRSP – Poverty Reduction Strategy Paper (Mozambique)
PARPA – Action Plan for the Reduction of Absolute Poverty (Mozambique)
UN – United Nations
UNCTAD – United Nations Conference on Trade and Development
UNESCO – United Nations Educational, Scientific and Cultural Organization
SADC – Southern African Development Community
SME – Small and Medium Sized Enterprises
SWOT – Strengths, Weaknesses, Opportunities, Threats

1 A small firm has less than 50 employees and a medium firm has less than 250 employees (European Commission, 2005).
Acknowledgements

Several people have contributed to making this Master Thesis in Business and Development Studies a reality and I owe them my gratitude.

Firstly, I would like to thank all the firms and intermediaries who volunteered their time and enthusiasm to the project. I would particularly like to mention Zayd Minty (Creative Cape Town), Erika Elk (Cape Craft and Design Institute), Evaristo Madime (CEDARTE) and Lorraine Johnsen (MDG-Fund Project), who assisted with many of the practical details during the fieldwork. Kjersti Holtar (Isandi Design) and Pamela Rebelo (Nordic Consulting Group Mozambique) were also helpful in this regard.

A very special thank you goes to my supervisor Søren Jeppesen, from the Centre of Business and Development Studies, who was invaluable during the whole research process. He always had insightful comments and his support was never far away, even answering emails within minutes from remote locations (the Himalayas, Ghana, Uganda, South Africa and Zambia).

The initial idea for this project came from an internship at UNESCO’s Section of Creative Industries for Development during the summer of 2010, where I, amongst other things, examined reasons for the lack of African members in the Creative Cities Network. My supervisor Doyun Lee encouraged the project from the beginning and also provided an official letter of support to enter the fieldwork countries.

Finally, my gratitude also goes to my family, the CBS Library and to my study groups at Copenhagen Business School.

Copenhagen, December 8, 2010
Abstract

The creative industries present new opportunities for African countries to develop economically and become more involved in world trade. While firm dynamics within the creative industries in developed countries have been thoroughly studied, especially through cluster theories, very few attempts have been made to examine this issue in an African context.

This thesis analyses creative enterprise clustering, its benefits and prerequisites, in two African creative cities: Cape Town and Maputo. It asks whether craft/design firms engage in clusters and under which institutional contexts the firms develop collective efficiency from these clusters. The goal of the research is thus to explore the existence of clustering within the craft/design sector in two African creative cities, to describe whether this clustering leads to collective efficiency and to explain the institutional contexts (formal and informal) under which such developments occur or are prevented from occurring.

Using a comparative case study approach, this research is based on semi-structured in-depth interviews conducted with twenty-to key craft/design firms and four intermediaries during a six-week fieldwork in Cape Town and Maputo as well as document analysis of secondary data – all analyzed by using qualitative content analysis. Due to the limited prior research on the topic, an abductive approach, going back and forth between data and theory, is used to confront the theory with the empirical world in a process of continuous systemic combining. The analysis is based in the philosophical tradition of critical realism, which argues for a contextual understanding of causal relations to understand the changing nature of social realities.

The findings suggest that both cities show signs of clustering, but Cape Town has clearer tendencies of collective efficiencies along the craft value chain in comparison to Maputo. This is explained primarily through the institutional context. More concretely, Cape Town was able to develop synergy benefits (innovative capacity, etc) by engaging in several direct joint action projects with other firms, largely facilitated by formal intermediary platforms and an informal community of trust. Maputo firms, on the hand, did not engage within the cluster due to informal (e.g. lack of trust) and formal (e.g. weak intermediaries) constraints, resulting in few synergy benefits. Adequate internal resources within the cluster emerged as another prerequisite. The opportunities and challenges for collective growth identified will be of use to the firms as well as to national/international stakeholders concerned with supporting creative cluster developments.
1. Introduction

“A new development paradigm is emerging that links the economy and culture, embracing economic, cultural, technological and social aspects of development at both the macro and micro levels” (UNCTAD, 2010, p. 393).

The creative industries present important opportunities for increased trade, employment and economic development for African countries. These industries are defined by UNCTAD as “the cycles of creation, production and distribution of goods and services that use creativity and intellectual capital as primary inputs” (UNCTAD, 2008, p. 8), including cultural heritage (e.g. craft), visual and performing arts, audiovisual industries, printed and new media, design and creative services (e.g. advertising). A key focus in the literature on creative industries in the developed world has been on clustering tendencies (Cinti, 2008; Cooke, 2008; Evans, 2009), which is associated with increased competitive advantage, especially for small firms. However, the large majority of developing countries are not yet able to harness their creative capacities for development (UNCTAD, 2008) and little research has thus far explored the potential of creative enterprise clustering in an African context. There is therefore a growing need to examine the industries’ micro-level dynamics in these settings, characterized by a large number of small firms, informal structures, and a mix of state and market intermediaries (Barrowclough & Kozul-Wright, 2007). The craft/design sector is a key strength of African creative economies.

To describe and explore clustering dynamics/synergies of craft/design firms in an African context, the thesis focuses on two case cities: Maputo (Mozambique) and Cape Town (South Africa). The cities were chosen due to the their strong craft/design sector and their contrasting institutional contexts, with South Africa being the richest and most developed country in Africa and Mozambique being one of the poorest and least developed countries on the continent albeit with a very vibrant cultural scene. These contrasting contexts enable an exploration of the prerequisites for synergy development. The research is based on six weeks of fieldwork during the summer of 2011, including interviews with twenty-two craft/design firms and four intermediary organizations. The theme is also inspired by an internship at UNESCO Creative Cities Network during the summer of 2010, where I investigated reasons for the absence of African city members in the network (lack of strong intermediary organizations, etc).
1.1. Research field

Two broad research fields, which have too seldom been used together in the past, influence this research project: ‘creative economy’ and ‘business and development studies’.

“The creative economy cuts across the arts, business and connectivity, driving innovation and new business models” (UNCTAD, 2010, p. xxiv). The focus of the creative economy literature is on creative products as income-generating activities and the aspects of creative enterprises that set them apart from other enterprises. Major contributions to the field include Richard Florida’s ‘creative class’ (Florida, 2005) and Charles Landry’s ‘creative city’ (Landry, 2008), both based on the notion that creative industries, businesses and people tend to cluster, often within cities (Bagwell, 2008; Cooke & Lazzaretti, 2008). Creative intermediaries, the networks organizations mediating and lobbying for joint action and industry support, have been identified as key players in the field (Fleming, 2007; Evans, 2009).

African creative economies have entered the agenda through initiatives such as the Nairobi Plan of Action for Cultural Industries in Africa (African Union, 2005) and the Dakar Plan of Action on the Promotion of ACP Cultures and Cultural Industries (ACP Ministers of Culture, 2003). In comparison to the developed world, creative industries in developing countries are defined by information asymmetry, weak institutional and political support, low levels of entrepreneurial capability, a dependency on foreign firms/investment, inefficient or non-existent copyright regimes and piracy (Cunningham, Ryan, Keane & Ordonez, 2007). Africa’s share of global trade of creative products remains marginal at 1% of world exports (UNCTAD, 2008), which does not give justice to the creative capabilities present. More research is needed on how to benefit from clusters, for instance, considering these particular institutional features.

‘Business and development studies’ has emerged as a separate field in recent years because resources, institutions, markets, industry structures, and firm culture in developing countries are often quite different than in developed countries (Hansen & Schaumburg-Müller, 2010). Analyses of business dynamics in developing countries should be particularly aware of the importance of the institutional context for private sector development (Hoskisson, Eden, Lau & Wright, 2000; Peng, 2002). Even though cluster-promotion is considered a key optimizing strategy in developing countries (van Dijk & Sverrisson, 2003; Mesquita & Lazzarini, 2008), the institutional requirements for clusters and for attaining benefits (known as collective efficiencies) from such agglomerations are underplayed aspects of the private sector development literature.
Combining these two broad fields of research provide a new and specific space to study micro-level business dynamics within the creative industries in Africa. The ‘creative economy’ and ‘business and development studies’ literature more concretely present the three main theoretical concepts used in this research: clustering, collective efficiency and institutional context. These will be explored in detail in the literature review (Chapter 2). For now, it suffices to underline that few studies have analyzed clustering of creative firms in developing countries.

1.2. Research question

Considering the discussion above, this research will explore the following research question:

| To what extent do craft/design firms in Cape Town and Maputo cluster and under which institutional contexts does this lead to collective efficiency? |

To analyze the different components of the question, the following sub-questions are proposed:

1. To what extent do craft/design firms cluster in Maputo and Cape Town?
2. How does possible clustering lead to collective efficiency?
3. In what way does the institutional context influence the development of collective efficiency?

The main variables in this study are therefore ‘clusters’, ‘collective efficiency’, and ‘institutional circumstances’. Schmitz defines a cluster as “a geographic and sectoral agglomeration of enterprise” (Schmitz, 1995, p. 15). In the same article, Schmitz defines ‘collective efficiency’ as competitive advantage derived from consciously pursued joint action (multilateral, bilateral, vertical, horizontal) and external economies (labour pooling, market access, input effects, technological spillovers). Finally, ‘institutional contexts’ are the “political, social and legal ground rules that establish the basis for production, distribution and exchange” (Davis & North, 1971, p. 5), including formal and informal constraints. See Chapter 2 for details.

Existing literature argues that creative firms will cluster together and benefit from each other’s skills and presence. It is therefore believed that a certain degree of clustering will occur in the two cities in question, but it is unclear to what extent and in what form this may happen. It is also assumed that the diverse institutional contexts will influence the presence of clusters and the possibilities of collective efficiency, although it is not known exactly how this will play out.
1.3. Scope and delimitations

The main units of analysis in this thesis are the twenty-two craft/design firms interviewed in Maputo and Cape Town. More information on the selection procedure of these is in Chapter 3.

Of all the creative industries, the craft/design sector was identified because it is a prominent part of both South African and Mozambican creative production and it also has clearer production chain structures than other creative industries. Crafts include products “produced by artisans either completely by hand or with the help of hand tools or even mechanical means as long as the direct manual contribution of the artisan remains the most substantial component of the finished product” (UNCTAD, 2010, p. 140) – such as leather, metal, pottery, textiles and wood. Design is, for the purpose of this research, an important element of the crafts, especially for the more modern craft practices, like clothing design, as opposed to the more traditional crafts, like wood. Together, they make out the craft/design sector.

Many institutional analyses focus on the national level, yet this research examines how firms interact considering city-level dynamics. Cities are useful to explore the creative industries, as they usually include the entire chain of cultural activities, from conception to production to distribution and are home to the majority of the ‘creative class’ (Florida, 2003). Moreover, a study of the entire craft/design sector in the two countries is beyond the scope of this thesis. Extensive quantitative reports mapping the national context for craft/design in South Africa and Mozambique have already been developed and are discussed in Chapter 4 and 5.

1.3.1. Case justifications

Cape Town and Maputo (and the firms and intermediaries located there) were, as suggested, selected due to their contrasting contexts, but also for their common design/craft strengths and due to previous visits to the two cities, facilitating access.

“Cape Town is a strong, although fledging creative city, with a booming creative and knowledge sector boosted largely by commercially driven income” (Creative Cape Town, 2009, p. 13). Cape Town is probably the African city most developed in terms of creative industry initiatives, with professional intermediary organizations such as Creative Cape Town (CCT) and the Cape Craft and Design Institute (CCDI). The craft/design sector is particularly strong in the area. In addition to hundreds of craft/design enterprises, there are several concrete cluster spaces, such as the Old Biscuit Mill and the East City Fringe initiative. The city and the identified
craft/design firms and intermediaries therefore enable an exploration of how inter-firm networking can develop in a relatively strong African institutional setting.

Maputo is another African city with strong creative practices, yet the city is facing institutional, financial and political challenges in developing its craft/design sector. Due to the fragmented nature of the sector, with its “weak institutional and legislative support, and lack in human capacity in terms of knowledge management, entrepreneurship, technical competencies and skills, degree of professionalism of the sector, etc” (MDG-Fund Project, 2008, p. 5), a MDG-funded joint UN programme has been set up to develop the economic and creative potential of the local craft/design industry. This programme and the national artisan association CEDARTE are part of the institutional landscape surrounding the craft/design firms of Maputo. As in Cape Town, there is nothing written explicitly about creative clustering in the city of Maputo, and comparing the two cities’ institutional contexts should enable a better understanding of which circumstances facilitate clustering and possible collective efficiency benefits.

1.3.2. Structure of Thesis

This Introduction has given a brief overview of the research question, fields and goals that guide the rest of the thesis. Following this overview is a more precise introduction to the literature and the debates around the main conceptual variables of the research question. In order to understand how the research goals and main literary concepts have been operationalized, a methodological chapter explains the design, philosophy and techniques used to collect and analyze the data. Before the main analysis, the two case cities and their craft/design industries are presented in detail. The main analysis combines the data from the two cases with the theories outlined in earlier chapters. In Chapter 6, the sub-sections of the analysis are then brought together and the validity and reliability of the research is evaluated before the thesis is concluded in Chapter 7. To open the debate around the thesis conclusions Chapter 8 ends with some wider perspectives.
2. Literature Review

The purpose of the following literature review is to provide an overview of existing research on the main variables of this thesis: clusters, collective efficiency and institutional context. These variables are highly related in that collective efficiency is an expression of clustering advantages and both develop (or are prevented from developing) within institutional contexts. The section thus argues for a sector-specific and institutional analysis of clusters and collective efficiency. There seems to be an overreliance on quantitative approaches to clusters in the literature, and hardly any research has examined the specific issue of creative clustering in an African context.

2.1. Clusters

Cluster theories are based in Marshall’s early work on agglomeration economics (1920). Through being situated in close proximity to one another (agglomerations), firms, often within the same sector, are in a position to share markets, labour, infrastructure and technology, which would not be possible if the firms operated individually. There are thus external economies to be gained through cooperating, and Marshall was one of the first to underline this (Trullén & Boix, 2008).

Eventually, more specific literature on clusters developed. Michael Porter emerged as a key author in the developed world (1990), arguing that the clustering of firms leads to increased productivity, innovation, new business formation and competition/cooperation. In 2000, Porter released a paper suggesting that although changes in technology and competition have diminished many of the traditional roles of location, clusters are still prominent and locational proximity is a facilitating factor (Porter, 2000). Whether the geographic site is very specific, such as an industrial district, or larger, such as a city, the essence of cluster theory is that the whole is greater than the sum of the individual parts, as this thesis also argues. Porter, Marshall and classic examples of clustering (e.g. Silicon Valley, Seoul Digital Media City) have, however, been criticised for their developed world focus and high structural demands for clusters.

The clustering of firms in developing countries has received specific attention in cluster debates in the past two decades (Parto, 2008; McCormick, 1999; Oyelaran-Oyeyinka & McCormick, 2007; Mesquita & Lazzarini, 2008; Schmitz, 1995; Schmitz & Nadvi, 1999). This literature’s specific recognition of developing country dynamics makes it highly appropriate for this thesis. Schmitz and Nadvi, in their special issue on clustering and industrialization, argue that
the domination of SMEs in developing countries has emphasized the need for clustering (Schmitz & Nadvi, 1999). In fact, aid has seen clustering as a way to encourage private sector development for small-scale industry. Van Dijk & Sverrisson are more pessimistic: “clusters in developing countries are often the result of the survival activities of the poor who lack capital, markets and skills for starting and running factory-type establishments” (2003, p. 199).

Therefore, to discuss cluster dynamics in less-developed or industrializing economies such as Mozambique and South Africa (both referred to as developing contexts in this thesis), it is necessary to make certain adjustments and not blindly apply developed country literature. Parto (2008) argues that whether clusters contribute to wider economic growth in these regions depends on the type of cluster, the geography, the institutional landscape, the macroeconomic environment, and if the combination of all these factors is conducive to learning. It is, in other words, important to study the institutional context, including the less formal institutions. McCormick (1999) reaches many of the same conclusions in her exploration of African clusters. In their review from a South African setting, Morris & Barnes (2006) conclude that literature on clustering, intermediaries and learning networks is largely missing in South Africa; yet their own case studies show that “even in low trust environments, purposive action can create cluster and value chain cooperation and learning” (Morris & Barnes, 2006, p. 94).

Schmitz’ (1992) definition of a cluster as a geographic and sectoral agglomeration of enterprises is the most appropriate for analyzing clusters in a developing country context. This broad definition acknowledges that clustering can take place within larger agglomerations, like Maputo and Cape Town, and that inter-firm collaborations in these city-clusters can happen both within specific sites (such as collective spaces) and outside such structures (firms collaborating from different parts of the city). Other, more classic, definitions tend to emphasise formal cluster support structures, which are often lacking in developing countries. Porter’s definition (2000), for instance, presupposes formal interconnectedness of firms and the existence of advanced support services (specialized suppliers, service providers, associated institutions). Likewise, Altenburg and Meyer-Stamer (1999) demand a distinctive firm profile and substantial inter-firm specialization and trade. Schmitz’ definition is therefore more appropriate when it is unknown or unlikely that such advanced structures will exist. Whether active cooperation develops becomes “a matter for empirical research and not subsumed in the definition” (Schmitz, 1995, p. 536).
Cluster literature tends to focus on manufacturing clusters (like all the studies mentioned above), either in the developed or developing world, yet clustering within the creative industries, ‘creative clustering’, requires specific inquiry. According to existing literature, creative firms tend to cluster due to the synergy possibilities that emerge (Barrowclough & Kozul-Wright, 2007; Cinti, 2008; Evans, 2009; UNCTAD, 2008; UNCTAD, 2010). Particular attention has been given to how creative firms cluster in cities (Bagwell, 2008; Cooke & Lazaretti, 2008; Florida, 2003; Florida, 2005; Scott, 2006; Costa, Magalhães, Vasconcelos & Sugahara, 2008). The influential United Kingdom Department for Culture, Media and Sport (DCMS) has provided a definition of creative clusters as “groups of competing and co-operating businesses that enhance demand for specialist labour and supply networks in a particular location” (DCMS, 2008, p. 56). This definition reiterates Schmitz’ definition, yet also looks at specialist labour and supply networks for the craft/design sector. The range of what constitutes creative agglomerations covers everything from “simple aggregations with no form of co-ordination, to more ordered forms of activities, or even to well-planned projects; from geographical combinations of various actors to basic multifunctional buildings like art centres; from well-defined city areas with streets accurately outlining their border to vast areas going even beyond provincial borders” (Cinti, 2008, p. 70). The thesis will describe which of these modalities can be observed between craft/design firms in the two cities in question.

Creative clusters have many similarities with classic clusters, yet also some differences. Whereas regular business clusters usually develop through four stages (embryonic, established, mature, and declining) – based on levels of employment and output, depth of inter-firm linkages and the significance and reach of business and consumer markets – creative industry clusters are usually caught up in the ‘embryonic’ stage (Evans, Foord & Shaw, 2005). This is because creative clusters consist of quite vulnerable, often informal firms, many of which take their social and creative role as serious as their business role. A typology specifically for creative cluster development suggests that these clusters develop through four stages: 1) dependent (creative enterprises develop as result of public sector intervention and local markets are underdeveloped); 2) aspirational (some independent creative enterprises and limited local markets); 3) emergent (growing number and scale of creative enterprises with local, regional and international markets, yet still public sector support); and 4) mature (large-scale creative enterprises in specific industries with advanced subcontracting linkages, developed national and international markets,
and arms length public intervention) (Evans et al., 2005, p. 32). In contrast to classic clusters, creative clusters depend on public subsidy as they are unable to generate needed private capital on their own; they take local regeneration into account due to their desire to contribute to urban development; and they show poor connectivity in terms of labour and other markets since due to informal structures and unskilled labour (Evans et al., 2005). Considering these differences, this thesis will describe the particularities of the craft/design context and the supporting institutions, which Evans suggests set the framework for creative cluster developments (Evans, 2009).

Combining developing country and creative industry perspectives on clusters is rare and the creative industry literature noted above has largely excluded Africa. The majority of the studies examine cases from Europe and North America, with some Asian exceptions (Gwee, 2009; Keane, 2008) and most of them are based on quantitative approaches. Two comprehensive international reviews of creative industry clusters (Costa et al., 2008; Evans, 2009) mention all but the African continent. A recent book on the creative industry potential for developing countries (Barrowclough & Kozul-Wright, 2007) has suggested that a reason for this is the lack of data on creative firms in Africa. This has led local organizations to start mapping local creative industries (Rogerson, 2006). The reports listed in Appendix H and discussed in the analysis show the work done on the South African and Mozambican craft/design industry. Several authors underline how the institutional environment for creative industries in developing countries requires particular attention (Bagwell, 2008; Evans, 2009; Flew, 2010; Parto, 2008), yet few studies actually put this into practice, for instance by using African examples.

In sum, cluster literature provides important tools to examine firm relations in defined areas, yet specific attention to clustering in developing countries and within the creative industries (in particular the effect of the institutional context) is needed to understand this unexplored area. Growth in a cluster is measured through the collective efficiency framework.

2.2. Collective efficiency
Collective efficiency is the concrete expression of clustering advantages (Altenburg & Meyer-Stamer, 1999; McCormick 1999; Mesquita & Lazzarini, 2008; Schmitz, 1995; Schmitz, 1999; Schmitz & Nadvi, 1999; van Dijk & Sverrisson, 2003). Collective efficiency occurs because clustering opens up efficiency gains that can rarely be attained individually (Schmitz, 1999).
More specifically, a widely used definition sees collective efficiency as “the competitive advantage derived from consciously pursued joint action and local external economies” (Schmitz, 1995, p. 530). For this thesis, the focus is on how collaboration increases competitive advantage in terms of creation, production, distribution, and retail/consumption, which are the four elements of the craft production chain (Pratt, 2008). Increasing returns to scale occur “when an increase in all inputs leads to a more-than-proportional increase in output” (Schmitz, 1999, p. 472).

According to Schmitz’ definition, there are two aspects of the collective efficiency concept, described in detail by McCormick (1999). First, consciously pursued joint action underlines the importance of active inter-firm linkages and networks. Such collaboration can occur either through horizontal ties (with similar firms) or vertical ties (with suppliers, etc). It also encompasses bilateral (two firms working together) and multilateral forms of collaboration (group of firms working together through an intermediary). Secondly, external economies are “the unintended or incidental by-products of economic action” (McCormick, 1999, p. 1533).

These exist when social benefits are higher than private benefits and include labour market pooling, intermediate input effects, technological spillovers and market access. Schmitz and Nadvi (1999) call the two advantages passive and active collective efficiency: those that fall into the producer's lap and those that require joint efforts (p. 1504/1505).

Recent treatments of collective efficiency have tended to move away from more passive agglomeration economics towards more active networking among firms (Mesquita & Lazzarini, 2008), underlining the importance of joint action. While external economies are essential to understand efficiency advantages that small firms derive from clustering, it is suggested that concentration of firms in itself brings few benefits (Schmitz, 1999; van Dijk & Sverrisson, 2003) and that external economies are “not sufficient to ride out major changes in product or factor markets; that requires joint action” (Schmitz, 1995, p. 530). McCormick (1999) also shows that that firms who do not engage in joint action in African clusters – despite favourable external economies – do not prosper. Morris & Barnes (2006) conclude that the difference between Marshall’s view of clustering and Schmitz collective efficiency is that this “shifted the emphasis in geographic clustering from passive locational advantages to the active advantages that firms seek out through cooperation” (p. 80). The increased focus on active networking in collective efficiency is also found in network literature, where active networking amongst firms increases learning and develops the firms’ distinctive capabilities (Håkansson, Havila & Pederson, 1999).
Although there is increased consensus on how clustering dynamics helps small and often fragile enterprises grow and compete, it has been argued institutional analysis can make the collective efficiency framework more effective in analyzing developing country cases (Parto, 2008; McCormick, 1999; Evans, 2009; Schmitz & Nadvi, 1999). Oyelaran-Oyeyinka and Lal (2006) more specifically argue that for clustering to foster collective learning in developing countries, governments in these countries need to take policy measures to improve the performance of SMEs. McCormick (1999), on her side, concludes that although the collective efficiency framework is very useful in an African context, certain anomalies can only be explained by other institutional/contextual variables (e.g. disabling and weak labour market pooling effects). Therefore, to make the collective efficiency approach more useful in analyzing African clusters, McCormick (1999) proposes: 1) to deepen the analysis of the active side of collective efficiency; and 2) to move beyond the cluster to analyze the institutional environment. This thesis incorporates both these recommendations.

The collective efficiency framework is essential to understand the benefits of clustering for craft/design firms in the two cities, through joint actions and external economies. However, to make the framework more appropriate in analysing developing country cases, it is suggested to complement the cluster/collective efficiency framework with a study of the institutional situation.

2.3. Institutional context

Many authors within clustering and collective efficiency literature (Parto, 2008; McCormick, 1999; Evans, 2009; Schmitz & Nadvi, 1999) have underlined the need to acknowledge the institutional context when analyzing cluster developments, especially within developing countries and creative industries. Clusters in such settings often show different results than in developed countries (e.g. limited collective efficiency), and the reasons for this tend to be institutional. Transaction costs are for instance particularly high in developing countries due to a weak institutional setting (Hoskisson et al., 2000; Peng, 2002; Peng, 2003). This means firms operate in business systems characterized by uncertainty, high state-involvement, fragmented “collective actors”, dependency on international companies, low trust, etc. (Whitley, 2001), limiting cluster developments. The ‘business and development studies’ literature agrees that institutions are key for the advancement of firms in developing countries (Hansen & Schaumburg-Müller, 2010).
The ‘institutional context’ is defined as the “political, social and legal ground rules that establish the basis for production, distribution and exchange” (Davis & North, 1971, p. 5). North (1990) sums this up to say that institutions are the constraints that structure the uncertainties in human interaction, including formal regulations (political, judicial, economic) and informal constraints (behavioural and cultural perspectives) (North, 1990). Both formal and informal institutions are key in developing countries and for creative industries, which makes North’s terminology so appropriate for this thesis. North (1990) adds that where formal constraints fail, informal constraints will become more important in reducing uncertainty and providing consistency for organizations, and vice versa. In terms of cluster development, formal and informal local institutions may promote or restrain cooperation and resource exchange (van Dijk & Sverrisson, 2003; Schmitz, 1995).

In practice, Peng’s institution-based view of business strategy (2002; 2003) is particularly useful for this thesis as it examines the linkages between institutions, organizations and strategic decisions. Peng, like North, argues that any strategic choice a firm makes is affected by the formal and informal constraints of a given institutional framework. This thesis will therefore, by using Peng’s institutional approach, examine the dynamic interactions between institutions (e.g. creative intermediaries) and organizations (craft/design firms), considering the strategic choices (e.g. joint action) as an outcome of such interaction. An all-inclusive institutional analysis is not possible considering time/resource constraints and the limited prior literature on institutions that matter for creative clusters in developing countries. Therefore, based on North’s typology and informants’ input (through open-ended questioning), three types of institutions will be in focus: 1) creative industry specific constraints, 2) formal and 3) informal institutions.

Firstly, creative firms are subject to specific institutional challenges in developing countries, due to their marginal status (e.g. lack of public and private support). UNCTAD’s Creative Economy Report 2010 describes the creative industries in Africa as generally fragmented, with a majority of firms in the informal economy and incoherent cycles of production, marketing and distribution (UNCTAD, 2010, p. 41). The lack of financial institutions for creative firms on the continent is noted as a particular problem (Cunningham et al., 2007). A specific focus on the craft/design sector and institutions will therefore be introduced in Chapter 4.

Secondly, formal rules and institutions (both public and private) can facilitate cluster exchanges (North, 1990). Formal ‘institutional thickness’ for creative industries consists of
“webs of supporting organizations, such as financial institutions, chambers of commerce, trade associations, training organizations, local authorities, marketing and business support agencies” (Liu, 2008, p. 231). Possible types of intervention include: property; grants and loans; fiscal/tax schemes; and infrastructure—physical and soft (Evans, 2009). Which of these exists in the field sites in question and how they impact the development of collective efficiency will be explored in the analysis, yet prior literature on creative industries has highlighted a specific group of formal institutions that will also receive particular attention in this thesis: creative intermediaries.

Creative intermediaries mediate and lobby for joint action and creative industry support and are an important aspect of the institutional thickness around creative firms (Evans, 2009; Fleming, 2007). These intermediaries are usually network organizations with either a broad mandate, supporting different creative sectors, or a sector-specific mandate, supporting firms in a particular sector. Specifically for collective efficiency development, intermediaries can actively develop multilateral forms of joint action (gathering groups of firms for common projects), or encourage bilateral joint action between members. According to theory, creative intermediaries can act as 1) a gatekeeper (offering generic and specialist support services); 2) a broker (between practitioners and providers); 3) an information resource (providing access to knowledge concerning education and training opportunities, market access, etc); 4) an initiator (calling for gaps in existing support to be filled); 5) a provider of business support (offering planning services and signposting); and 6) an advocate (operating as a voice for the creative sector in the locality and beyond)” (Fleming, 2007, p. 278). In developing contexts, Fleming says, where resources, institutions and legal frameworks are often limited for creative firms, creative intermediaries are particularly important. Having said this, it requires a certain level of maturity and integrity for the intermediaries to fulfil all the roles and responsibilities effectively.

Finally, informal institutions play an important role in developing countries (Peng, 2002), yet are rarely underlined in cluster literature. North (1990) highlights how informal rules are not mere extensions of formal rules, but includes things like conventions, customs, traditions, and codes of behaviour, which are all embedded in culture. In the absence of well-developed formal institutions, these informal constraints can give guidance and predictability (Peng, 2002, p. 258). There are a variety of cultural and behavioural informal constraints that may affect collective efficiency developments in Maputo and Cape Town. Trust has been highlighted as a particularly important informal institution in literature and will therefore receive specific review.
Trust is an essential informal institution that can encourage or constrain cluster and collective efficiency development (Schmitz, 1995). If firms trust each other, they are willing to engage more in the collaboration and collective efficiency can develop. If, however, there is no or limited trust, there is little chance of any productive inter-firm collaboration. As such, “trust is more than an outcome that needs to be explained; it is a characteristic of the emerging relationship.” (Grandori & Soda, 1995, p. 198). According to the ‘political economy of trust’, all economic cooperation is impacted by trust and “mutual trust reduces transactional costs of risky social interactions” (Vargas-Hernandez, 2008, p. 4). Public policy and actors (such as intermediaries, according to Cooke, 2008) can also contribute to creating a community of trust (Parto, 2008). In a review of the role of trust in facilitating economic growth by Humphrey and Schmitz (1998), the authors argue that there is a difference between the minimal trust needed to make markets work and the more extended trust required for deeper kinds of inter-firm cooperation. The authors suggest that in fragile and competitive developing countries even basic mutual trust can be difficult to obtain due to opportunism, low enforcement, etc.

In short, analysing the institutional context according to North’s inclusive definition and Peng’s framework enables an exploration of how formal and informal institutions could possible influence collaboration strategies (e.g. to engage in joint action) amongst the firms in question, thereby encouraging or preventing collective efficiency developments.

In sum, this review of literature on clusters, collective efficiency and institutional context has provided the theoretical tools for further analysis. Although these three concepts have been used together in industrialization research, creative clustering in Africa has never been analysed in this manner. New cluster studies must also acknowledge the importance of active joint action for collective efficiency and of institutions (particularly informal) in developing countries. Many studies have used exclusively quantitative methods, which is inappropriate for such an explorative and descriptive study as this is. There is, according to UNCTAD (2010), a need for more analysis of creative enterprise dynamics in developing countries, and particularly in Africa.
3. Methodology

Methodology provides the intellectual and practical tools to best answer the research question. The following chapter will introduce the research approach, the theoretical framework, and the data collection/analysis tools. Special attention will be given to ethics, reliability and validity.

3.1. Research approach

This section describes the purpose of the research, philosophy of science, research strategy and design that together define the research approach used in this thesis.

3.1.1. Purpose of research

As suggested in the literature review, this thesis aims to fill gaps in research by analyzing collective efficiency development in a creative industry context in Africa. Theoretically, few, if any, studies have explicitly examined the link between creative clustering and collective efficiency. In terms of empirical gaps, this thesis uses the theoretical concepts (creative clusters and collective efficiency) in a context that has never been studied before: two African creative cities. Finally, although there is broad theoretical consensus about how institutions are important for collective efficiency, few studies examine how this works in practice.

Practically, the aim of the project is to explore and describe the creative clustering and collective efficiencies observed in the two cities and which institutions influence such developments. Cases where the available literature is poor, such as here, are particularly suited for a more explorative or descriptive approach (Yin, 2009). Analyzing the effect of the institutional landscape on clustering and collective efficiency also adds an explanatory component to the thesis. Therefore, by exploring, describing and explaining the research question, the ultimate goal is to make a contribution to both the academic and practical world. The primary target audience is academia, but the main findings of the research will also be summarized in a brief that will be sent out to all the firms and intermediaries that participated in the research and other interested parties (see Appendix I), in order to give something back to the community and hopefully inform their future work in the area.
3.1.2. Philosophy of science

Connecting methodologies with their philosophical roots enriches and enlightens research (Seymour, 2006). More specifically, researchers need to clarify the link between the examined reality and what actually is (ontology) and the relationship between that reality and the research (epistemology). As suggested in the previous section, this thesis aims to say something explicit about clustering and how it leads to collective efficiency considering the institutional context. A critical realist philosophy provides a relevant foundation for such an exploration, with its emphasis on ‘relations’, ‘causality’, ‘context’ and ‘reflexivity’.

Ontologically, critical realism suggests that while reality exists and it is possible to conceptualize it, an all-inclusive understanding of a problem is not possible. Knowledge of a phenomenon is thus partial (Jeppesen, 2005), creating a tension that critical realists resolve by arguing that the world is socially constructed but not entirely so (Easton, 2010). Reality, in this tradition, is divided into domains: it is possible to empirically make observations of visible ‘experiences’, which together make up ‘events’ in the domain of the actual that again are the outcomes of ‘mechanisms’ in the domain of the real (Jeppesen, 2005). However, the actual and the real are not always tangible, which is what research, such as this, should work to uncover.

Epistemologically, critical realists try to explain the relationship between experiences, events and mechanisms, analyzing how and why certain phenomenon develop and what influences this. To do this, critical realists believe that meaning has to be understood, it cannot be measured or counted, which is why a qualitative assessment is preferred (Easton, 2010). Whereas social constructionists reject that it is possible for a researcher to know reality, critical realist researchers believe that this is possible, as long as one acknowledges the changing nature of the perceived reality. It is, in other words, possible to say something explicit about clustering and collective efficiency developments in the two case sites, yet this reality is subject to change.

Therefore, to understand the causal reasons for the presence or absence of collective efficiency development in Maputo and Cape Town, critical realists suggest linking the abstract (e.g. theories on clustering and collective efficiency) with the concrete (e.g. data from the fieldwork). Moreover, causation must be understood in context (Sayer, 2000), as this thesis also argues. While searching for causality, critical realists still argue for an interpretive, or hermeneutic, understanding of phenomenon. Thus, critical realism can be useful in more explorative research, not only explanatory work (Jeppesen, 2004).
Practically, critical realists do not dictate a certain method (Yeung, 1997), yet two broad approaches have traditionally been presented, namely ‘intensive research’, which seeks out substantial relations between the abstract and the concrete within contexts; and ‘extensive research’, which enables a more quantitative reach once the causal links have been established (Sayer, 2000). The former is more useful for the research in question, yet neither approach underlines how to research unexplored cases and relations. For this, a third, more explorative design, is needed, where the focus is on establishing an understanding of the area investigated and the perceptions of the phenomenon according to involved parties (Jeppesen, 2005). In addition to reflecting on their informants’ views, critical realist researchers are encouraged to reflect on their role in the research process (reflexivity).

3.1.3. Research strategy
Considering the discussions above, it is necessary to define an appropriate role of theory and data (research strategy) that enables empirical investigations based on an eclectic theoretical background. Moving back and forth between theory and data, ‘abductive systemic combining’ (Dubois & Gadde, 2002) provides such a suitable strategy.

Abductive research is defined as a continuous movement between a concrete empirical and an abstract world where “research issues and the analytical framework are successively reoriented when they are confronted with the empirical world” (Dubois & Gadde, 2002, p. 554). This constant matching and direction/redirection between abstract theory and concrete data is well suited for testing theories in unexplored contexts and for critical realist research, as it engages in an iterative process. In the research process for this thesis, the conceptual framework was successively modified due to empirical findings and theoretical insights.

Two specific aspects of ‘abductive systemic combining’ make it particularly useful for this research project. Firstly, triangulation, or the action of combining several sources of evidence and shifting between analysis and interpretation, enables new knowledge to emerge from once unexplored areas. The data collected in the empirical world, informed by several sources, can thereby inform the theory and vice versa. Secondly, the goal of this thesis is not to invent new theories, but to analyze the appropriateness of existing theories, namely clustering and collective efficiency. Abduction recognizes that theoretical concepts must be informed by empirical fieldwork, and studies following this logic opt for theory development – not theory generation.
Figure 1 illustrates how the framework, the theory, the case and the empirical world influence each other in systematic combining.

**Figure 1: Abductive systematic combining**

*Source: Dubois & Gadde, 2002, p. 555*

### 3.1.4. Research design

Research design helps to operationalize the research purpose, philosophy and strategy. Analyzing the interaction between a phenomenon and its context, which is the goal of this research, is best studied through critical realist in-depth case studies (Dubois & Gadde, 2002; Easton, 2010).

Critical realist case studies identify a phenomenon of interest (collective efficiency) in terms of discernible experiences (joint actions, external economies) and ask what causes them to happen (e.g. institutional context). Case studies are “a research method that involves investigating one or a small number of social entities or situations about which data are collected using multiple sources of data and developing a holistic description through an iterative research process”, which fits well with critical realism that “justifies the study of any situation, regardless of the numbers of research units involved, but only if the process involves thoughtful in depth research with the objective of understanding why things are as they are” (Easton, 2010, p. 119).

Yin’s case study design (2009) differs slightly from Easton’s critical realist approach in that it is more focused on the possibility of generalization, which is not the purpose of this thesis (see Section 3.5). However, there are certain practical elements of Yin’s work that have been useful. For one, Yin’s suggestion to keep a detailed case study database during and after the fieldwork helped improve the reliability of the study, as discussed in Section 3.5. Secondly, as this research aspires to compare two cities with different institutional contexts, a multiple case
study design was used, which Yin (2009) and Dubois and Gadde (2002) argue is more compelling/robust than single cases. Third, the research is holistic, following Yin’s logic, in that it concentrates on one unit of analysis: the firms.

Finally, it is important to mention that this case study research is primarily qualitative. The goal is to get an in-depth contextual understanding of the complex dynamics in the two cities, which is only possible with a flexible design – not predefined measurements based on uncharted theoretical assumptions. Key elements of a qualitative approach are: “a focus on interpretation rather than quantification and on subjectivity rather than objectivity; flexibility in the process of conducting research; a concern with context” (Kohlbacher, 2006, p. 2). The qualitative analysis will be complemented by quantitative data found in formal reports (evaluations, asset analyses, etc), which are listed in Appendix H and analysed in Chapter 4.

3.2. Initial conceptual framework

Having outlined the complementary elements of the research approach, the purpose of this section is to demonstrate the proposed relations between the theoretical concepts introduced in Chapter 2. An initial conceptual framework helps to guide the research process by visualizing the research question and the events that need to be explored (Easton, 2010). This abstract framework can then be modified through concrete data collection and analysis, which is in line with an abductive critical realist approach. Figure 2 below shows the initial conceptual framework:

![Figure 2: Initial conceptual framework](image)

Source: the author
The three main concepts in the framework are clusters, collective efficiency and institutional context, which are defined in the literature review and summarized in the figure. The model is based on previous studies that, independently, suggest creative firms cluster (1), clustering leads to collective efficiency (2), and institutions matter for cluster and collective efficiency development (3). Thus, this abstract model suggests analyzing the interactions of the three concepts and how visible experiences (e.g. joint action) may be created by mechanisms (e.g. clustering) under certain conditions (institutional), which could also produce other events.

3.3. Data collection and analysis
The focus of this section is to describe how the empirical data was collected and analyzed. The data is derived from fieldwork in Cape Town from June 24 to July 13 and in Maputo from July 13 to August 4 2011, i.e. a total period of six weeks. Fieldwork presence was essential to get an in-depth and contextual understanding, yet it also presented challenges, such as the difficulty in planning interviews with informants in advance (many did not have email), the logistical challenge of getting around in a city like Cape Town and the partial language barrier in Maputo (most informants spoke decent English, but sometimes Portuguese assistance was required).

3.3.1. Data collection
Semi-structured interviews were the main method for primary data collection, allowing the informants to share their perspectives in a detailed and at the same time flexible manner. Interviews are appropriate when: 1) it is necessary to understand the constructs the respondent uses; 2) the aim of the interview is to develop an understanding of the respondent’s ‘world’; 3) the step by step logic of a situation is not clear (Easterby-Smith, Thorpe & Jackson, 2008). Moreover, interviews are one of the most important sources of case study data, as they enable targeted information through a qualitative approach (Yin, 2009). In total, twenty-six interviews were conducted: of these twelve interviews were with craft/design firm in Maputo, ten with craft/design firms in Cape Town, two with creative intermediaries in Maputo and two with creative intermediaries in Cape Town. Appendix F shows a full list of the interviews conducted.

In terms of interview-selection, initial contact was made with the MDG-Fund project, CEDARTE, the CCDI and CCT, who were, according to Internet research and recommendations, the main creative intermediaries for the craft/design industry in the two cities. These
intermediaries were also my entry point to the firms, especially considering the limited time and the lack of online contact details of the Maputo firms. I explained the project to them and suggested that within the time constraints it was realistic I interviewed around ten firms in each city, approximately one a day. In Cape Town, the CCDI in Cape Town then suggested ten-fifteen firms they believed were relevant for the study, meaning firms who came from different areas of the city, represented different trades and who had the basic production facilities to be able to benefit from collective action along the value chain (not street-sellers in other words). To test for differences with firms not recommended by the intermediaries, some interviews were also undertaken with random firms (‘test firms’) selected from an external Internet website. In Maputo, CEDARTE likewise proposed ten to fifteen firms to interview from diverse trades and areas, which they also believed had minimum production possibilities to collaborate. Due to the limited online information, the ‘test-firms’ (used to check the bias of the intermediaries) were found using snowballing; firms suggested other firms to approach. In the end, a variety of craft trades (leather, ceramics, jewellery, textiles, etc), from different parts of the city and of different sizes (from 1 to 80 employees) were interviewed. Both formal and informal firms were included. More details on how the firms represented the diversity of the industry is found in Chapter 4.

Great care was taken to ensure a good interview process, using appropriate case study skills (being a good listener, exercising adaptiveness and flexibility, avoiding bias, etc) (Yin, 2009). A one-page description of the research project was sent out to all informants prior to the interview (see Appendix A). The interviews were usually done in the studios/offices of the firms or in cafés and started with a description of the project and interviewing procedures (recording, confidentiality, etc). Interview guides (see Appendix E) were used to steer the interview, but in practice the questions were kept open (e.g. what do you consider important for synergy to occur?), so the informants could freely elaborate on aspects important to them. The majority of the interviews lasted around one hour to allow for a meaningful exploration of the topic. In terms of documentation, all the interviews were recorded, except in two cases, where the informants asked to not be taped. Jot notes were taken during the interview, which were transformed into extensive field notes immediately after the interviews. These notes were then supplemented by direct citations from the recorded interviews, which led to around 5 pages of typed notes per interview. An example of these notes and all the recorded interviews is found in the enclosed CD (Appendix J).
To corroborate and augment the data from the interviews, multiple sources of data were used. First, secondary data was collected in the form of reports about the craft/design sector in Cape Town and Maputo (see Appendix H for overview). Documents are unobtrusive, give broad coverage and can give exact quantitative data, but they can also be hard to access and be biased (Yin, 2009). Seven reports were collected in total: three from Cape Town, three from Maputo, and one joint report. Secondly, the thesis used the academic data from Section 2. Finally, direct observation was noted, through observational notes in the fieldwork diary (see Appendix J).

3.3.2 Data analysis

To analyze the data collected in a rigorous and encompassing manner, two main techniques were used: qualitative content analysis and document analysis.

The interviews generated extensive amounts of raw data (over one hundred pages of typed notes), which required a systematic analysis. Qualitative content analysis enables an organised qualitative text analysis that preserves the methodological strengths of quantitative content analysis and qualitative procedures (Mayring, 2000). In practice, the researcher analyses data in a step-by-step manner yet triangulates between empirical and theoretical codes. In contrast to classic content analysis, where the researcher codes the data based on constructs that have been decided in advance (Easterby-Smith et al., 2008), qualitative content analysis incorporates more inductive coding and includes analysis of more latent contents and contexts (Mayring, 2000). Following this logic, this thesis has used a combination of inductive and deductive coding. The extensive field notes were first skimmed through and emerging categories were noted (inductive). These emergent categories were then reviewed considering theoretical concepts and the data was coded again with the new categories (deductive) (see Appendices G and J). This combination of coding, going back and forth between the data (concrete) and theory (abstract) is in line with case study research, an abductive strategy and a critical realist perspective.

Document analysis is a form of content analysis and is defined as a systematic procedure for reviewing or evaluating documents (Bowen, 2009). The documents analyzed in this thesis are the reports on craft/design sector and intermediaries listed in Appendix H. Although the content of the reports were not specifically targeting the research question, they provided a more global overview of the institutional context for the craft/design sector in the two countries. Moreover, the more quantitative analyses complemented the qualitative data from the interviews. As in
content analysis, document analysis involves organizing information into categories related to the central questions of the research. Practically, the reports were read in several steps (skimming, thorough examination, interpreting) and codes used for the interview transcripts were matched to the data to uncover pertinent data (see Appendix J). With external, secondary documents it is important to consider the original purpose of the document and assess their completeness and their bias (Bowen, 2009), as noted in the overview in Appendix H.

3.4. Ethics
Ethics is an important element of research, particularly when it involves fieldwork in culturally different areas, which raises challenges in terms of language, cultural sensitivity, personal contacts and so on (Jeppesen, 2005). The researcher needs to be aware that controversies may be far deeper and more complex than may be evident to a relative newcomer (Easterby-Smith et al., 2008). Moreover, it is the researcher’s responsibility to protect the informants from any harm (e.g. avoiding deception) and to ensure the privacy and confidentiality of those who participate. This was ensured, in part, by keeping the informants well-informed about the research purpose (e.g. through the one-page description of the research topic) and the research outcomes (e.g. sending out briefs about the findings). Yin (2009) also highlights the need to gain informed consent, which was done orally prior to the interviews. In terms of anonymity, it was agreed that the firms would not be mentioned in the thesis and that comments would not be attributed to any particular firm, to ensure that the informants felt they could speak freely.

3.5. Validity and reliability
Project validity (construct, internal, external) and reliability are important to consider in the research process. First, construct validity ensures that correct operational measures for the concepts being studied are identified. In this research, construct validity was heightened through triangulation between multiple sources of evidence, establishing a clear chain of evidence and exploring rival explanations, as recommended by Yin (2009). Secondly, reliability demonstrates whether a research process could be repeated with the same results. For this, a case study database, consisting of extensive interview notes, document analyses, recorded interviews and observations, was created, parts of which are found in the enclosed CD (Appendix J). A research
diary furthermore enabled reflexive considerations (see Appendix J). Thirdly, although internal validity, defined as the degree to which causal conclusions can be drawn from a study, is most important for purely explanatory studies, an abductive approach (using qualitative content analysis) ensured a continuous conversation between data and theory, solidifying the causal explanations. Fourthly, external validity, which defines the extent to which a study’s findings can be generalized is specific to critical realist case studies, where statistical generalization is not desired, but where possible expansion comes from “identifying the deep processes at work under contingent conditions via particular mechanisms” (Easton, 2010, p. 126). This study, which is more explorative/intensive than extensive, likewise does not argue that Maputo and Cape Town are representative of other African cities. However, comparing two contrasting institutional contexts provides a valid exploration of how prior theories apply in these diverse settings. It is important to underline that although critical realists insist on the ‘practical adequacy’ of reliability and validity, in particular in relations to external validity which they feel is not a goal in itself (neither is it of this study), they still agree in principle with the terms outlined above. The fact that twenty-six longer interviews were collected strengthened the findings of the research, in comparison to if a more limited number of firms were interviewed. Section 6.2 discusses the extent to which the reliability and validity of the project were kept intact.

Summing up, this research will use an abductive approach to theory and data to compare two contrasting case studies, in line with a critical realist philosophy. Moreover, primary and secondary data were collected and analyzed using qualitative content analysis. Validity and reliability requirements have been outlined and will be reported on in Section 6.2.
4. Case presentations

This section will introduce the craft/design industries, firms and intermediaries interviewed in Maputo and Cape Town, which will then be analysed in chapter 5. The Reports referred to are listed in Appendix H.

4.1. Cape Town craft/design industry, firms and intermediaries

Cape Town is a city of around 2.9 million inhabitants situated in South Africa (see map of South Africa in Appendix B), a middle-income country with a GDP per head of $12,203 (EIU, 2011a) and the largest economy in the SADC\(^2\) region. The city is known, unofficially, as the creative capital of South Africa and its craft/design industry has long been a key strength. While official statistics are limited, the craft/design sector plays an increasingly important economic role in the city and estimates suggest the sector has an annual turnover of around Rand\(^3\) 100 million and employs between 15,000 and 30,000 people (Report 2, p. 18). Moreover, from 2001 to 2006, the industry grew at 8%, twice as fast as national GDP growth. Public authorities have identified it as a strategic sector due to its contribution to accelerated growth (Report 1, 2, 3).

The industry is, however, economically fragile and composed largely of SMEs and single producers. Report 2 underlines that economies of scale are difficult to accomplish and government interventions are often needed for collective benefits. It is also hard for the small firms to ensure a solid and sustainable income. As seen from Report 1, 32% of the sample of artisans had sales between R1001 and R5000 a month and 21% sold for under R1000 a month (Report 1). Report 1, 2 and 3 also underline that social reasoning is important for many craft/design firms, through for instance employing people from poor communities. The joint objectives of enhancing economic growth and improving social conditions may create a tension and firms often end up volunteering their talents without always ensuring an economic benefit.

An analysis of the craft/design value chain in the Western Cape region (Report 1), where Cape Town is the largest agglomeration, suggests the industry’s main strengths are an extensive retail environment, strong links to tourism and a variety of styles and materials used in production. Market access has also greatly improved alongside the growth of the cluster in the

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\(^2\) Southern Africa Development Community

\(^3\) 1 South African Rand = 0.67 Danish Kroner (19.10.11)
last decade. The industry furthermore benefits from a supportive policy and institutional environment, visible through the wide range of formal institutions described in Section 5.3. However, challenges include poor product quality, low skill levels, difficulty in accessing cheap high-quality material/labour, and poor information flow. A SWOT analysis (Report 2) concludes that the industry’s strengths lie in market and retail options, its weaknesses in poor communication, its opportunities in consumer interest and the relative ease of finding labour, and finally its threats lie in the lack of business skills and poor quality of products.

Due to its emerging, institutionally supported and SME-based structure, the craft/design industry in Cape Town presents ample opportunities for firm collaborations. This thesis will take a closer look at how some selected micro-level firms work together in order to collectively seize the opportunities and confront the threats of the sector. The ten Capetonian firms interviewed were selected based on intermediary recommendations and other sources (see Section 3.3), and are all relatively young SMEs (although four have over ten years of experience) coming from diverse trades and motives, as visible in Table 1 below.

<table>
<thead>
<tr>
<th>Firm #</th>
<th>Initials, owner/s</th>
<th>Specific trade/s</th>
<th>Size</th>
<th>Age</th>
<th>Reason for creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>RJ</td>
<td>Felt</td>
<td>3 full-time</td>
<td>3 years</td>
<td>Hobby/necessity</td>
</tr>
<tr>
<td>2</td>
<td>R</td>
<td>Fashion accessories</td>
<td>2 full-time, 1 part-time</td>
<td>4 years</td>
<td>Social/creative reason/idea</td>
</tr>
<tr>
<td>3</td>
<td>A, S</td>
<td>Ceramics</td>
<td>2 full-time, 2 part-time</td>
<td>6 years</td>
<td>Creative idea</td>
</tr>
<tr>
<td>4</td>
<td>LM</td>
<td>Interdisciplinary project</td>
<td>1 full-time, 2 part-time</td>
<td>1 year</td>
<td>Business idea/creative idea</td>
</tr>
<tr>
<td>5</td>
<td>Al, D</td>
<td>Decorative products</td>
<td>9 full-time, several part-time</td>
<td>17 years</td>
<td>Hobby</td>
</tr>
<tr>
<td>6</td>
<td>B</td>
<td>Bead-and-wire</td>
<td>11 full-time, 1 part-time</td>
<td>6 years</td>
<td>Necessity</td>
</tr>
<tr>
<td>7</td>
<td>JK</td>
<td>Beads</td>
<td>5 full-time, 450 part-time</td>
<td>11 years</td>
<td>Creative idea</td>
</tr>
<tr>
<td>8</td>
<td>LR, RH</td>
<td>Bead-and-wire</td>
<td>5 full-time, 80-120 part-time</td>
<td>11 years</td>
<td>Business idea</td>
</tr>
<tr>
<td>9</td>
<td>JB</td>
<td>Leather</td>
<td>1 full time, 1 intern</td>
<td>6 years</td>
<td>Creative idea</td>
</tr>
<tr>
<td>10</td>
<td>RR</td>
<td>Paper maché</td>
<td>10 full-time, 40 part-time</td>
<td>17 years</td>
<td>Social reasons</td>
</tr>
</tbody>
</table>

Source: the author

As suggested for the industry in Report 1, these firms represent a variety of disciplines, although three of the ten firms are within the bead-and-wire trade, due to the trade’s relative importance in the city. In terms of staff, none of the firms have more than eleven full-time
employees, although three firms (7, 8, 10) have a large number of part-time employees (from 40-450), which are crafters working from their homes in the townships. These firms are therefore single producers or SMEs, which is typical for the industry. While most firms are recently established (as firms tend to be in this emerging sector), firms 5 and 10 have been in business for seventeen years, and may therefore have more joint action experience. The last column shows that 50% mentioned creative inspiration as a main reason for starting their firm, whereas only two out of ten said it was due to a business idea. Several also mentioned social reasons (e.g. employing vulnerable parts of the population) as a key motivation, which is also characteristic of the sector. Two firms said they started due to necessity, stating: “We were just survivalists. We wanted something to do just to survive” (B). Thus, there are diverse reasons for starting business.

More formal information from the interviewed firms was difficult to get hold of4, but the interviews suggested that the majority of the firms were involved with foreign markets. Some of the more established firms claimed that as much as 90% of sales came from exports. Although the local consumer market is growing, tourists remain an important client group. In terms of financial benefits, few gave concrete numbers, yet half claimed they have not seen substantial profits for years. When asked about key difficulties in developing their enterprise, the large majority of the firms interviewed mentioned the shortage of fund and lack of profits, which underlines the fragile nature of the industry, as described above. All the firms had a variety of retail options, yet complained about costs (especially labour), timely delivery and quality issues. As far as I have been able to ascertain, the firms were all formally registered.

Two central Capetonian intermediaries were identified and interviewed due to their role in facilitating meetings between Capetonian craft/design firms and linking them with the institutional context: the CCDI and CCT. Concretely, the CCDI has helped members strengthen enterprise development, market access, product development, employment, personal income, sustainability, and collaboration options (Report 1). Firms in another survey (Report 2) concluded that guidance and intellectual support from the CCDI was essential to support collaborations with other firms, retailers, etc. While the CCDI works specifically with the craft/design sector, the CCT supports the industry by linking industry stakeholders (e.g. the CCDI and the Fashion council). More details on the roles played by these intermediaries are presented in Section 5.3.

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4 Some claimed not to have such data and other were not willing to provide insight into annual reports and figures.
Table 2 outlines how the two institutions have a substantial administrative and membership base, how they benefit from local government support in their creation and how they regroup a variety of important stakeholders in order to support the craft/design firms in the city:

**Table 2: Cape Town intermediaries interviewed**

<table>
<thead>
<tr>
<th>Intermediary</th>
<th>Initials, contact</th>
<th>Type</th>
<th>Key facts</th>
<th>Reason for creation</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Cape Craft and Design Institute (CCDI)</td>
<td>EE, MW</td>
<td>Craft/design-sector</td>
<td>- 20 employees - Created in 2000 - Central location (accessible and neutral) - 2500 firms in directory</td>
<td>Emerged due to political actions from the Department of Economic Development and Tourism and due to actions on the ground.</td>
<td>Board: province, city, national level (DTI, DAC), CPUT, retail sector, craft producers, and design specialists.</td>
</tr>
<tr>
<td>b) Creative Cape Town (CCT)</td>
<td>ZM</td>
<td>Creative industry support</td>
<td>- 5 employees - Created in 2006 - Part of Cape Town Partnership (city)</td>
<td>- Created to improve market access. - Creation from below (stakeholder input) - Funded by city and province.</td>
<td>City, province and various creative industry intermediaries (fashion, craft, design, etc)</td>
</tr>
</tbody>
</table>

Source: the author

4.2. Maputo craft/design industry, firms and intermediaries

The city of Maputo has a population of approximately 1.7 million inhabitants, and is situated in Mozambique (see map of Mozambique in Appendix C), one of the Least Developed Countries (LDC) in the world with a GDP per head of $1 075 (EIU, 2011b) and nearly half the government budget from Overseas Development Assistance (Report 4/7). Like in other developing countries, the craft sector was long considered a sideline activity, not a dynamic economic sector, and the official budget support to the industry was therefore severely limited (Report 4). The economic value of the craft sector is not known and there is limited statistical data on the industry. However, there is currently an increased focus on the sector and recent government plans (Agenda 2025 and PRSP/PARPA II) recognise culture as an important contributor to the country’s human, social and economic development (Report 5). More concretely, a two-year MDG-Fund project has pinpointed the crafts as an industry with great potential and ten different ministries are currently working to create a common platform for industry growth (Report 5).

As part of the MDG-Fund project a craft value chain analysis was recently completed (Report 4), which showed that: the craft market in Maputo is growing; the lack of skills in the
sector hinders the growth of craft/design firms; it is very difficult to find sustainable income; there is no systematised information about the industry; access to materials is difficult; financial support is weak/non-existent; artisans do not have much training in business management; there are no enterprises dedicated to value-adding activities (e.g. labelling). The constraints with regards to both primary activities (e.g. raw material, production) and support activities (e.g. funding, markets) along the value chain are in large part due to the fact that the industry is still in its incipient stages. Characteristic of the industry are small production units, mostly informal, with unstable quality and limited economies of scale. As such, the industry has a fragmented and individualized structure and there is an absence of networks among practitioners and institutions. Distributors of craft/design products, on the other hand, often demand large quantities and fast delivery, which means few firms are individually able to access foreign markets. This puts pressure on the small firms and increases the need for collective action.

Despite the challenges, Maputo crafters produce a variety of crafts, including ceramics, wood sculptures, textiles and jewellery (Report 4/7). CEDARTE and other suggested twelve diverse and relatively established firms to interview (see Section 3.3):

Table 3: Maputo firms interviewed

<table>
<thead>
<tr>
<th>Firm #</th>
<th>Initials, contact/s</th>
<th>Specific trade/s</th>
<th>Size</th>
<th>Age</th>
<th>Reason for creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>OH</td>
<td>Leather</td>
<td>16 full-time</td>
<td>40 years</td>
<td>Social reasons</td>
</tr>
<tr>
<td>12</td>
<td>CM</td>
<td>Various (mostly wood)</td>
<td>3 full-time, 84 associated artists</td>
<td>10 years</td>
<td>Necessity</td>
</tr>
<tr>
<td>13</td>
<td>RS</td>
<td>Various sectors</td>
<td>6 full-time</td>
<td>1 year</td>
<td>Creative idea/necessity</td>
</tr>
<tr>
<td>14</td>
<td>LJ</td>
<td>Jewellery</td>
<td>1 full-time, 2-3 part-time</td>
<td>6 years</td>
<td>Creative idea</td>
</tr>
<tr>
<td>15</td>
<td>K, M</td>
<td>Various (leather, textiles, metal)</td>
<td>2 full-time, 2 volunteers</td>
<td>14 years</td>
<td>Social reasons</td>
</tr>
<tr>
<td>16</td>
<td>LM</td>
<td>Musical instruments</td>
<td>2 part-time</td>
<td>5 years</td>
<td>Creative idea</td>
</tr>
<tr>
<td>17</td>
<td>F</td>
<td>Various (sculpting, ceramics, etc)</td>
<td>1 full-time (part of group of 10 crafters)</td>
<td>15 years</td>
<td>Creative idea</td>
</tr>
<tr>
<td>18</td>
<td>MR</td>
<td>Fashion and jewellery</td>
<td>1 full-time, several part-time on demand</td>
<td>6 years</td>
<td>Hobby</td>
</tr>
<tr>
<td>19</td>
<td>AS</td>
<td>Jewellery</td>
<td>16 full-time</td>
<td>7 years</td>
<td>Creative idea</td>
</tr>
<tr>
<td>20</td>
<td>MM</td>
<td>Leather products</td>
<td>4 part-time</td>
<td>4 years</td>
<td>Necessity</td>
</tr>
<tr>
<td>21</td>
<td>AO</td>
<td>Furniture, bags, lampshades</td>
<td>1 full-time, 9 part-time, 1 intern</td>
<td>2 years</td>
<td>To ensure quality in production process.</td>
</tr>
<tr>
<td>22</td>
<td>CZ</td>
<td>Decorative items, bags, etc.</td>
<td>1 full-time, several part-time on demand</td>
<td>Just started</td>
<td>Necessity</td>
</tr>
</tbody>
</table>

Source: the author
This overview shows that the firms are relatively small (maximum sixteen employees), often with the founder as the sole employee, bringing in temporary workers (usually family members) for larger orders, which is common for the sector according to Report 4. The only firm with a more substantial “work force”, firm 12, is in fact both a firm and an association of crafters. With the exception of firms 11, 14 and 17, none of the twelve firms have existed for more than 10 years, typical for such a young sector. Finally, 50% of the firms mentioned creative ideas as a driver to firm creation, whereas none suggested it came from a business idea. Four out of the twelve firms stated they started out of necessity, as the income options in Maputo are limited.

The interviews furthermore revealed that the majority of the firms worked informally, with the exception of firms 11, 12, and 14. These figures correspond well with a previous survey of seventy-three crafters from Mozambique (Report 4), where only 15.1% of the firms were formally registered. Moreover, only three of the firms were able to do international sales on their own, while some others exported through CEDARTE. None of the firms mentioned profits and many were forced to have other jobs on the side due the financially difficult situation, as described above. Other main issues mentioned by the informants include small client base, raw material access, costs, timely delivery, labour, quality and design.

Although formal support institutions are on the rise (see Section 5.3.), the legal and regulatory framework for creative industries in Mozambique is relatively weak, especially compared to Cape Town (Report 7). However, two intermediaries distinguished themselves and interviews were conducted with both CEDARTE and the MDG-Fund project:

**Table 4: Maputo intermediaries interviewed**

<table>
<thead>
<tr>
<th>Intermediary</th>
<th>Initials, contact/s</th>
<th>Type</th>
<th>Key facts</th>
<th>Reason for creation</th>
<th>Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEDARTE</td>
<td>EM</td>
<td>Craft/design-sector</td>
<td>-10 staff - 4 years - Represent 1000 artists</td>
<td>- Official association for craft/design firms in Mozambique.</td>
<td>Craft firms in Mozambique, city and national officials, external stakeholders</td>
</tr>
<tr>
<td>Millennium Development Goal Fund (MDG Fund) project</td>
<td>LJ</td>
<td>Creative industry support</td>
<td>- Around 6 staff members -2009-2011</td>
<td>- Map and develop social, economic and copyright features of creative industries in Mozambique.</td>
<td>Six UN agencies, important creative intermediaries (e.g. CEDARTE), MDG-Fund.</td>
</tr>
</tbody>
</table>

*Source: the author*
CEDARTE is the main Mozambican NGO supporting craft/design firm development through: 1) Training and capacity building of entrepreneurs; 2) Promoting the sustainable use of resources; 3) Product development, design and innovation; 4) Marketing and market access; and 5) Communication and networking (Report 7). CEDARTE also has its own export firm, Green Act, through which it exports products for 31 groups of artisans (Report 4). In comparison to CEDARTE, which works more directly with craft firms, the MDG-Fund project is a two year venture to link craft/design sector support organizations (CEDARTE, etc) in order to strengthen their ability to work on common projects (e.g. national curriculum for crafts). The project is however funded externally for a finite period, which limits long-term sustainability.

Comparing the two case cities, it is important to underline that despite their physical proximity, South Africa is an emerging developing economy (ranked 123 out of 187 on the Human Development Index (2011)) while Mozambique is a poorer developing country (ranked 184 of 187). These differences are also reflected in the resources allocated to the craft/design sector. Cape Town has invested heavily in infrastructure, retail and support services since the start of the CCDI ten years ago, while Maputo has only recently started to acknowledge the potential of the industry. The craft/design industry in both places can however be regarded as emerging, with Maputo more in the incipient stages. Cluster and collective efficiency theory stipulates that emerging industries, like craft/design, can develop and grow from collective action and synergies.

Secondly, as Table 1 and 3 illustrate, the firms interviewed in Cape Town and Maputo are all relatively small in size, exercise a variety of trades and started for different reasons, which is typical for the craft/design industry. Small firms, according to cluster debates (see Chapter 2), have particular benefits in clustering. The presence of several trades also opens up opportunities for multidisciplinary collaborations. Finally, with minimal barriers to entry and high unemployment, especially in Maputo, craft firms are often initiated to alleviate poverty rather than as a career choice (Report 7), which has consequences for how firms interact. The fragility of Maputo firms also means collaboration might be the only way to reach foreign markets.

Finally, Table 2 and 4 show that both cities have a key craft/design intermediary as well as a more general creative industry-level intermediary. These intermediaries have all received formal support and regroup a large variety of firms and institutions. There are, however, differences in the effective roles these intermediaries play, as analyzed in Section 5.3.
In sum, the emerging, diverse and often fragile nature of the industry, intermediaries and firms in both cities underline the potential for collective synergies (SME-dominance, variety of trades, etc), but also possible barriers (economically fragile industry, weak craft/design specific support, etc). The extent to which clustering actually occurs and what benefits it entails considering the institutional context (incorporating the overview of specific craft/design industry aspects described above) will be the focus of the next chapter.
5. Analysis

The following chapter will present the primary and secondary data from the fieldwork and juxtapose it with the theoretical literature reviewed, outlining the main findings of the research. The analysis is divided into three main sections (clustering tendencies, collective efficiency development, institutional context), relating to the three sub-sections of the research question.

5.1. Clustering tendencies

This section will examine the extent to which craft/design firms cluster in Maputo and Cape Town (sub-question 1). It will follow Schmitz’ definition (see Chapter 2) and be explorative and descriptive, as this has never been mapped before. The city boundaries constitute the geographic scope of the cluster, although some area-specific agglomerations within this area will also be mentioned, as well as specialist labour and supply networks for craft/design firms (DCMS, 2008). Sectoral concentration refers to the presence of groups of firms working within the same or related fields (McCormick et al., 2007).

5.1.1. Cape Town clustering

Observations and interviews suggest that the city of Cape Town is the geographical centre of craft production in South Africa. The CCDI have 2500 craft/design firms registered in their database, and Report 1 suggests 70% of crafters in the Western Cape region live in the city of Cape Town. Informants describe how there is relatively easy access to resources, materials, tourists, markets, retailers, distributors and creative people in the city.

Within city boundaries, craft/design firms furthermore tend to cluster in area-specific agglomerations, which together form a major part of the Cape Town craft/design cluster. These groupings are visible in Figure 3 below. Half of the firms interviewed had their studios in the city centre neighbourhood. Firms 4, 7 and 8 (and CCT) were situated in the tourist part of the central neighbourhood, while the eastern part, the East City, is slowly becoming a creative hub of its own, with run-down buildings transformed into artist studios (e.g. firm 9 and the CCDI). The Woodstock area, to the east of the city centre, also regroups many craft/design firms (e.g. firm 1) and is home to the Old Biscuit Mill, a factory turned into artist studios and retail shops (e.g. firm
3). The tourist area Waterfront attracts some of the more touristy creative firms (e.g. firm 6). The close proximity of firms in these areas facilitates collaboration, as will be explored in Section 5.2.

**Figure 3: Map of interviewed firms in Cape Town in relation to city areas**

Source: the author

In terms of artistic concentrations, the informants agreed that the city of Cape Town is a cosmopolitan, artistically inspiring and culturally diverse city, with a “creative hub” of crafters/designers. As Table 1 and Reports 1 to 3 illustrate, a large variety of craft/design trades are practiced (fashion, bead-and-wire, felt, ceramics, etc). A recent initiative by the CCDI mapped many of these diverse craft/design firms (see snapshot in Appendix D) and made it available in shops, tourist locations and craft/design institutions all over the city. More than hosting local South African artists, Cape Town attracts crafters from all over the SADC region. There is, for instance, a concentration of Zimbabwean bead-and-wire artists in the city. As one informant proclaimed: “Cape Town is just a creative city with creative people” (JK).
The craft/design community in Cape Town exists in webs of supporting specialist labour and supply networks. For one, Cape Town is a popular tourist destination and the craft/design industry has worked in close collaboration with the tourism industry to make local crafts accessible to tourists (e.g. through craft maps and Design Route signposting). Moreover, Report 2 highlights how craft/design clustering benefits from a range of production facilities (with easy access to suppliers and competitive prices); several distribution possibilities; and an extensive retail network. The majority of the informants also argued that Capetonian clients are more interested in unusual and artsy products than the rest of the South African population. The CCDI concluded that external factors, like the Design Indaba, have strengthened the craft/design community considerably. The Design Capital bid shows how there is a network of design-related labour wanting to work together to raise the creative potential of the city.

Summing up, Cape Town shows clear clustering tendencies, through a concentration of specialized craft/design skills, institutions, related businesses, and interested customers within city boundaries, making ‘the whole greater than the sum of the parts’ as Porter (2000) suggests. With regards to Cinti’s typology of creative clusters (2008), a variety of structures were highlighted in the interviews: from simple aggregations (e.g. Woodstock area) to more ordered activities (e.g. Design Capital project); from geographical combinations of various actors (e.g. Waterfront) to multifunctional buildings (e.g. Old Biscuit Mill). As such, Cape Town can be described as a cluster of sub-clusters. All the firms in the specific sites nevertheless identified as Capetonian artists and felt a strong affiliation to the city at large and the opportunities it offers.

5.1.2. Maputo clustering
Maputo is the creative capital of Mozambique, and the firms interviewed all mention the concentration of clients (especially tourists), markets and creative people in the city. Unlike Cape Town, Mozambique’s infrastructure issues also make Maputo the main marketplace in the country, where all products have to pass by to reach substantial parts of the population and international markets. Interviews with firms and the director of CEDARTE confirm there is a clear geographic concentration of crafters and designers in the Maputo area.

Within city boundaries, there are, as in Cape Town, more area-specific agglomerations, such as the FEIMA market place (firms 13, 14, 20), the city centre area (firms 12, 15 and 17) and
Coop (firms 11, 18 and 21), as visible in Figure 4 below. The physical proximity of crafters in these defined spaces does not necessarily indicate inter-firm collaboration (see Section 5.2).

Figure 4: Map of interviewed firms in Maputo in relation to city areas

Source: the author.

In terms of sectoral concentrations, both firms and intermediaries interviewed suggest that numerous crafters of different disciplines work in Maputo. Table 3 illustrates this diversity and Report 4 outlines the many crafts in the city (wood, jewellery, textiles, basketwork, etc), without providing any exact statistics on the division. Wood sculpture is a particularly common trade in Maputo and is considered one of the key competitive advantages of Mozambican crafts.

Maputo’s craft/design agglomerations, like in Cape Town, do not operate in a vacuum. The substantial growth in the tourism sector has for instance benefited the craft/design industry as “new points of craft sales are recurrently emerging near the main hotels and restaurants in the city” (Report 4, p. 44). However, some informants suggested craft/design should be even better linked with tourism. Initiatives are under way to improve this, such as the FEIMA market, but observations and interviews suggest supply networks are not as developed as in Cape Town.
More severe is, however, the limited specialist labour available. All of the Maputo firms complained about the difficulty in getting hold of material and advanced assistance and many were forced across the border to South Africa for such support.

As appears from the description above, there is a tendency for craft/design firms to cluster in Maputo. Although the level of advanced skills, support institutions, related businesses and sophisticated customers in the city is weaker than in Cape Town, there are several groups of crafters working in proximity, which enables advantages that are “difficult to tap from a distance” (Porter, 2000, p. 32). As in Cape Town, a diversity of structures was observed: simple aggregations (e.g. within city boundaries), more coordinated efforts (e.g. firm 12), well-planned projects (e.g. FEIMA), multifunctional buildings (e.g. Nucleo d’Arte), and city areas (e.g. centre).

5.1.3. Sub-conclusions clustering

In response to the first sub-question; following Schmitz’ definition and the DCMS’s additional note for creative clusters, craft/design firms in Maputo and Cape Town cluster, yet to a varying extent. Drawing cluster boundaries can be a matter of degree and a creative process “informed by understanding the linkages and complementarities across industries and institutions” (Porter, 2000, p. 17). It is difficult to say exactly where a cluster begins and ends, especially considering that there can be sub-clusters within a cluster, as illustrated in Figure 3 and 4 above. However, based on observations on site and discussions with the twenty-two firms and the four intermediaries, it appears that various craft/design firms concentrate within the geographical boundaries of the cities of Maputo and Cape Town and that these agglomerations exist within a web of supporting industries (tourism, suppliers, etc). The difference between the two city-clusters lie primarily in that Cape Town shows clearer signs of area-specific cluster spaces, of projects regrouping all actors in the city and of supporting structures/specialist suppliers. The Cape Town cluster is moreover bigger and more resourceful, which is related to its finances.

The typology of the four stages of creative cluster development introduced in the literature review (Evans et al., 2009) helps to qualify the differences between the two city clusters. According to the data, the Maputo craft/design cluster is situated between stage 1 (dependent) and 2 (aspirational), considering how the publicly funded MDG Project and FEIMA have been highly significant in supporting the cluster (and developing local demand) at the same time as independent firms are emerging. Cape Town, with its rapidly increasing number of craft/design
firms (most of which have both national and global reach) and city/intermediary support, would be in stage 3 (emerging). There is still some time before Cape Town firms all have fully developed global markets and arms length public intervention (stage 4: mature). Maputo and Cape Town are therefore at different stages in their creative cluster development.

Having outlined creative clustering in both cities, the question now becomes what this represents for the interviewed firms. As Schmitz (1995) noted, whether specialization and co-operation develop from clustering has to be explored through empirical research and the collective efficiency framework.

5.2. Collective efficiency developments

This section will examine if and how the above-mentioned clustering leads to collective efficiency, which relates to sub-question 2 in this thesis. Collective efficiency is defined in the literature review as the competitive advantage derived from external economies and joint action (Schmitz, 1992). The analysis will commence with exploring and describing passive external economies, then active joint actions, before rounding off with a concrete assessment of which parts of the craft value chain have been affected and a summary.

5.2.1. External economies

External economies are the increased market access, technological spillovers, input effects and labour pooling that result from firms passively clustering (McCormick, 1999). Thus, the fact that craft/design firms are concentrated in Maputo and Cape Town, without them necessarily working together, opens up external benefits, which are impossible to attain individually. All these benefits do not, however, always occur, as the following analysis will demonstrate.

In Cape Town, the CCDI director noted how the Cape Town cluster provides increased access to resources (human, material, market), which generates more opportunities and a different perspective: “So there is maybe greater opportunity for growth in an urban area, whereas the rural area is contained by their environment” (EE). More concretely, the following externalities were mentioned by the informants: 1) Improved market access; 2) Some technological spillovers; 3) Labour market pooling (although limited quality); 4) Limited input effects.
Firstly, the agglomeration of creative consumers and firms in the city seems to increase market access in Cape Town. All the informants agreed that there is a certain ‘Cape Town mentality’ to support and buy local products. This consumer interest is facilitated by the presence of many craft/design firms and vice versa. Market access is also heightened by the large amount of tourist locations all over the city promoting craft/design firms. These kinds of synergies are not possible in places with few craft/design firms, which is why the firms interviewed had difficulty imagining their firm functioning in other places than Cape Town.

Secondly, there is also some degree of technological spillovers, primarily in the form of creative ideas. Many of the informants referred to Cape Town as a creative hub, where the “atmosphere of innovation” inspired them to continuously develop their craft/design products. Few informants made direct reference to concrete technological skills diffused through the community, yet different conversations suggested that the bead-and-wire technique, for instance, has developed and diffused through the Cape Town craft/design environment over the years.

Thirdly, labour market pooling seems to exist in the Cape Town area, yet the quality of the labour is problematic. With high unemployment figures (23.3% according to EIU 2011a) and relatively simple training requirements, it is easy for the firms to get hold of a large number of workers for bigger orders. For instance, the founder of firm 5 quickly found 80 people to work on craft project over a weekend. Much of this labour comes from the townships and is not educated in craft/design. The quality of the work of labour is therefore quite poor, despite receiving relatively high wages (in comparison to Asia for example). This limits the possibility for increased labour efficiency and makes it hard to attain the quality, price and delivery times demanded by clients. Some firms (4, 6, 7, 10) have however made efforts to train their staff, implementing quality checks and even bringing the majority of the crafters in-house. These firms, as a result, have a reputation for quality and capacity building.

Fourthly, a few informants underlined the input effects the Cape Town cluster provides. Some specialized suppliers of inputs (e.g. beads) and services (e.g. market support from CCDI) have, for instance, emerged alongside the growth of the industry. However, with regards to material supply, there are still unresolved issues and Report 3 highlights that there is no overarching structure in place for the crafters to pursue collective buying of raw materials to secure discounts and fast delivery times. In fact, several firms complained that individually they are unable to get good quality materials at low prices, which would be possible collectively.
Maputo, in comparison, showed limited external economies, much due to the more scattered, young and individualistic nature of the Maputo cluster, as described in Section 5.1. The interviews and observations revealed: 1) Some degree of market access; 2) No technological spillovers; 3) Labour market pooling (although low quality); and 4) No input effects.

On a positive note, there seems to be some degree of increased market access in the Maputo cluster. Several firms described how the craft market in the city has really opened up during the last years, primarily due to the increasing craft/design offer and demand. Tourists are opening their eyes to the industry and new retail venues (e.g. FEIMA) are emerging all over the city. Local purchasing is still limited, but with increased focus on the sector, considering that local disposable income also rises, this could change in the years to come.

On a less positive note, technical spillovers seem to be limited by the weak technical skills available within the cluster. There are few machines to assist the manual labour, limited knowledge about advanced finishing and packaging and only a few of the crafters have design skills. Several firms and intermediaries admitted they depend on imported expertise from South Africa. This is not to say that ideas don’t diffuse through the Maputo cluster, but when workers inspire each other, they often end up getting “too inspired” and steal product ideas from others to open up their own competitive business instead of collectively using the knowledge to raise each other’s competitive advantage. This “technical stealing” is explored further in Section 5.3.

In terms of labour pooling, Maputo seems to have the same possibilities and constraints as Cape Town, in that there is an easy access to labour, but this labour is mostly unqualified, making it hard to achieve effective external economies. In addition, the labour force in Maputo is unstable (many firms say workers cannot be trusted) and suffers from poverty-related illnesses. One entrepreneur explained the situation as follows; “It is easy to find people to work with me, but it is also quite difficult to retain people (MM)”. There are few attempts to train the unqualified labour, as seen in Cape Town, and the design skills held by a few firms (e.g. 19) do not diffuse through the cluster to create external benefits.

Finally, there seems to be a lack of input effects in the Maputo cluster and all the informants agreed it is a challenge to find raw materials in the city. In fact, three sources suggested it is more difficult to get a hold of wood in Maputo than in the northern province of Nampula, where the bulk of the wood is found. Poor infrastructure and limited demand make it difficult to find affordable and effective solutions to this problem. The fact that the firms don’t
collaborate on material resourcing makes it extremely difficult to achieve external economies in this regard. Firm 14 and 19 admitted they went to South Africa to buy technical equipment (and repairs) and materials, which simply do not exist in Maputo.

In sum, external economies can be observed in both the Cape Town and Maputo craft/design cluster, although these passive collective benefits are more pronounced in the former. The craft/design community in Cape Town increased Capetonian firms’ ability to hire labour (although quality of labour is limited), develop products (through technical and input effects) and reach out (market access) to clients. Maputo likewise benefited in terms of market access and to some degree labour pooling, but input effects and technological spillovers were practically non-existent. This limited ability to develop advantages collectively seems to be related to the fact that the skills and resources within the craft/design industry in Maputo are relatively weak. The strength of external economies and collective efficiency is also influenced by the degree of joint action, the topic of the following sub-section.

5.2.2. Joint action

Joint action occurs when firms actively seek to collaborate with similar firms (horizontal) or with suppliers and related industries (vertical). These collaborations can be bilateral (firm to firm) or multilateral (larger groups facilitated by intermediary), and take place in a formal or informal manner. The following section will describe the joint actions referred to during the interviews, incorporating McCormick’s suggestion (1999) to focus on the active side of collective efficiency when analyzing African clusters, as this encourages direct engagements and resource sharing.

**Horizontal and vertical joint action**

All the Cape Town firms interviewed actively worked on several projects with other craft/design firms (national and/or international, within their own trade and/or cross-disciplinary), i.e. vertical joint action, which they claimed was a key benefit of being in the cluster as it developed their innovative capacity. The most common form of collaboration was product developments, where firms would brainstorm and develop new products together, using each firm’s special trade (e.g. a felt crafter working with a furniture designer to develop a new chair). In other cases, firms simply
supplied parts to each other, such as firm 10 helping firm 5 with paper maché for parts of their own products: “Rather than trying to make it ourselves, that’s their forté” (Al).

In terms of vertical relations in the Cape Town cluster, joint action projects with suppliers, social communities and other sectors were noted in the majority of the interviews. Three of the firms had special arrangements with factories, which sent them cut-offs of their prints and often also the exclusive right to use these prints. Moreover, due to the important social aspects of the craft/design firms (see Section 4.1), there was a large degree of vertical collaboration with NGOs and community projects in the townships. The craft firms would hire residents to manually make their products in return for proper social benefits and a decent pay. These community-based projects were an important part of the firms’ mission statements and external marketing.

The most intense forms of horizontal and vertical collaboration in the Cape Town cluster were found in the area-specific spaces like the Old Biscuit Mill, where firm 3 had worked with almost all the “neighbours” in the building, including a public relations firm, an interior design school, a group of photographers, and the factory restaurant. The founders of firm 3 described how, after initial scepticism, they had even decided to make ceramics products with their former competitor, who had moved into the Old Biscuit Mill. This illustrates how physical proximity can facilitate joint action. However, firm 1, which is not part of such a distinct infrastructure, could also list a dozen horizontal and vertical collaborations despite further geographic distance. Both firm 1 and firm 3 are concentrated within the Cape Town craft/design cluster boundaries.

The Maputo firms, in stark contrast to the Cape Town firms, showed very few signs of vertical and horizontal joint action. When asked whether they collaborate with other firms the large majority answered that they preferred working individually, for reasons that will be explored in Section 5.3. Due to the solitary working situation, many of the crafters complained they were not able to develop new products and designs, and consumers ultimately also complained about the lack of variety in the Maputo craft offer. A few joint action examples were eventually discovered.

Firstly, in terms of vertical collaborations, there were three cases where firms drew on fellow crafters and family members in order to produce larger orders. Furthermore, in the Nucleo d’ Arte collective space (represented by firm 17), the artists worked together on some common projects and exhibitions. However, another collective space, MozArte (represented by firm 15), showed no signs of vertical collaboration, despite the firms working in booths right next to each
other. Firm 18 and 19 had both made repeated efforts to reach out to fellow crafters and designers (to design, distribute or market products together), but after initial enthusiasm, the projects never materialized because the other firms preferred working alone. Firm 14, for instance, claimed the only joint work she did with other crafters was with foreign crafters/designers over the Internet.

Horizontal collaborations were even more rare and mentioned in only two interviews. The founder of firm 16 explained how he worked with professionals in electronics and sketching to improve the quality of his musical instruments. In the second case, the founder of firm 18 collaborated with woodwork professionals in order to develop a new jewellery range for her fashion line. The weak signs of horizontal collaborations appear to be related with the limited specialist resources within the cluster (see Section 4.2) and with reasons explored in Section 5.3.

**Bilateral and multilateral joint action**

Most of the vertical and horizontal joint action outlined for Cape Town can also be qualified as bilateral in that it takes place between two firms. According to the informants, the initial contact between firms happened through trade shows (like the Design Indaba), through conferences (by the CCDI for instance) and through personal contacts. Many of the firms interviewed had done projects together, such as firm 1 and firm 10, firm 10 and firm 8, firm 4 and firm 10, firm 4 and firm 8, and firm 3 and firm 6. This web of bilateral relations was not known in the firm selection process and illustrates the interconnectedness of firms within the Cape Town cluster. These bilateral relations enabled personal and direct mediums for resource and idea sharing. One founder even mentioned a moral obligation to help out other firms with product development and distribution, “like the wire guys that don’t have the facility to ship themselves” (D).

Multilateral joint action, where groups of firms work together through intermediaries, through specific projects, or through cluster spaces, were also quite common in the Cape Town cluster. Specific trades (e.g. felt, fashion accessories) had organized themselves in separate groups, meeting monthly to share creative ideas and support each other on trade-specific issues and otherwise. Cross-disciplinary groups of firms also reassembled in specific areas, such as the East City project and the Old Biscuit Mill. The intermediaries running these spaces were convinced of their importance: “You do need people close to each other for resource and information sharing. It does make things easier. And if you get innovators close by, they meet each other and they create new business opportunities” (ZM). A particularly interesting project,
headed by firm 4 under the title the Indalo Project, linked designers with crafters to create joint product ranges together, sold through one common platform. The project aims to “be a forum for collaboration” (LM). All this illustrates how creative intermediaries, like the CCDI and the Indalo project, play a vital role in facilitating multilateral joint action, as will be explored in Section 5.3.

Almost none of the Maputo firms collaborated on a one-to-one basis with other firms (bilateral joint action), but there were some attempts by intermediaries to regroup firms in larger projects (multilateral joint action). During the fieldwork I was an observer at a workshop funded by IPEX, where firm 13 taught some woodcrafters how to integrate designs into their products and market their new ranges under one brand. The founder of firm 13 had taken a similar initiative a couple of years earlier, where several crafters made products around the ‘nativity scene’ theme, which were then marketed and exported under one umbrella, coordinated by firm 13. Another form of multilateral joint action in Maputo was when firms (e.g. firm 12) or intermediaries (e.g. CEDARTE) linked producers who wanted to achieve larger quantities for a foreign order. As the director of CEDARTE explained: “We had some orders from the international market, which needed quantities impossible for individual firms to attain. So then what we needed to do was combine several groups working together. It was a collaboration amongst a group wanting to achieve quantity.” Whether in terms of marketing or production, these multilateral projects allowed firms to reach markets and orders not possible without the coordinated effort of the intermediaries. There are, however, also examples of failed multilateral projects. Despite a promising start, the MozArte space (e.g. firm 14) is now in a deteriorating state, where the lack of funding and coordination has turned the previously dynamic venue into a space with artists working individually next to each other without generating collective benefits.

Formal and informal joint action

In addition to the distinction between horizontal/vertical and bilateral/multilateral joint actions, it is worth noting that joint action collaborations can be either formal (with contracts) or informal (oral agreements). Cape Town and Maputo cluster relations were primarily informal, with some notable formal exceptions in Cape Town: the Indalo project, the Old Biscuit Mill and The East City. The participants (e.g. firm 10) praised the Indalo project for being an exceptionally professional and effective collaboration platform, much due to its formal nature and its financial
and coordination resources. Interestingly, the CEDARTE director suggested that despite little formal sharing, individuals might share ideas informally that CEDARTE was not aware of. However, the interviews in Maputo showed little signs of even such informal sharing. In Cape Town, firm 10 initially claimed not to cooperate with other firms, but the founder later changed this when realising that informal cooperation was considered: “When I think of cooperation, I am thinking very formal systems and structures, but I think informally there is tons of cooperate type of interventions that has happened here” (RR).

In sum, the interviews reveal a striking difference between Cape Town, where all the informants are involved in several projects in direct collaboration with other firms (horizontal/vertical and bilateral/multilateral), and Maputo, where all of the firms claim to work alone, with a few multilateral exceptions. Van Dijk and Sverrisson (2003) argue that even though firms are located close to one another, this does not mean that they always collaborate or benefit from the cluster, which appears to be the case in Maputo. The Capetonian informants described how they were able to grow their innovative capacity, their market potential (through social projects, etc.) and develop new business opportunities due to direct engagements with others. Maputo firms, on the other hand, were not able to diversify their product ranges and had difficulties in growing their businesses. The few exceptions from Maputo, with joint production and marketing, show how these smaller, vulnerable firms could potentially benefit from more direct joint action as it provides access to new markets. Finally, the majority of the collaborations in both cities were informal, with the few formal exceptions (e.g. Indalo project) being particularly effective.

5.2.3. Competitive advantage improvements

Having established the external economies and joint actions present in Cape Town and Maputo, the focus is now on how this concretely develops the competitive advantage of the firms along the craft value chain: creation, production, retail, and distribution. Following an explorative approach, the focus is on how the informants themselves evaluate the advantages and on observations made, not on predefined standards (quantitative data was also lacking).

**Creation**

As Schmitz (199, p. 474) suggests; “the diffusion of innovation tends to be a strength of
clusters”, and data revealed how the firms (mainly in Cape Town) creatively inspired each other.

The most common form of improvements in the Cape Town cluster was, as noted, in the form of product development. For instance, firms with stronger craft skills collaborated with more design-oriented workers, mutually inspiring each other. As one crafter explained: “The experience was invaluable for me, because I have learnt so much from her too. That sort of increased my intellectual property, I suppose. It’s a win-win situation” (RJ). Another explained: “I enjoy that [collaborating with other craft/design firms] and sometimes it may spark me to do something else that maybe I wouldn’t have thought of if I hadn’t gone on that crazy route” (A). The direct collaborations in other words increased the innovative capacity of the firms and of the cluster as a whole. Other firms could also assist with difficulties, as a worker at firm 9 (situated in the East City) said; “If you get stuck, you just go over there, and ask what do you think” (JB).

In Maputo, on the other hand, it seemed more difficult to do product development on a bilateral level, even though different firms were specialized in different trades. There was, as will be explained in detail in Section 5.3, a general distrust amongst craft/design firms in Maputo, which prevented the sharing of ideas and the development of new skills. This in turn led to a low innovative capacity and diversity, a complaint shared by firms, intermediaries and consumers. However, some multilateral workshops, facilitated by CEDARTE and firm 13, have assisted groups of firms with incorporating trends and developing products together. Furthermore, the firms having some foreign connections (firm 13, 14, 18, 19, 21) were able to develop their design by talking to and collaborating with foreign designers, at international trade shows for instance.

Production

Production advancements were rare to observe in both cities, yet interviewees mention some degree of material supply, order sharing and technical input. The benefits of technical sharing are illustrated through this quotation, by the owner of firm 5; “I just don’t have those skills and I am not about to spend years acquiring them, that would be stupid” (Al). These elements have been explored in Section 5.2.1, but to clearly outline the production collective efficiencies: supplying material and input for each other increased income (mostly in Cape Town); buying resources together helped the firms limit costs (rare in both cities); using each others technical skills enabled production upgrades (some in Cape Town, not so frequent in Maputo); the consolidation of firms for bigger orders allowed smaller firms to work on orders
otherwise unattainable (common in Maputo, not so in Cape Town); sharing advanced machinery (e.g. firm 12 in Maputo) helped improve quality and market potential of products; training labour raised the skills level; sharing business practices (firm 8 and 10 in Cape Town participated in a business-sharing project) developed business factors. The degree to which these production benefits took place was, however, limited. Report 3, for instance, suggests that substantial improvements are needed to create collaborative groups on export development.

Retail/marketing

In terms of retail and marketing benefits, there were clearest signs of multilateral marketing campaigns. In Cape Town, craft maps by the intermediaries were incredibly important in bringing customers to the interviewed firms. There was some mention of bilateral marketing, for example firm 7 and a design firm marketing each others’ products in their stores: “Our products enhances hers, we feel, and hers enhances ours” (JK). Firm 9, on their side, improved their marketing by collaborating with photographers and web designers in the East City space. In Maputo, some multilateral marketing (e.g. FEIMA, nativity-scene range) was mentioned, although there was no map of craft/design firms in the city, making it very difficult to reach them.

Distribution

Common distribution was more frequent in Maputo than in Cape Town, due to the fact that individually the Maputo firms were unable to export. CEDARTE and firm 12 were the main exporters consolidating firms for larger orders, and without them many craft/design firms in Maputo would not have received orders. Cape Town firms were much more independent in this regard, but all the firms participated at the annual Design Indaba, where they connected with foreign distributors. Also, all the firms in the Indalo project were asked to share their distribution networks to market the products ranges, thereby creating a large common distribution network.

Certain joint projects, with their web of interactions, were said to help with all stages of the craft value chain (creation, production, marketing, distribution). In Cape Town, this was mainly the case for specific cluster spaces (Old Biscuit Mill, the Fringe), trade-specific meetings (e.g. fashion accessories group) and the Indalo project (professional production, marketing, distribution). In Maputo, it was also suggested that artisan collectives could improve several parts
of the value chain: “these artisans come together for different reasons: because they want to access raw material, they want to market together, or they want to lobby together” (LJ). Whether the associations were successful in this was, however, questioned by several informants. In addition to the craft value chain, firms in both city clusters also mentioned the importance of moral support by informally talking to other craft/design firms at workshops for instance.

Summing up, direct firm collaborations within the Cape Town cluster increased the competitive advantage of the firms through increasing their intellectual property (creation), upgrading production, facilitating distribution and attracting customers. Maputo firms, on the other hand, primarily benefited from some consolidated production and distribution, while their lack of active interconnections did not encourage any creative or market improvements. Increasing returns to scale occur when inputs lead to proportionally greater increases in outputs, and the examples cited in this sub-section shows how the craft/design firms, particularly in Cape Town due to the larger amount of joint action, increased each others advantages in ways that would not have been possible individually. As one of the firms founders said; “You cannot run a business on your own. You need other people to refer to, in terms of advice and support and that sort of thing” (A).

5.2.4. Sub-conclusions collective efficiency
In response to the second sub-question, the data reveals how clustering in Cape Town led to clearer signs of collective efficiency than in the Maputo cluster. Cape Town firms were, through their interconnected web of active joint actions, able to continuously innovate with regards to their products, distribution and marketing, which indicates that they are more competitive on national and international markets following joint actions. In the long run, this is why the international community is attracted to the dynamic firms in the Cape Town cluster. The Maputo firms and cluster are, in comparison, not as dynamic, with little direct collaboration. Their inability to develop new products or joint marketing together, for instance, limits their competitive reputation and opportunities on different markets. This supports the idea brought forward by several authors (Schmitz, 1995; Schmitz, 1999; van Dijk & Sverrisson, 2003, Schmitz, 1995; McCormick, 1999) that beyond external economies, joint action is needed for effective collective efficiency development. These findings are summed up in Table 5:
### Table 5: Findings, clustering and collective efficiency

<table>
<thead>
<tr>
<th>CLUSTER</th>
<th>CAPE TOWN</th>
<th>MAPUTO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External economies</strong></td>
<td>Improved market access</td>
<td>Some degree of market access</td>
</tr>
<tr>
<td></td>
<td>Some technological spillovers</td>
<td>No technological spillovers</td>
</tr>
<tr>
<td></td>
<td>Labour market pooling (quality issues)</td>
<td>Labour market pooling (quality issues)</td>
</tr>
<tr>
<td></td>
<td>Limited input effects</td>
<td>No input effects</td>
</tr>
<tr>
<td><strong>Joint action</strong></td>
<td>Both horizontal and vertical projects (e.g. subcontracting, district spaces)</td>
<td>Limited vertical/horizontal collaboration</td>
</tr>
<tr>
<td></td>
<td>Extensive bilateral joint projects (e.g. joint products)</td>
<td>Limited bilateral joint projects (firms prefer working alone)</td>
</tr>
<tr>
<td></td>
<td>Extensive multilateral ventures (e.g. Indalo project)</td>
<td>Limited multilateral ventures (exception: new joint market space)</td>
</tr>
<tr>
<td><strong>Improvements in:</strong></td>
<td>Extensive product/design development</td>
<td>Limited product/design development</td>
</tr>
<tr>
<td>Creation</td>
<td>Some sharing of resources</td>
<td>Shared orders common</td>
</tr>
<tr>
<td>Production</td>
<td>Joint marketing common</td>
<td>Limited joint marketing</td>
</tr>
<tr>
<td>Retail</td>
<td>Joint trade shows</td>
<td>Joint exporting (CEDARTE)</td>
</tr>
<tr>
<td>Distribution</td>
<td><strong>COLLECTIVE EFFICIENCY FROM EXTENSIVE ACTIVE COLLABORATIONS + EXTERNAL ECONOMIES</strong></td>
<td><strong>LIMITED COLLECTIVE EFFICIENCY FROM FEW ACTIVE COLLABORATIONS and FEW EXTERNAL ECONOMIES</strong></td>
</tr>
<tr>
<td><strong>IN SUM</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: the author, based on model in McCormick (1999)*

Comparing these findings to other studies provides valuable insight. McCormick’s evaluation of a Western Cape clothing cluster and a Lake Victoria fish cluster similarly suggest that one cluster, the South African, exhibited strong external economies and joint action (institutionalized in associations, subcontracting, and collaborative arrangements), while the other cluster, the Kenyan, greatly underutilized the potential for collective efficiency (1999). McCormick’s conclusion was that the Western Cape clothing cluster (similar to the Cape Town cluster) was an ‘industrializing cluster’ and that the Lake Victoria cluster (similar to the Maputo cluster) was a ‘groundwork cluster’, preparing the way for industrialization by improving producers' access to markets. Another study concluded that, “the likelihood of effective joint action for the provision of collective resources is higher in the case of horizontally linked, relationally governed SMEs” (Mesquita & Lazzarini, 2008, p. 363). Comparing it to the case in question: supportive intermediaries governed the horizontal relations in Cape Town and this context facilitated sharing amongst craft firms. The limited horizontal collaboration and relational governance in Maputo, in contrast, provided a weak platform to develop advantages collectively. The multilateral consolidation of firms for larger orders in Maputo, however, seemed to work quite well.
In sum, this section reveals how clustering opened up certain gains unattainable to individual producers, as Schmitz suggested in 1992. There are however large differences between the collective efficiencies developed in Cape Town and Maputo and the resulting competitive position, with the Maputo firms lagging behind Captonian firms in terms of collectively improving innovation, marketing, and foreign reach. The causal reasons for these differences, and especially the lack of active joint action in Maputo, will be explored in the next section.

5.3. Institutional context significance

This section turns to the more explanatory part of the analysis to answer how the institutional context influences the development (or lack thereof) of collective efficiency (sub-question 3). There is increased recognition that collective efficiency is not an automatic outcome of clustering (Schmitz & Nadvi, 1999). Many clusters get stuck at low levels of growth, such as the Maputo cluster, and to understand this McCormick (1999) proposes to look beyond the cluster itself to its institutional context. Due to lack of research on institutions affecting collective efficiency development in Africa, this study identifies certain formal and informal institutions mentioned in the theory and the data. The craft/design-specific institutional context was outlined in chapter 4.

5.3.1. Formal institutions

According to Liu (2008), formal institutional thickness for creative industries consists of webs of supporting organizations (financial institutions, trade associations, government, etc.). These webs can facilitate cluster and collective efficiency developments, as will now be explored.

Report 2 identified a wide range of formal organisations providing support and services to the craft/design sector in Cape Town: around 70 small business development organisations, 9 associations and guilds, 34 education and training organisations, 28 NGOs and CBOs, 55 retail outlets & craft markets, 26 retail production venues, 106 tourism offices, 53 environment & heritage sites, 5 marketing and product development firms, and several government services. This web of services confirms Cape Town as a strong craft/design cluster, opening up possibilities for collective efficiencies. In the interviews, the following formal actors were particularly underlined for their efforts in increasing joint actions: government (ensuring policies, regulations and funding for collaborations); universities (linking design students with crafters to do product
development for example); private firms (e.g. local business trust funded the joint Indalo project); and aid institutions (providing grants for collective projects). Moreover, all the firms highlighted trade shows as an important networking platform, and particularly the annual Design Indaba. The event facilitated informal meetings between retailers, distributors and craft/design firms, which led to external efficiencies (sharing input, markets and ideas) as well as concrete joint action projects. On a negative note, Report 2 concluded that the major gap is the coordination of these activities and the provision of information about available services.

Two formal institutions stood out in the interviews and the reports: the intermediaries CCT and the CCDI. These institutions played a number of key roles in strengthening the Cape Town cluster and encouraging collective efficiency amongst its 2500 members: as gatekeepers (providing collective workshops for business/product/marketing development); as brokers (making the firms visible for external buyers and collaborators, yet not selling for the artists); as information resources (improving information flow between members); and as advocates (lobbying government for cluster support). In addition to these roles highlighted by Cinti (2008), the interviews revealed how CCT and the CCDI acted as networkers and as facilitators of joint projects. Firstly, the two institutions were described as the central meeting place for craft/design firms in the city and several of the joint actions described in the previous section were initiated at CCDI events. As firm 6 explained, “The CCDI is the good platform for me when I need to work with artists (…) The CCDI has created a family space” (B). An internal monitoring suggested the main reason craft/design firms come to the CCDI’s monthly craft sector meetings is to meet others. CCT similarly holds monthly ‘Cluster discussions’, where anywhere from 40 to 150 creative firms and individuals come to share ideas/projects. Secondly, both the CCDI and CCT had initiated concrete common projects, like the Design Capital Bid, bringing all stakeholders in the cluster together for joint action. On a more critical note, the firms underlined that while the CCDI facilitates collaborations, it is in the end up to the firms to make things happen. The CCDI themselves suggested they should improve their efforts to link producers with retailers and would also like to set up a mentorship programme to facilitate more direct exchanges between firms at different stages. In sum, however, Capetonian intermediaries were successful in creating forums for joint actions and firm development, contributing to an evolving, interconnected community.
The formal institutional environment in Maputo, outlined in Report 7, is somewhat more limited, yet craft/design firms in the city were, in theory, supported by various bilateral trade agreements, several Ministries (Tourism, Culture, Trade & Industry), some specialized institutes (for export promotion, for the promotion of SMEs), different laws and policies (e.g. National Tourism Law) and external programmes (e.g. MDG-Fund project). However, Report 7 also suggested that these political and legal instruments are still largely underexploited and that there is poor coordination, a lack of systematised information and no common vision for the sector. Along these lines, the interviews revealed limited government support (with the exception of the FEIMA market, firm 20 receiving funding from the Ministry of Youth and firm 16 from the Ministry of Science and Technology for multilateral projects), few university collaborations (a new design school has been established, but no collaborative work so far); little private support (except one sponsorship due to personal contacts); and only some support from trade associations (e.g. IPEX-funded product development workshop). Foreign aid funds supported several concrete projects (Aid to Artisans programmes, French Cultural Centre funded common space for fashion designers, etc), but this support was usually limited in time and created dependencies. Local trade shows (e.g. CEDARTE’s) gave some circulation, yet many said they were not that useful.

As in Cape Town, the local intermediaries in Maputo (CEDARTE and the MDG-Fund project) occupied several roles in the craft/design community, notably: as gatekeepers (providing support services for business development); as brokers (CEDARTE consolidates, does packaging and sells products for around thirty craft/design firms through their Green Act business branch); as information resources (CEDARTE’s website lists around a dozen firms; the MDG-Fund project is working to establish Cultural Management Information System to improve flow of information); and as advocates (raising awareness amongst local government officials).

Interestingly, none of the firms in Maputo mentioned the networking role of CEDARTE and there were many critical voices about the institution. For instance, several firms were sceptical about CEDARTE’s Green Act business unit, as they felt it competed with their own firms, instead of supporting them. As one entrepreneur worried: “I think they are not very clear. They are standing on two sides” (AS). The director of CEDARTE admitted that referring to Green Act as a network might be misleading, as they (CEDARTE) are the central player. Having said this, the director tried to clarify the situation by stating that the firms could not export without them. Other sources said it was problematic that CEDARTE represented the craft/design
firms at international trade shows (under their name and not the artists’), meaning the firms themselves do not participate in the exchanges and develop joint action opportunities. Moreover, three firms complained that CEDARTE was always increasing the participation fee for their local trade shows, and that few contacts are made at these shows. Instead, the craft/design firms interviewed suggested that CEDARTE should work more on encouraging product developments (especially cross-disciplinary ones) and breaking down the “protective wall of fear” (AS) that exists. In short, it seems CEDARTE offered limited options for collaborations and joint actions.

Summing up, there were various formal actors in Cape Town and Maputo who, to different extent, encouraged collective efficiencies, and in particular joint action by providing networking platforms. In Cape Town, the local intermediaries and trade shows were incredibly important in bringing the cluster actors together, facilitating joint action projects through their role as networkers. The main Maputo intermediary, CEDARTE, was less effective in this role and acted more as a broker through their Green Act firm. The intermediary’s integrity and role as a collective player was questioned. Although governments and formal institutions “cannot create an industrial organisation that competes on the basis of collective efficiency, they can play an important part in helping industry to expand and innovate” (Schmitz, 1995, p. 554), which Cape Town illustrates. The role of formal players must however be studied alongside informal ones.

5.3.2. Informal institutions
Informal institutions, or constraints, are not mere extensions of formal rules, but include factors like conventions, traditions, and codes of behaviour, which are all embedded in culture (North, 1990). In the absence of well-developed formal institutions, which is often the case in African economies, informal constraints can give guidance and predictability (Peng, 2002). This subsection will analyse the informal influences on inter-firm cooperation in the two clusters through these emerging categories: trust; cultural/historical aspects; and behavioural perspectives.

Trust (mutual benefit, competition and copying)
Trust is a characteristic of an emerging relationship (Grandori & Soda, 1995) and is an essential precondition for collective efficiency, which implies a high density of inter-firm cooperation
In Cape Town, all the firms interviewed mentioned trust between cooperative partners as an important prerequisite for successful collaborations. This trust emerges, the informants said, from knowing there is a mutual 50-50 benefit. As artists, many underlined that the feeling of aligned interest was mostly decided on instinct, on a ‘feeling’ that they are on the same level of creativity and social responsibility. Perceived competition can also, in some instances, decrease trust, but very few of the Cape Town firms mentioned this as a major limiting factor. In one case, two ceramics competitors even ended up creating a common range, suggesting, “It’s your competitor, but you can feed from each other” (A). This supports Porter’s argument that competition and cooperation can coexist and lead to improvements for both parties (Porter, 2000). Finally, copying was mentioned as a barrier to trust and collaboration in only some of the interviews in Cape Town, and the firms dealt with this by making their designs unique, often with exclusive rights with suppliers, and in very few cases not sharing these with other firms. Nevertheless, the problem was not so rampant to prevent joint action projects.

In Maputo, on the other hand, the lack of trust was a major barrier to cooperation and collective efficiency developments. All of the firms, without exceptions, expressed they found it difficult to collaborate with other firms because there was no trust that this would lead to a mutual benefit or that others would not copy their ideas to become competitors. This mistrust was based on several bad experiences, where collaboration partners had simply stolen the creative ideas and established their own business, selling a replication of the firm’s products. Firm 21, who had been through many such incidents, said; “This is the kind of thing that happens when you share ideas. You learn that you don’t trust people here” (MR). Copying can happen even within organized associations, as firm 14 experienced: she was part of a craft collective, but the leader eventually expelled her and the other crafters ended up producing her designs. The entrepreneurs that engage in craft out of necessity go quite far to access the limited client base in Maputo: at FEIMA, firms even tried to sell other firms’ products at a higher price and keep the excess profit.

To deal with the copying issue, firms made an effort to protect their work by using complicated designs and not engaging with other firms. Two firms were more reflective,
suggesting that there is no reason to be bitter and that one should instead learn to have confidence in own designs and accept that art “is always competition, in innovating and discovering new things” (MM). Firm 19 advised cross-disciplinary collaborations to decrease plagiarism, but this requires a maturity that Maputo firms are not ready for in her opinion. In the end, the problem of copying and competition is so big that joint action is severely limited. This could suggest that Porter’s notion of beneficial ‘cooperative competition’ does not occur in certain contexts.

*Cultural/historical perspective (mentality, poverty)*

Socio-cultural ties are important for inter-firm relations in developing countries (Humphrey and Schmitz, 1998) and the data revealed how mentality and poverty were key influences:

Cape Town has a relaxed vibe and a mentality for sharing, most of the interviewed firms underlined. “Here, people are more open-minded to work together and share” (JB), one firm suggested. Foreigner entrepreneurs (e.g. firm 2), however, demonstrated a limited cultural understanding of the city, making it harder for them to network and collaborate. Joint actions with high-end designers from abroad had also ended in disaster because of the foreigners’ inability to consider the capabilities, cost structures and demands of the local market.

The lack of inter-firm collaborations and learning in Maputo can also partly be explained through cultural/historical factors. According to the informants, Maputo craft/design firms do not have the habit of collaborating, which is hard to change. Some even spoke of a “culture of individualism”, as opposed to the “collective mentality” described in Cape Town, making it difficult to sustain short- and long-term collaborations. Firm 22 explained this by referring to the Mozambican heritage, which, according to him, makes people afraid to share ideas, especially in terms of financial matters: “the core of that problem is not craft, what can I say, it is our history” (CZ). The CEDARTE director furthermore suggested that the individual focus of many craft/design firms is related to poverty. As everyone is trying to survive, he said, there is little room for collaborations. The fact that people want, and need, to make money straight away, makes them selfish and decreases the possibility of long-term investments and learning, it was said. Firm 18, in contrast, claimed Maputo entrepreneurs are lazy and the mentality is to wait and complain, instead of taking initiatives to collaborate. Like in Cape Town, two foreign-led firms (19 and 21), found it difficult to collaborate with other firms because they were unable to understand the
Maputo mentality and to access information about local opportunities. Foreigners, according to firm 21, are also the ones who have to take the financial risks with all joint projects, which limited the founder’s willingness to engage further with others. The cultural and historical explanations for joint action engagements require further research, as suggested in Chapter 6.

*Behavioural perspectives (personality, personal connections)*

It has been argued that networking increases learning (Håkansson et al, 1999), and that certain entrepreneurs are particularly skilled with regards to such relation building.

In the Cape Town cluster, some entrepreneurs claimed never asking for help because this was not in their personality (e.g. firm 2) and others suggested networking and asking for help from others was their key competitive advantage (e.g. firm 6). Personal connections, which are dependent on trust but more focused on a person’s social and cultural capital, were furthermore described as important in enabling export opportunities (e.g. international friends). Having said this, intermediaries like the CCDI were good at opening up opportunities for everyone. Collective projects were furthermore facilitated by the fact that “everyone knows everyone” (LM).

Personality and personal connections were also deemed important with regards to collaborative initiatives, or lack thereof, in the Maputo cluster. As suggested above, many preferred working alone in Maputo, and even at the university, collective projects and relations were not encouraged. Some firms (e.g. firm 18) were, however, very well connected with local and international stakeholders, which facilitated foreign exports for instance. Knowing the right people was thus key in Maputo: “Here you cannot get anything done without connections” (AO).

Summing up, informal institutions (trust, cultural, behavioural) proved very important in influencing collective efficiency developments in both city clusters. This corresponds well with Peng’s argument (2002) of informal institutions playing a large role in transition and developing economies. Moreover, as Peng warns, because informal networks are based on trust, reputation and mutual understanding, they can be exploited with divergent economic interests and weak enforcement mechanisms. Therefore, the limited collective efficiencies and joint actions in Maputo is partly explained by the fact that firms don’t trust each other as they often end up
stealing instead of inspiring each other, well aware that their acts will not be punished by the nonexistent copyright laws in the country. Culturally, it was suggested that collective efficiency is difficult in contexts like Maputo as poverty means people think short-term and individualistic. Historically Maputo firms are not used to finding common solutions according to informants. In Cape Town, in contrast, the firms were able to overcome the copying threat and engage in productive competition, as Porter suggests is possible. For one, the economic situation of Cape Town is better than Maputo, and some firms also suggested the last decade’s focus on collaboration and synergies in the city, in reaction to the apartheid system of separation, seems to have encouraged collaborative practices in the crafts. Personal ties were important in both cities.

5.3.3. Sub-conclusions institutional context

In answer to the third sub-question: both formal institutions (particularly creative intermediaries with integrity) and informal constraints (particularly trust) appear to influence the craft/design firms’ collective efficiency developments, and especially their ability and desire to enter joint action collaborations. Peng likewise suggests, “any strategic choice firms make is inherently affected by the formal and informal constraints of a given institutional framework” (2002, p. 252). In terms of formal support, more systemic support (e.g. in provision of information) can lead to gains in collective efficiency (Oyelaran-Oyeyinka & Lal, 2006) and Cape Town is an example of such a well-functioning formal web of support encouraging joint actions. In terms of informal institutions, Humphrey and Schmitz’s trust typology (1998) indicate that while extended trust for complex inter-firm relations seems to be developing in Cape Town, even minimal trust for simple transactions, is difficult in Maputo. Historical and cultural factors (e.g. ‘culture of individualism’) also emerged as specifically important in Maputo. Finally, certain craft/design specific constraints influenced the modalities, needs and possibilities for collective synergies (as noted in Chapter 4): the fact that the industry is emerging means crafters sometimes have difficulty in finding serious collaboration partners; the financially fragile nature of the industry makes some firms more risk-adverse; the important social aspects of the industry increases collaborative will, but can also limit financial benefits; and high buyer demands increases the need to consolidate firms. Table 6 summarizes the institutional context of the two clusters, including aspects from Chapter 4:
Table 6: Findings, institutional contexts

<table>
<thead>
<tr>
<th>CLUSTER</th>
<th>CAPE TOWN</th>
<th>MAPUTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Craft specific</td>
<td>Craft specific More established sector Unstable financial situation Social reasoning important Product quality issues Difficult delivery Sustainable market access difficult</td>
<td>Emerging sector Very vulnerable financial situation Social reasoning important Product quality and design issues Delivery issues (time, quantity) Market access difficult</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formal institutions</td>
<td>Government support Universities highly involved Private firms contribute Trade shows key for networking Strong intermediary platform</td>
<td>Some government support No university involvement High foreign aid dependence Some trade shows Intermediary has issues</td>
</tr>
<tr>
<td>Informal institutions</td>
<td>Trust Mutual benefit key Few competition and copying issues Supportive mentality Personal connections and personality</td>
<td>Competition and copying huge problems Low trust Individualistic mentality and poverty Personal connections and personality</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IN SUM</td>
<td>SUPPORTIVE INSTITUTIONAL CONTEXT AND FACILITATING INTERMEDIARY</td>
<td>LIMITING INSTITUTIONAL CONTEXT WITH LOW TRUST AND UNCLEAR INTERMEDIARY</td>
</tr>
</tbody>
</table>

Source: the author

In trying to establish non-institutional, alternative explanations to collective efficiency developments in Cape Town and Maputo, the following resource constraints for not engaging in joint actions were mentioned by a couple of the firms: lack of interest (no or negative benefits from collaborating with other firms); lack of information (desire to collaborate, but no information on how); cost considerations (collaborations can be costly at first) and time constraints (building relationships is time-consuming). Resource based theory provides some explanation for why firms would want to enter collaborations (to access other’s resources) and also why they may refrain from this (lack of resources). However, the formal and informal constraints outlined in the section were mentioned by all the firms, not only some (as was the case for resources), and is thus a more compelling explanation, as explored in Chapter 6.
6. Discussion

The following chapter will discuss and critique the findings and the theories used, as well as the validity and the reliability of the conceptual framework and the methodological choices taken in order to answer the research question.

The main research question of this thesis was: *To what extent do craft/design firms in Cape Town and Maputo cluster and under which institutional contexts does this lead to collective efficiency?* The answer to the question is a combination of sub-answers 1, 2 and 3 presented in Chapter 5. For one, sub-section 5.1 showed how clustering tendencies (geographical, sectoral, supporting services) were present in both cities, yet more clearly in Cape Town (emerging cluster) than in Maputo (dependent/aspirational cluster). This underlines the diversity of trajectories of clusters in developing countries and creative industries. Secondly, Section 5.2 demonstrated how all the Cape Town firms were involved in several joint action projects, which, in addition to external economies, made the firms more competitive (innovative capacity, market access, etc.). Maputo firms, on the other hand, seemed to underutilize their potential for collective efficiency as so few of them engaged in partnerships. Finally, Section 5.3 revealed how Capetonian firms, through formal intermediary platforms and an informal mentality of collaboration, were encouraged to enter joint action collaborations and developed advantages collectively. The main explanation for why collective efficiency did not develop in Maputo was also institutional, in that there was no trust or culture of sharing amongst firms (informal) and few formal sharing platforms facilitated by the intermediaries.

Bringing all this together, the data uncovered how craft/design firms in Cape Town and Maputo do cluster (the former more clearly than the latter) and that the formal/informal institutional context in Cape Town (supportive intermediaries, trust, collaborative mentality, behavioural aspects) helped clustered firms develop collective efficiencies, whereas the lack of such support, trust and mentality refrained similar developments in Maputo. Several authors (McCormick, 1999; Schmitz & Nadvi, 1999) have similarly underlined how collective efficiency only emerges under the existence of trade networks and effective sanctions and trust. The data also revealed that collective efficiencies were limited by weak resources within the cluster (skills, finances, information, time), as will be further discussed in Sections 6.1 and 6.2.
6.1. Significance of findings and theories used

This section discusses whether the theoretical concepts used to analyse the cases (cluster theories, the collective efficiency framework, and the institutional context) were useful in answering the research question and exploring cluster and collective efficiency dynamics in the two cities.

Clusters are, according to Porter (2000) a more precise unit of analysis than groupings of companies (Porter, 2000). Such precision is important in research and also for this thesis. Moreover, a cluster focus “highlights the externalities, linkages, spillovers and supporting institutions so important to modern competition (Porter, 2000, p. 27). Following this logic, exploring and describing cluster dynamics in Cape Town and Maputo helped comprehend spatial and sectoral linkages in the two cities. Contextualising these relations in the broader industrial landscape furthermore underlined how creative industries do not exist in a vacuum and need to be seen in relation to other industries, such as tourism, to achieve maximum impact.

Having said this, the descriptions from Cape Town and Maputo highlighted how creative clusters in developing countries do not always operate in clearly defined areas with clearly defined relationships and governance (much due to the informal nature of the clusters), as classic cluster literature often suggests it does. Porter’s view of clusters as vehicles to “bring companies, government, and local institutions together in a constructive dialogue about upgrading” (2000, p. 30) seems an ideal, yet not always a reality, especially for the more vulnerable craft/design sector. Moreover, the data revealed differentiated relationships and conflict between firms in the cluster, which is in line with a critique of cluster theory assuming homogenized relationships and actors who put the collective above the individual (Oyelaran-Oyeyinka & McCormick, 2007). Although specific geographical spaces (e.g. Old Biscuit Mill) gave concrete advantages, there were also collaborations from far ends of the city. Using Schmitz’ broad definition of clusters thus enabled a more open and contextual analysis, incorporating the idea of sub-clusters and different modalities for creative clustering.

Certain critiques of cluster theories (e.g. not studying conflict) are justified, but it is difficult to find an alternative to explore inter-firm relations and its effects in a developing context. The literature on creative clustering furthermore enabled an important sector-specific analysis. Although network theory provides valuable insight into how firms are “embedded in networks of interconnected social relationships that offer opportunities for and constraints on behaviour” (Brass, Daniel, Galaskiewicz, Greve & Tsai, 2004, p. 795), it does not address
geographic or developing country aspects, making it less suited. The theory does however underline how “distinctive capabilities of an organization are developed through its interactions in the relationships it maintains with other parties” (Håkansson & Snehota, 2006, p. 260).

Beyond merely mapping multiplications of firms making similar products within a predefined area, the collective efficiency framework enabled an understanding of possible benefits (or lack thereof) from passive agglomerations and from direct engagements within the cluster. It is significant that Cape Town and Maputo showed such clear differences in terms of these two components, and especially joint actions. Concretely, the Maputo cluster underlined how a group of firms producing in close vicinity may in fact not interact, which limits their ability to share resources and creative ideas to grow collectively. These firms admitted to feeling ‘stuck’ in old products and designs. The joint actions in the Cape Town cluster, on the other hand, underlined the benefits (innovation, market access, etc) of joint action: “They allow you to re-imagine your opportunities. (…) They create an opportunity to take it to a higher level” (ZM). The Cape Town cluster is for 2014 recognized as a World Design Capital due to these dynamics.

However, the collective efficiency framework addresses complex interrelations and one should be cautious of its limitations. Schmitz (1999) warns how: 1) a combination of passive and active collective efficiency does not explain everything (individual and joint efforts on the supply side need to be matched by efforts on demand side, as also mentioned by the coordinator of the Indalo project, who admitted it was sometimes difficult to get joint products sold in the market); 2) Both passive and active components can be disaggregated (static and dynamic external economies, static and dynamic joint action); 3) Disentangling the two concepts is difficult (joint action can give rise to external economies and vice versa); 4) Measurement is difficult (many overlapping categories and difficult to measure quantitative improvements following collaborations). The framework is nevertheless the most appropriate and extensive tool for analyzing cluster dynamics, especially with its focus on active joint actions.

The cases furthermore revealed interesting discoveries with regards to current discussions about the collective efficiency framework’s applicability. First of all, despite Porter’s (2000) suggestion that competition and cooperation can coexist to develop collective efficiencies, the fierce competition between firms in the Maputo cluster proved destructive to joint action formations. Porter admits that under certain circumstances cluster participation can retard innovation, for instance; “when a cluster shares a uniform approach to competing, a sort of
groupthink often reinforces old behaviours, suppresses new ideas, and creates rigidities that prevent adoption of improvements" (Porter, 2000, p. 24). Secondly, certain cluster behaviours were left unexplained by the framework. In both clusters, particularly in Maputo, there was evidence of disabling and weak labour market pooling because firms tended to rely on unskilled labour (lack of specialized labour) and these poor workers then set up their own competing firms, leading to “the formation of many tiny, inefficient enterprises that compete with one another” (McCormick, 1999, p. 1547). Such weak labour market pooling is characteristic of creative clusters (Evans et al., 2005) and is also described in the ‘entrepreneurship in development’ literature (Olomi, 2009; Amorós, Bosma, & Kelley, 2010). Finally, using collective efficiency in conjunction with creative clusters proved beneficial. In comparison to manufacturing efficiencies, the firms mentioned more qualitative benefits (e.g. innovation), which is in line with the more intangible value of creative works. There were also more informal agreements on joint action, as is common in the creative sector. Understanding these issues cannot be explained by firm actions alone, raising wider issues of local governance and institutions (Schmitz & Nadvi, 1999).

In unravelling how the institutional context influenced inter-firm growth within the clusters, Peng’s outside-in approach, examining linkages between institutions (formal and informal), organisations (firms) and strategic decisions (collaborate or not collaborate) presented a beneficial framework of analysis. The focus on both sector-specific (e.g. fragile SMEs), formal (e.g. lack of inclusive intermediary) and informal constraints (e.g. cultural tradition of individualism) was essential in understanding the local setting of the two creative clusters. Theory suggests that where formal support is lacking, informal institutions become particularly important (e.g. Maputo), but formal rules may also increase the effectiveness of informal institutions (e.g. Cape Town) (North, 1990, p. 46).

The importance of the informal relations and constraints (lack of trust, individualistic mentality, etc.) revealed by the data, especially in Maputo, was significant. Ironically, although personal connections were important in Maputo, there were limited social and professional relations between the firms in the cluster, despite their physical proximity. Theory suggests that, “where over-arching social networks are weak, inter-firm co-operation is limited” (Schmitz, 1995, p. 541). The challenge for the Maputo cluster is thus to establish a community of trust and a new mentality of collectivism with regards to the crafts in which productive networking can flourish. An earlier study suggests that purposive action can develop collective efficiencies even
in low trust environments (Morris & Barnes, 2006) and the signs of collective exporting in Maputo indicate that collective efficiencies are possible, yet extensive purposive action and informal network building is needed to develop this further. The cultural/historical explanations hinted at during the interviews represents a whole new field of inquiry to be explored through future research (using for instance social and cultural capital theory).

It is also significant that Cape Town offers a best practice example of how formal intermediaries and relational governance can enhance small-firm development and create a community of trust and partnership, as Cooke (2008) has suggested is possible. As such, the formal and informal institutions interact. When functioning properly, relational governance can even help reduce transaction costs so common in developing country clusters, “through reducing uncertainty and establishing stable structures that facilitates interactions” (Hoskisson et al., 2000, p. 253). However, this requires integrity of the intermediaries, as argued by Evans et al. (2005), without which the effectiveness of intermediaries as networkers is challenged, as seen in Maputo.

The non-institutional factors brought up by some of the firms, namely the lack of information (“information in Mozambique is like a commodity; nobody gives it to you for free”), time (collaborations can be time-consuming), skills (nothing to learn from others) and finances (joint action tends to be costly at first), must also be taken seriously. Although these factors are to some degree institutional (e.g. information channelled through intermediary), the resource-based view (Barney, 1991; Hoskisson et al., 2000) offers additional insight; firms engage in joint actions in order to fill their own resource gaps, but if other firms are unable to fill these gaps (as was suggested by some of the firms), the reasons for collaborating decreases. Put otherwise, weak skills and resources in a cluster limit external economies and joint action learning. In a 2008 article, Peng et al. recognize that institutional theory is one leg of the “strategy tripod”, the other two legs being the industry- and resource-based views. Firm strategy is thus determined by an intersection of internal (resources) and external (institutional) factors, as suggested by Hoskisson et al (2000), Meyer and Peng (2005), Peng et al. (2008). Peng and Hoskisson have thus departed somewhat from the purely institutional focus of McCormick and Schmitz. The resource-based view does not, however, provide an adequate explanation of the drivers and barriers to collective efficiency developments mentioned by the vast majority of the informants, namely the trust-issue in Maputo and the intermediaries’ networking role in Cape Town. Resources should therefore be seen as a complement, not a substitute, to institutional theory.
6.2. Validity and reliability of framework and methodology

The following section will discuss the overall correlation of the conceptual framework, situate the findings in the critical realist philosophy and evaluate the methodological choices taken.

According to the discussion in 6.1, there is empirically validated covariance between the elements of the initial conceptual framework (see Chapter 3): clustering leads to collective efficiency under certain institutional contexts. The analysis has also highlighted certain aspects and added others, underlined in the revised framework in Figure 5: formal and specific informal institutions are key; lack of resources within cluster can hinder joint action; joint action is needed for collective efficiency; supply networks and specialist labour are also key in creative clusters.

Figure 5: Revised conceptual framework

Using a critical realist approach has helped explain the covariance between the concepts outlined in figure 5; how certain phenomena (collective efficiency), visible through experiences (joint action, external economies), may arise from mechanisms (clustering) under certain conditions (institutional and resource specific). In evaluating the strength of a critical realist explanation, Yeung (1997) proposes two questions to consider; 1) When this mechanism is activated under appropriate circumstances or contingencies, will the proposed phenomenon occur? 2) Can this phenomenon be caused by other mechanisms? (p. 59). With regards to the first question, the collective efficiency phenomenon is observed in Cape Town when the clustering mechanism is activated (through joint action) under certain formal and informal institutional
conditions (and with the necessary resources), while the phenomenon is not visible in the Maputo context, where conflict and copying develop instead. In respect to the second question, resources have been added as a complementary factor, as underlined by some of the informants and as outlined in the previous subsection. The explanatory significance of resources alone is, as mentioned earlier, limited by the fact that so few mentioned them, especially in comparison to institutional reasons, mentioned by all. Finally, critical realism demands a special review of validity and reliability, as suggested in what follows.

Evaluating the internal validity, or the degree to which causal conclusions can be draw from a study, the above discussion shows how there is a qualitative causal relationship between collective efficiency developments from clustering and the institutional context (and to a certain degree the internal resources of the firm). Internal validity increased through a continuous conversation between data and theory. In an abductive manner, the framework, the theory, the cases and the empirical world influenced each other, which led to important discoveries, for example, the importance of informal institutions, which influenced the framework and led to further readings on the topics. In the end, the goal of this research, and critical realist research in general, is not to generate theory, but to examine cluster and collective efficiency theory’s applicability for creative industries in developing countries and contribute to theory development.

Beyond examining causal explanations, this thesis was focused on exploring and describing clustering and the collective efficiency phenomena in the two cities, as this had never been mapped before. Using an explorative critical realist approach (Jeppesen, 2005), as opposed to a purely intensive or extensive approach, was important in establishing an understanding of the area investigated and the perceptions of the phenomena according to involved parties. This allowed the informants to describe mechanisms not visible to the eye (like informal constraints) and consequently new discoveries emerged (e.g. critical importance of trust, integrity of intermediary, resource needs). The mapping of cluster characteristics and collective efficiencies limited the time spent exploring causal reasons, yet the latter would not have been discovered without the former, which supports the choices made.

Construct validity comes from identifying adequate operational measures for the concepts studied and ensuring the research measured what it was supposed to measure (acknowledging that critical realism is critical to the possibility of an absolute understanding of reality). Using multiple sources of evidence reinforced construct validity: the primary interviews gave first-hand
knowledge, and the secondary data and observations confirmed these trends and placed them in larger context. Moreover, a clear chain of evidence was developed (see conceptual framework in Chapter 2) and the firms’ and intermediaries’ responses confirmed each other’s contributions and the framework. Care was also taken to explore rival explanations to collective efficiency developments by asking open-ended questions. Finally, comparing two different institutional contexts enabled a better understanding of the mechanisms pushing for and constraining collective developments. The fact that the discrepancy in joint action would be so big or that trust/intermediaries would be so decisive may not have appeared by simply observing one cluster.

Good qualitative research should be reliable, meaning that another researcher could achieve similar results and findings with the data. This research used two primary tools to increase the reliability of the findings: documented data collection procedures and qualitative content analysis. Concerning data collection procedures, all of the data (extensive interview notes, Report analysis scripts, recorded interviews and observations) was carefully documented (see attached CD, content outlined in Appendix J). The extensive notes, written immediately after the interviews based on jotted notes and with citations from recorded interviews, enabled an accurate portrayal of the firms’ opinions. With regards to Mayring’s qualitative content analysis (2000), letting the codes, theory and data inform each other contributed to: an openness and ability to deal with complexity; a theory-guided (not driven) analysis; a concern with context; different sources (observations, reports, interviews); and an integration of quantitative steps of analysis necessary for such large sets of qualitative data (Kohlbacher, 2006).

There are, nonetheless, limitations with qualitative content analysis (Mayring, 2000), such as problems of inference: the possibility of drawing conclusions about the whole text on the basis of the text sample, and, on the other hand, about the underlying (theoretical) constructs such as motives, attitudes, etc., on the basis of the text. Concerns about coding and citations are also reiterated by critical realists, who argue for a contextual understanding of reality that sometimes cannot be observed by the eye or put into text. Incorporating as much data as possible in the analysis (through encompassing codes) and contextualizing the text evidence addressed some of these issues, yet the reality described is, according to critical realism, always subject to change.

In terms of external validity, these case studies do not attempt to be statistically generalizable. Instead, from a critical realist perspective “expansion and generalisation come from identifying the deep processes at work under contingent conditions via particular
mechanisms” (Easton, 2010, p. 126). As such, unveiling the dynamics and contextual prerequisites of collective efficiency developments in Maputo and Cape Town is a first attempt at exploring whether previously developed theory apply in such settings. Certain contextual factors (e.g. mistrust) may exist and influence other African creative city clusters. However, it is the sum of contextual factors that ensure or inhibit collective efficiency development and each new cluster therefore needs specific analysis. The findings from this research can nevertheless be a useful starting point for further intensive analysis or more extensive research.

Fieldwork on research gaps in another cultural context demands flexibility and openness. The semi-structured interviews enabled an in-depth understanding of a complex and unmapped topic seen from the firms’ perspective, something predefined quantitative surveys do not permit. It was therefore a conscious choice to spend more time with selected firms as opposed to brief conversations with a larger number. The informants engaged in the dialogue and the 26 firms and intermediaries I succeeded in talking to together gave a solid view of the two clusters, as outlined in Chapter 4. Depending on external intermediary recommendations for firms to interview (as was necessary due to limited time and resources) can, on the other hand, raise issues of bias (did the intermediaries suggest firms based on own criteria?) This is why some test-firms were also interviewed. The secondary reports were useful in situating the research, yet were not explicitly focused on clustering. With more time and resources, it would have been possible to interview more firms and in the long term perhaps also extend the analysis to include other case cities.

Finally, it is important to acknowledge the role of the researcher in the research process (reflexivity). During the research, I therefore kept a research diary (see extracts in Appendix J). On a practical level, the fact that I had previously visited both cities (for work and tourism) made it easier to get around in the short period for fieldwork. It was nevertheless a demanding fieldwork situation, which demanded my full concentration. On a more methodological level, I was aware that some informants might feel inclined to say positive things about the intermediaries and the other firms because of my outsider role. I therefore spent time clarifying my role as an independent researcher, urging them to speak their mind by ensuring confidentiality. It is impossible to fully evaluate the extent to which I was successful in this endeavour, but the informants said they were content with the interviews. As part of a qualitative scientific community, I wanted to ensure the voices of the informants were fairly represented and sent out summaries of the findings to the informants (see Appendix I).
Summing up, this discussion has shown how theories on clustering, collective efficiency, and institutional context enabled a valuable exploration of inter-firm dynamics in Maputo compared to in Cape Town. Certain new discoveries emerged from the data and contributed to theory development; notably the key importance of informal institutions, such as trust and cultural/behavioural constraints, and the fact that certain resources are needed within the cluster for joint action and collective efficiency to emerge. Other elements (such as the focus on institutions, joint action and intermediaries) were confirmed. These discoveries were made possible through a qualitative and abductive critical realist case study approach. The findings were valid (internal, external, construct) and reliable according to research standards and acknowledging critical realism. More time and resources would, however, have enabled interviews with more firms and a stronger focus on the explanative factors. The exploration of the large data compiled was also limited to the pages of the report. In the long run, extensive research would allow more aggregate conclusions not possible through an initial exploration.
7. Conclusion

Acknowledging that firms do not innovate or grow in isolation and that cluster collaboration can lead to knowledge externalities (Oyelaran-Oyeyinka & McCormick, 2007), this thesis set out to investigate: *To what extent do craft/design firms in Cape Town and Maputo cluster and under which institutional contexts does this lead to collective efficiency?* Through semi-structured interviews with twenty-two craft/design firms and four intermediaries from the creative cities Cape Town and Maputo (in addition to secondary data), the thesis has therefore: 1) explored and described the clustering tendencies in the cities (Section 5.1); 2) explored and described collective efficiency developments within the clusters (Section 5.2); and 3) explained how the institutional context facilitated or prevented collective efficiencies (Section 5.3).

The data, in sum, revealed that the two cities show signs of clustering (though to different degrees) and that collective efficiencies (specially joint action) are more developed in the Cape Town cluster, primarily due to institutional factors. More concretely, Tables 5 and 6 illustrate how all Cape Town firms engaged in joint actions and experienced some degree of external economies (though labour quality was poor), largely facilitated by an interconnected community and intermediaries like the CCDI. These direct engagements led to concrete improvements along the craft value chain, particularly as regards product development. In contrast, the tables show how the large majority of Maputo firms do not work with other firms, thereby limiting collective efficiency possibilities (e.g. limited client interest over time as products do not change). This is related to informal constraints (lack of trust, individualistic mentality, copying) and weak formal institutional support (few common platforms and weak integrity of intermediary). Considering the lack of empirical work on creative clustering and collective efficiency in African creative cities, this thesis contributes to a gap in research by providing new data.

Theoretically, the findings from the research inform cluster debates in several ways. Firstly, the research highlights the need for institutional/contextual analysis in all cluster and collective efficiency studies, and especially a focus on informal constraints and creative industry-specific features (social reasoning, weak labour connectivity, public support dependence). The findings also highlight the importance of the active side of collective efficiency, without which the Cape Town cluster would not have progressed in the same way. Furthermore, the research acknowledges the existence of conflict within clusters and describes clear barriers to synergy.
developments in developing country clusters. Finally, in addition to institutional explanations, some firms mentioned resource reasons for not entering partnerships (lack of funds, time, information and perceived benefits). Firm strategy to collaborate and develop synergies should therefore be understood in an intersection between external, institutional constraints and internal, resource configurations.

In conclusion, acknowledging the critical realist argument that “events arise from the workings of mechanisms, which derive from the structures of objects, and they take place within geo-historical contexts” (Sayer, 2000, p. 15), this thesis has analyzed how and why the collective efficiency phenomenon developed (or was prevented from developing) in the Maputo and Cape Town clusters and the mechanisms and contexts that influenced this development. The methodological choices (critical realism, abductive systemic combining, comparative case study) and the rigor of the data analysis (content analysis, document analysis) allowed for a valid and reliable exploration of the research question and confirmed (with slight adjustments) the conceptual framework stating that clustering leads to collective efficiency under certain institutional circumstances. The major implications of these conclusions are listed in the following chapter.
8. Perspectives

The main implications of the research project, both practical and academic, are listed below.

Firstly, the case studies provide data to support and explain why, as Report 2 and McCormick et al. (2007) suggest, creative clusters have unique potential to create exponential synergies and growth for creative industries and firms. To develop these advantages the Maputo cluster therefore urgently needs to create a community of trust. Collaborations do not necessarily need to be formalized, but the informal cultural and behavioural constraints must be dealt with. Physical infrastructure can, as seen in the area-specific districts in Cape Town, provide a space for initial contacts to be made. Collective exporting and purchasing is another area for further work, and the product quality needs to be improved. Future reports and research on creative cluster developments should therefore, to a larger degree, emphasize the growth advantages of strong cluster ties, and especially collective work: “the ‘glue’ which holds together the ‘pieces’ with respect to interactive cultural innovation” (Cooke, 2008, p. 28).

Secondly, more research is needed on best practices of cluster-supporting institutions for the creative industries in developing country contexts. What is needed is an “effective networking body including all role players which offers assistance to acquire contracts, with marketing, helping set up craft co-operatives and establish craft centres” (Report 2, p. 24). This networking body can also help all the stakeholders (firms, intermediaries, universities, trade shows, private firms, government, etc.) coordinate efforts amongst each other. It is furthermore crucial that formal players understand and incorporate informal constraints (e.g. trust, culture), which are interconnected with formal institutions in complex ways. The path of development of a cluster can be a combination of top-down, derived from formal planning, and bottom-up, emerging informally from within (Cinti, 2008; Chapain & De Propris, 2009), as seen in the case of Cape Town. Altenburg & Meyer-Stamer (1999) furthermore suggest that each cluster is unique and requires a tailor-made institutional approach.

Third, this thesis is only a first attempt of exploring an unattended terrain of research, and further work should address some of the new dynamics revealed in the thesis, for instance the resource perspective, illustrated by the following quote from firm 10: “that’s why Indalo, universities and all those things are important to us because we have to keep innovating, and we can only innovate if we have the right resources, and we can’t afford those resources, so we have
to collaborate with people on that” (RR). The cultural/historical constraints mentioned by some also require further inquiry. Considering what is now known, it would be possible to do further intensive studies and also more extensive analysis, looking at whether the causal links apply for larger population.

A fourth implication is that creative firm dynamics in developing countries is important for developmental reasons and thus requires more attention. Beyond firm growth, creative industries are seen as ways of “regenerating local communities and catalyzing entire cities; of diversifying traditional economies; of boosting human capital, skill levels and innovation; and of opening a door to the global knowledge economy” (Barrowclough & Kozul-Wright, 2007, p. 4). More research, focus and institutional support can ensure that such creative synergies develop.

In the end, it is important to underline that clusters are dynamic and change over time (McCormick et al., 2007). The Cape Town and Maputo creative clusters will not remain static in the descriptions outlined in this thesis, but will develop as new firms enter the cluster and new relationships are formed. This is in line with a critical realist research tradition. According to some informants in Maputo, there have been increasing efforts the last years to regroup in order to strengthen the sector together (e.g. FEIMA market), leading to an optimism amongst the firms: “I think Maputo, as a city, is ready for more collaborations, I think individuals are ready” (AS). Thus, clustering and collective efficiency is a learning process, and several of the Maputo firms admitted they have now come to realise how “You can’t do everything alone” (CM).
9. Bibliography


10. Appendices

A. One-page description of research project sent to informants
B. Map of South Africa
C. Map of Mozambique
D. Snapshot of CCDI map of craft stores in the city centre of Cape Town
E. Interview guide, firms and intermediaries
F. Overview of interviewed firms and intermediaries
G. Codes for content and document analyses
H. Overview of Reports for Document Analysis
I. Brief of findings sent to informants
J. Enclosed CD content
Appendix A) One-page description of research project sent to informants

CREATIVE SYNERGIES:
Craft/design inter-firm networks in Cape Town and Maputo

What are the objectives of the research project?
‘Creative Synergies’ is a research project that seeks to analyse how craft/design firms can benefit from clustering and inter-firm networks and how the institutional environment (network associations, etc) can support such developments, with a focus on the cities of Maputo and Cape Town.

Why is this important?
Cape Town and Maputo are two urban centres with great ‘creative city’ potential. Understanding how local networks function and how to support them is important to further unlock the entrepreneurial potential of creative enterprises.

What is the scope of the research project?
This is a Master thesis project at Copenhagen Business School. The results will inform UNESCO’s long-term projects within the creative industries in the region and will be made available to all firms and networks that participated in the project.

What study methodologies will be used?
To understand the perspective of the firms and the networks, semi-structured interviews will be conducted. The interviews will take around 30-45 minutes and will be in the form of an open, informal conversation. The write-up of the project will take place during the autumn of 2011 at Copenhagen Business School, with submission of thesis in December 2011. Fieldwork: from June 25th to July 13th (Cape Town) and from July 13th to August 2nd 2011 (Maputo).

Who is the researcher?
My name is Kaja Tvedten Jorem, I have a Bachelor of Arts with a major in Anthropology and a minor in Fine and performing arts, a Graduate Diploma in Cultural Management, and I am currently in the process of finishing a Master in Business and Development Studies at Copenhagen Business School. I have worked extensively with arts management in several countries and have visited Maputo and Cape Town on several occasions.

How can you benefit from the research?
A three-page summary of the findings of the research will be sent to all research participants and stakeholders. More documented knowledge on the benefits and prerequisites of local and international networks will be important for the continued development of the craft industry.

Your cooperation is very important to the project!
Contact: kaja.jorem@gmail.com
Appendix B) Map of South Africa

Appendix C) Map of Mozambique

Appendix D) Snapshot of CCDI map of craft stores in the city centre of Cape Town

Appendix E) Interview guides, firms and intermediaries

INTERVIEW GUIDE FOR FIRMS

• Thank you & Description of research objectives.
• Confidentiality & Recording of data + simple notes.

Themes:
• Benefits of Cape Town location
• Nature of cooperation with other firms
• Impact of cooperation on firm development/strengths.
• Best practices and challenges of cooperation with other craft firms.
• Importance of institutional support and network associations.

STRENGTHS (competitive advantage)
1) What is your firm’s strength? How have you developed your strengths? What are possible weaknesses? How do you deal with these? What is the history of your firm? Price, quality, production, distribution, retail, marketing, social outreach, delivery times, etc. Creation, production, distribution, retail/consumption.

LOCATION (externalities)
2) How have you benefitted from being situated in Cape Town/Maputo and the presence of other craft firms? (externalities) Market access? Labour? Technology? Other? Impact on your core strengths?

COOPERATION WITH OTHER FIRMS (joint actions)
3) What kind of concrete cooperation are you involved in with other firms? One-on-one, through association, with suppliers, with similar firms, formal/informal, formal/informal, etc. What benefits to you gain from these networks? Difficulties?

NETWORK MANAGEMENT (governance and intermediaries)

INSTITUTIONAL ENVIRONMENT
5) What (if any) support you receive from the institutional environment?
6) What do you lack support for? What difficulties does the institutional setting pose? How do you deal with these difficulties? Does the cooperation with other firms help? Do network organisations?

Any further comments, questions, clarifications? Written material? Debrief.

---

5 Market access, labor market pooling, inputs, technological spillovers.
6 Between firms, through association, with suppliers, with similar firms. Formal and informal.
7 Supporting organizations, such as financial institutions, chambers of commerce, trade associations, training organizations, local authorities and marketing and business support agencies.
INTERVIEWS WITH NETWORK ORGANISATIONS

- Thank you & Description of research objectives.
- Confidentiality & Recording of data + simple notes.

NATURE OF NETWORK ORGANISATION (mission, history, size, members).

LOCATION AND ITS BENEFITS (externalities)
1) Why is it important to be situated in Cape Town? Market access? Labour? Technology? Other?
2) How does this affect the strength/competitive advantage of the network and the firms (creation, production, distribution, retail/consumption)?

FOSTERING COOPERATION AND ITS BENEFITS (joint action)
3) How has your organisation been part of linking craft firms in Cape Town/Maputo? Between firms, through association, with suppliers, with similar firms. Formal, informal networks?
4) How does this cooperation affect the strength of the industry (creation, production, distribution, retail/consumption)?
5) How does this cooperation affect the strength of each firm? (Price, quality, production, distribution, retail, marketing, social outreach, delivery times, etc.)

MANAGEMENT (governance)
6) How do you manage your network? (Network creation, Decision making and governance structure, Exercise of leadership, Conflict resolution, Deployment of resources and benefits, Information processing, Knowledge capture, Motivation and commitment, etc.)
7) How are more informal networks between firms managed? Do you support this in any way?

INSTITUTIONAL SETTING
8) How does the institutional setting influence your work and the work of the firms?
9) How do you resolve institutional difficulties?
10) How do you evaluate your role as a creative intermediary between firms and public authorities?
11) What are key prerequisites to get firms and other actors (public, etc) to work together?

Any further comments, questions, clarifications? Written material? Debrief.

---

8 Market access, labor market pooling, inputs, technological spillovers. Other?
9 Between firms, through association, with suppliers, with similar firms. Other?
10 Supporting organizations, such as financial institutions, chambers of commerce, trade associations, training organizations, local authorities and marketing and business support agencies. Other?
Appendix F) Overview of interviewed firms and intermediaries

<table>
<thead>
<tr>
<th>Firm #</th>
<th>Initials, owner/s</th>
<th>Date of interview</th>
<th>Location of interview</th>
<th>Length of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>RJ</td>
<td>29.06.2011</td>
<td>Home studio</td>
<td>01:16:35</td>
</tr>
<tr>
<td>2</td>
<td>R</td>
<td>08.07.2011</td>
<td>Home studio</td>
<td>00:33:02</td>
</tr>
<tr>
<td>3</td>
<td>A, S</td>
<td>28.06.2011</td>
<td>Studio</td>
<td>00:50:08</td>
</tr>
<tr>
<td>4</td>
<td>LM</td>
<td>06.07.2011</td>
<td>Main office</td>
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</tr>
<tr>
<td>5</td>
<td>AI, D</td>
<td>12.07.2011</td>
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</tr>
<tr>
<td>6</td>
<td>B</td>
<td>11.07.2011</td>
<td>Retail venue</td>
<td>00:39:15</td>
</tr>
<tr>
<td>7</td>
<td>JK</td>
<td>06.07.2011</td>
<td>Main office</td>
<td>00:34:35</td>
</tr>
<tr>
<td>8</td>
<td>LR, RH</td>
<td>29.06.2011</td>
<td>Studio/office</td>
<td>00:34:57</td>
</tr>
<tr>
<td>9</td>
<td>JB</td>
<td>05.07.2011</td>
<td>Studio</td>
<td>00:38:10</td>
</tr>
<tr>
<td>10</td>
<td>RR</td>
<td>05.07.2011</td>
<td>Main office</td>
<td>00:35:25</td>
</tr>
<tr>
<td>11</td>
<td>OH</td>
<td>29.07.2011</td>
<td>Retail venue/studio</td>
<td>Not recorded</td>
</tr>
<tr>
<td>12</td>
<td>CM</td>
<td>20.07.2011</td>
<td>Main office</td>
<td>00:41:41</td>
</tr>
<tr>
<td>13</td>
<td>RS</td>
<td>14.07.2011</td>
<td>Driving to and from workshop</td>
<td>00:45:84 (several takes)</td>
</tr>
<tr>
<td>14</td>
<td>LJ</td>
<td>21.07.2011</td>
<td>Retail venue</td>
<td>00:48:13 (two takes)</td>
</tr>
<tr>
<td>15</td>
<td>K, M</td>
<td>18.07.2011</td>
<td>Studio/office</td>
<td>Not recorded</td>
</tr>
<tr>
<td>16</td>
<td>LM</td>
<td>25.07.2011</td>
<td>FEIMA market</td>
<td>00:47:03</td>
</tr>
<tr>
<td>17</td>
<td>F</td>
<td>27.07.2011</td>
<td>Studio</td>
<td>00:14:26</td>
</tr>
<tr>
<td>18</td>
<td>MR</td>
<td>29.07.2011</td>
<td>Office</td>
<td>00:33:36</td>
</tr>
<tr>
<td>19</td>
<td>AS</td>
<td>20.07.2011</td>
<td>Studio</td>
<td>00:44:08</td>
</tr>
<tr>
<td>20</td>
<td>MM</td>
<td>26.07.2011</td>
<td>FEIMA market</td>
<td>00:42:09</td>
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<td>21</td>
<td>AO</td>
<td>25.07.2011</td>
<td>Café</td>
<td>01:04:14</td>
</tr>
<tr>
<td>22</td>
<td>CZ</td>
<td>22.07.2011</td>
<td>FEIMA market</td>
<td>00:46:48</td>
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</table>

<table>
<thead>
<tr>
<th>Intermediary</th>
<th>Initials, contact/s</th>
<th>Date of interviews</th>
<th>Location of interviews</th>
<th>Length of interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCT</td>
<td>ZM</td>
<td>27.06.2011</td>
<td>CCT Office</td>
<td>00:57:11</td>
</tr>
<tr>
<td>CCDI</td>
<td>EE, MW</td>
<td>28.06.2011</td>
<td>CCDI Office</td>
<td>00:50:29</td>
</tr>
<tr>
<td>MDG-Fund Project</td>
<td>LJ</td>
<td>14.07.2011</td>
<td>UNESCO Office</td>
<td>00:53:48</td>
</tr>
<tr>
<td>CEDARTE</td>
<td>EM</td>
<td>19.07.2011</td>
<td>CEDARTE Office</td>
<td>00:52:45 (two takes)</td>
</tr>
</tbody>
</table>
Appendix G) Codes for content and document analyses

1. FIRM INFORMATION
   a. Size
   b. Age
   c. Customers
   d. Reasons for creation
   e. Structure (family, one-person-does-all, etc.)
   f. Retail options
   g. Export market
   h. Main challenges (costs, timely delivery, etc.)

2. CLUSTERING TENDANCIES
   a. Geographic concentrations
   b. Sectoral concentrations
   c. Specialist labor and supply networks

3. EXTERNAL ECONOMIES (technical spillovers, market access, input effects, labor pooling)
   a. Cape Town particularities
      i. Specific cluster areas (all of the above)
      ii. Vibe/mentality to support local (market access)
      iii. Tourists (market access)
      iv. Artistic hub (labor pooling)
   b. Maputo particularities
      i. Raw material challenge (lack of input effects)
      ii. Lack of business skills (lack of technical spillovers)
      iii. Family collaboration (labor pooling, input effects)
      iv. Logistically important city (market access)
      v. Lack of design environment (lack of input effects)
      vi. Poor information flow

4. JOINT ACTION
   a. Horizontal (with other craft/design firms, both national and international, cross-disciplinary and same sector) and vertical (with suppliers, with communities, with other sectors).
   b. Bilateral (between two firms, through contacts, through trade shows, through conferences) and multilateral (groups of firms work together through intermediaries, through specific projects, through cluster space).
   c. Formal and informal

5. INCREASED COMPETITIVE ADVANTAGE (COLLECTIVE EFFICIENCY)
   a. Creation (Product development, practical advice on suppliers, etc.)
   b. Production (Share material supply, share orders, labor pooling, technical input, etc.)
   c. Retail (Marketing, etc.)
d. Distribution (Common exporter, etc.)
e. Other (Moral support, CSR, cooperation skills, etc.)

6. CRAFT SECTOR PARTICULARITIES
   a. Emerging sector
   b. Little money
   c. Quality issues
   d. Delivery issues
   e. Sustainability issues
   f. Design awareness (craft/design)
   g. Labour costs
   h. Word-of-mouth marketing
   i. Market access

7. FORMAL INSTITUTIONAL ACTORS (supporting organizations, such as financial institutions, chambers of commerce, trade associations, training organizations, local authorities and marketing and business support agencies)
   i. Government
   ii. Tourism institutions
   iii. Universities
   iv. Private firms
   v. Aid institutions
   vi. Financial institutions?
   vii. Chambers of commerce?
   viii. Trade associations?
   ix. Business support agencies?

8. INTERMEDIARIES
   a. Roles
      i. Gatekeeper: providing support services
      ii. Broker: agent between practitioners and providers
      iii. Information resource: providing access to information
      iv. Initiator: calling for filling of gaps in existing support
      v. Business support provider: offering planning services and signposting
      vi. Advocate: giving voice for networks/enterprises
      vii. Networker (e.g. linking industry actors, linking firms)
      viii. Bank (e.g. financial guarantee, sponsoring trade shows).
   b. Management/structure
   c. Development
   d. Partners (complementary or competing?)
   e. Issues (dependency, representativeness, competition amongst intermediaries, lack of formal expertise, funding, unclear structure)

9. INFORMAL INSTITUTIONS
   a. Trust
      i. Mutual benefit
      ii. Copying
iii. Competition
b. Cultural/historical aspects
   i. Mentality
   ii. Poverty
   iii. Insider/outsider
c. Behavioural aspects
   i. Personality
   ii. Personal connections

10. ALTERNATIVE EXPLANATIONS
    a. No support provided from other
    b. Information
    c. Time
    d. Long-term investment needed
# Appendix H) Overview of Reports for Document Analysis

<table>
<thead>
<tr>
<th>#</th>
<th>TITLE</th>
<th>AUTHOR, date</th>
<th>PURPOSE</th>
<th>METHODS USED</th>
<th>RESERVATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Cape Craft and Design Institute Impact Assessment Summary Report</td>
<td>Impact Consulting, February 2007</td>
<td>Measured the impact of CCDI programmes from November 2001 to March 2005 on crafters and their support needs</td>
<td>Semi-structured interviews, focus groups, telephone interviews, email questionnaires, case studies (122 persons interviewed)</td>
<td>Lack of crafter involvement in assessment; no information on networking function</td>
</tr>
<tr>
<td>2</td>
<td>Audit of Craft Assets in the Western Cape</td>
<td>Steve Kromberg and Erica Elk, July 2000</td>
<td>Extensive audit of craft industry in the Western Cape, providing historical overview, quantitative data, institution review.</td>
<td>Research review, survey consisting of face-to-face interview (42) and questionnaires (49), SWOT analysis</td>
<td>Little economic data available from the traditional sources</td>
</tr>
<tr>
<td>3</td>
<td>Strategic Recommendations for the Development of the Craft Industry in the Western Cape</td>
<td>Kaiser Associates, July 2003</td>
<td>Overview of key strategies for the CCDI to consider in its development</td>
<td>Based on the input received through the workshop and other interactions. Industry analysis and Exporters Manual</td>
<td>Focused only on US and UK export markets and the fashion and home textiles sector</td>
</tr>
<tr>
<td>4</td>
<td>Value Chain Analysis of the Craft Sector in Maputo, Inhambane and Nampula</td>
<td>CEDARTE, October 2009</td>
<td>First thorough analysis of craft sector in Mozambique</td>
<td>Value chain analysis (focus groups, survey, interviews, secondary sources). 385 persons involved</td>
<td>First of its kind; difficult to reach all crafters</td>
</tr>
<tr>
<td>5</td>
<td>Contract for Joint Programme on Strengthening Cultural and Creative Industries and inclusive</td>
<td>Key stakeholders, July 2008</td>
<td>Outlines institutional background and programme goals for MDG-Fund Joint Programme</td>
<td>Unknown</td>
<td>Focused on Programme details</td>
</tr>
<tr>
<td>No.</td>
<td>Study Title</td>
<td>Author(s)</td>
<td>Methodology</td>
<td>Limitations</td>
<td></td>
</tr>
<tr>
<td>-----</td>
<td>----------------------------------------------------------------------------</td>
<td>----------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Mid-Term Evaluation, Strengthening Cultural and Creative Industries and inclusive policies</td>
<td>Nader Metwalli, June 2010</td>
<td>Evaluation mid-term of Joint Programme goal achievements and recommendations for further work</td>
<td>Desk study, country visits, semi-structured interviews. OECD/DAC criteria of evaluation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Limitations mentioned include language, time, project management</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Evaluation of the Craft Sector Innovation and Development Programme</td>
<td>Mthente Consulting, June 2nd 2011</td>
<td>Assessment of the impact of the Craft Sector and Innovation Development Programme for the SADC region, funded by the Kellogg Foundation and implemented by the CCDI</td>
<td>Desktop study, interviews with stakeholders (12), survey of craft producers (60) from six SADC countries (including Mozambique and South Africa)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Not all stakeholders interviewed; possible positive bias; self-administered survey; mostly from South Africa</td>
<td></td>
</tr>
</tbody>
</table>
Appendix I) Brief of findings sent to informants (page 1 of 2)

CREATIVE SYNERGIES
BRIEF – Main findings of research project on clustering and collective efficiency in creative cities Cape Town and Maputo

This brief presents the main findings from the research project ‘Creative Synergies’, which investigates the cluster\(^1\) dynamics and collective efficiency\(^2\) developments amongst craft/design firms in the creative cities Cape Town and Maputo (fieldwork from June to August 2011).

**GOAL:**
The research, which forms the basis of a Master Thesis at Copenhagen Business School, aims to explore the extent of clustering of craft/design firms in the two cities, to describe whether clustering leads to collective efficiency and to explain the institutional contexts (formal and informal) in which such developments occur or are prevented from occurring.

**METHODS:**
- Qualitative comparative case study.
- Semi-structured in-depth interviews with 22 key craft/design firms (10 in Cape Town, 12 in Maputo) and 4 creative intermediaries\(^3\) (2 in Cape Town, 2 in Maputo).
- Document analysis of 7 official reports on sector developments.

**MAIN FINDINGS:**
The data suggests that craft/design firms cluster within Cape Town and Maputo city boundaries, but while collective efficiency developments are common in Cape Town (through joint action between firms and strong intermediary support), they are very rare in Maputo (few inter-firm projects due to low trust and limited institutional support).

<table>
<thead>
<tr>
<th>CAPE TOWN FINDINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Clustering tendencies:</strong> Reports and interviews confirmed Cape Town as an interactive and dynamic cluster, with several sub-clusters (e.g. Old Biscuit Mill) and webs of supporting specialist labour and supply networks.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Collective efficiencies observed:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External economies</strong></td>
</tr>
<tr>
<td>Improved market access</td>
</tr>
<tr>
<td>Some technological spillovers</td>
</tr>
<tr>
<td>Labour market pooling (yet quality issues)</td>
</tr>
<tr>
<td>Limited input effects</td>
</tr>
<tr>
<td><strong>Joint action</strong></td>
</tr>
<tr>
<td>Joint projects with other firms and with suppliers common</td>
</tr>
<tr>
<td>Extensive bilateral joint projects (firm-to-firm)</td>
</tr>
<tr>
<td>Many multilateral venues and projects (e.g. trade shows)</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
</tr>
<tr>
<td>Product/design developments</td>
</tr>
<tr>
<td>Some sharing of resources</td>
</tr>
<tr>
<td>Joint marketing</td>
</tr>
<tr>
<td>Limited common distribution</td>
</tr>
<tr>
<td><strong>IN SUM</strong></td>
</tr>
<tr>
<td>Collective efficiency from extensive joint actions + external economies</td>
</tr>
</tbody>
</table>

**Institutional explanations for extensive collective efficiencies and joint action noted:**
- “Mentality of collaboration” and general trust amongst actors.
- Strong intermediaries (Cape Craft and Design Institute and Creative Cape Town) providing spaces for collaborations (workshops, discussions, joint projects, etc).
- Several formal platforms for networking (Design Indaba, Indalo project, etc).
- Some public and private financial support for joint projects

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\(^1\) Clusters are agglomerations of firms from specific sectors within defined geographic areas.
\(^2\) Collective efficiencies are competitive advantage improvements (concrete joint actions, external economies) that emerge from clustering.
\(^3\) Creative intermediaries are network organizations mediating for industry support.
CREATIVE SYNERGIES

BRIEF – Main findings of research project on clustering and collective efficiency in creative cities Cape Town and Maputo

MAPUTO FINDINGS

Clustering tendencies:
Maputo is the creative hub of Mozambique and current initiatives (like the MDG-Fund project and the FEIMA market) are involved in further developing the cluster.

Collective efficiencies observed:

<table>
<thead>
<tr>
<th>External economies</th>
<th>Some degree of increased market access</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No technological spillovers</td>
</tr>
<tr>
<td></td>
<td>Labour market pooling (yet quality issues)</td>
</tr>
<tr>
<td></td>
<td>No input effects</td>
</tr>
<tr>
<td>Joint action</td>
<td>Limited collaboration with other firms or suppliers</td>
</tr>
<tr>
<td></td>
<td>Limited bilateral joint projects (firms say they work alone)</td>
</tr>
<tr>
<td></td>
<td>Limited multilateral venues (FEIMA is a good exception)</td>
</tr>
<tr>
<td>Benefits</td>
<td>Limited product/design development</td>
</tr>
<tr>
<td></td>
<td>Limited joint marketing</td>
</tr>
<tr>
<td></td>
<td>Joint exporting common (through intermediary)</td>
</tr>
<tr>
<td>IN SUM</td>
<td>Limited collective efficiency due to few collaborations</td>
</tr>
</tbody>
</table>

Institutional explanations for limited collective efficiency and joint action noted:

- Competitive environment and very low trust due to copying issues (collaborative partners steal ideas and set up competitive business)
- Limited networking platforms supplied by local intermediary CEDARTE (its business branch is by some viewed as competition)
- Supposed “individualistic mentality”, due to poverty and history
- Minimal involvement from public or private institutions, and universities
- Poor information about other firms

SOME RECOMMENDATIONS FOR INCREASING COLLECTIVE GROWTH:

1) Establishing an interconnected community of trust: collaborations require trust amongst firms, and formal cluster projects can be part of fostering such trust (e.g. Design Capital bid in Cape Town).

2) Developing networking role of intermediaries: platforms to network and initiate joint projects are important and intermediaries should try to develop such spaces. It can also be beneficial to encourage specific mentorship relations amongst members.

3) Encouraging support from public and private institutions: local government and businesses should be made aware of clustering benefits and urged to support such initiatives.

4) Improving information flows: a key barrier to inter-firm collaborations is the lack of information about other firms and offers, which can be improved by more frequent meetings and improved communication.

5) Focusing on regional learning options: there are plenty of best practices to share amongst SADC countries, and initiatives like the joint Kellogg’s project should be continued and others started.

THANK YOU to all the firms, intermediaries and others who participated in the research project!

Contact: kaja.jorem@gmail.com

Image p. 1 : Indalo project (Nicci Drzewicki/Streetwires)
Image p. 2 : Indalo project (Nicci Drzewicki/Wola Nani)
Appendix J) Enclosed CD content

- The Master Thesis ‘Creative Synergies: clustering and collective efficiency amongst craft/design firms in Cape Town and Maputo’.

- Audiofiles of recorded interviews:
  
  Firm 1  
  Firm 2  
  Firm 3  
  Firm 4  
  Firm 5  
  Firm 6  
  Firm 7  
  Firm 8  
  Firm 9  
  Firm 10  
  Firm 11  
  Firm 12  
  Firm 13  
  Firm 14  
  Firm 15  
  Firm 16  
  Firm 17  
  Firm 18  
  Firm 19  
  Firm 20  
  Firm 21  
  Firm 22  
  CEDARTE  
  CCDI  
  CCT  
  MDG-Fund Project

- Example of extensive field notes (firm 1). All available upon request due to confidentiality.

- Example of coded data (firm 1). All available upon request due to confidentiality.

- Example of document analysis (Report 7). Others available upon request.

- Extracts of research diary and observational notes