

Clusters of Creativity:
Innovation and Growth in Montana

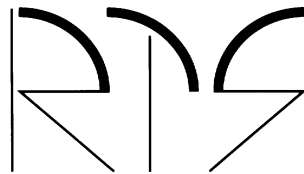
The Creative Enterprise Cluster

A Report to the Montana Governor's Office
of Economic Opportunity



**Clusters of Creativity:
Innovation and Growth in Montana**

**A Report to the Montana Governor's Office of Economic
Opportunity on
The Creative Enterprise Cluster**



**R E G I O N A L
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**Regional Technology Strategies Inc
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Prologue: Industry Clusters in Montana

In the Spring of 2002, the Montana Governor's Office of Economic Opportunity embarked on a bold new direction in pursuing the state's economic development. After meeting with leading national experts and consulting with the Montana business community, the state's economic "stewards" embraced the most innovative and promising new approaches to developing good jobs, prosperous businesses, and a competitive Montana economy for the 21st century. The new approaches work from the simple premise that Montana's existing businesses are the state's most important assets. Their entrepreneurial energy and skills represent the state's most efficient source of economic growth. They have chosen to be in Montana for a reason.

This paper represents a single chapter taken from a report conducted by Regional Technology Strategies, Inc., (RTS) that was delivered to the Montana Governor's Office of Economic Opportunity in May 2003. It examines Montana's existing and nascent industries as a set of "clusters." A cluster is defined, in simplest terms, as a geographic region containing enough companies that have similar or related needs and interests to generate external economies of scale and produce innovation. Ultimately, these innovative businesses are likely to export more goods and services outside of the state, creating jobs and wealth for Montanans. To "supercharge" their potential and the state's economic wellbeing, economic development leaders at the state and local levels can focus on working together to organize the state's services in a way that helps them compete and grow, and help the businesses themselves organize to collaborate in ways that enhance their competitive standing. In tandem with this report, RTS also conducted an assessment of innovation and entrepreneurship support capacity within Montana's regions.

The study therefore focused on the questions: Which industries are the drivers of Montana's economy; where, if anyplace, are they clustered; how does this translate to advantage for the industries; and what further advantages can be developed to accelerate growth? The full report analyzes the state's assets and opportunities and recommends a set of cluster-based policies and strategies designed to strengthen its regional economies. It identifies existing and nascent clusters, assesses their strengths, challenges, and potentials, and recommends actions for building and elevating their respective competitive positions. The report also focuses on small, creative, and innovative businesses that are particularly important to Montana's economic success.

We have chosen to analyze six value-added clusters, which represent important regional economic drivers in some depth. The clusters were selected because (a) they already have a significant scale and therefore are important to Montana's overall economy and (b) they comprise very different kinds of industries in different stages of growth.

- The **creative enterprise cluster**, and the **experience enterprise and tourism cluster** encompass products and services and convert Montana's unique culture, heritage, and natural resources into economic advantages.

- **Wood-based industries** and **food processing** are traditional industries important to the state for many decades.
- **Information technology** and **life sciences**—often grouped under the term “New Economy”—are ascendant clusters that have not yet reached their potential.

Some businesses cross the boundaries of these clusters such as agricultural biotechnology (agriculture and life sciences), or custom furniture design firms (wood and creative enterprises, complicating efforts to say just how much of Montana’s economy is involved in these ventures. Nonetheless, a rough estimate is that one-fourth of Montana’s business establishments and just under one-fourth of the state’s employees are involved in these clusters. Cluster members comprise a larger proportion of the state’s highest value-added industry and, we believe, are a significant source of its future growth.

In addition to the industry clusters examined by this report, many other industries employ large numbers of people and produce significant revenue. These include embryonic clusters such as aerospace, environmental technologies, and health care planners, as well as mature clusters such as oil and gas or metalworking. The goal of this report is not to be the “last word” on Montana’s industries of importance, but rather, to help Montana begin to build more effective structures and programs to work with the six clusters and empower the state to be a more effective partner to all of the state’s industries.

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The Creative Enterprise Cluster

“The creative centers tend to be the economic winners of our age.”

Richard Florida, *The Rise of the Creative Class*, 2002.

In Kalispell, “Artisan Doors and Millwork” designs customized wood doors for homes and businesses. Creative woodworkers and designers work with artists (via contractual agreements) who specialize in materials such as glass, bronze, and wrought iron to create heirloom-quality doors. Founded in 1995, this business now employs 22 people. It produced between 1,300 and 1,400 doors last year for customers as far away as the U.S Air Force Base at Guam. Doors range from a one of a kind to standardized basic products that allow customers to select and add artistic designs and features. CEO Stephen Anderson would like to expand the scope of the company’s art to reach markets in different cultures—for example, by contracting with Asian artists to design doors for buildings in Japan and China. With assistance in reaching international markets, the company could quickly grow to more than 100 employees.

While art, design, and innovation are important dimensions in all of Montana’s clusters, the creativity associated with art and design is an economic force that produces jobs and wealth in its own right. In Montana, the companies and individuals that produce and use creativity of form, design, and language are the basis for the “creative enterprise” cluster. This cluster consists of all enterprises in the state whose principal competitive advantages are derived from appearance, form, or content that either distinctively define or are embedded in products or services. Personal relationships among the individual, entrepreneurs, and firms that conceive the art and innovations and the customers who value and use them, are factors that bind this cluster together. Various associations, non-profits, and networks contribute social capital that helps to sustain the relationships and enable them to draw inspiration from each other.

Montana has two assets that have attracted the large numbers of creative and talented people who contributed to the development of the creative enterprise cluster. The first is a combination of the state’s biodiversity and low population density along with its western history, independent lifestyle, and cultural amenities. These characteristics have led to enclaves of creativity, especially around universities and vacation areas. Talent attracts talent. But as the enclaves grow they also tend to gradually spread into smaller cities and towns across the state. The second asset is the homegrown talents of people in rural areas and on reservations that have been honed over long periods of rural self-sufficiency and are now being turned into commercial endeavors—knitters, weavers, woodworkers, canners, and potters.

Creative enterprises comprise a cluster unlikely to experience the kind of explosive growth associated with “New Economy” clusters or to produce a company that will become a Cisco or Intel. Success instead will be measured by slow and steady growth and will depend heavily on an area’s ability to maintain a high quality of life and offer supportive and accepting environment, social infrastructure, and tailored support

services. A few entrepreneurs may achieve national and international recognition and some will find commercial outlets and move to scale through mass reproduction or publication. *This development of this cluster will most likely be characterized by a thousand flowers blooming, not a few volcanic eruptions.*

A Who's in the Creative Enterprise Cluster?

A creative enterprise cluster is impossible to define using only conventional databases. Only enterprises with employees that are clearly defined by the design or content of their products or services can be identified by a standard industry classification. Some of the classifications included in the creative enterprise cluster are graphic designers, architects, interior decorators, advertising agencies, and public relations firms.¹ Many firms that rely on design and art are subsumed under more general classifications. Weavers, for example, may be under textile or apparel companies, and fine furniture crafters, found among furniture manufacturers. And ten of Montana's foundries—a classification not typically part of a creative enterprise cluster—produce art. Knowing which are "creative enterprises" depends on gaining access to local knowledge. Some of the companies may be listed by state manufacturing directories, but the largest numbers are micro-enterprises, individuals, freelancers, and part time (secondary) businesses that collectively generate significant income. Some are captured by the U.S. Department of Commerce's Non-Employer Statistics, but most are unrecorded except in the decennial census. To count these, one has to rely on the membership lists of their associations and guilds.

To estimate the true scale of the cluster (Table II-1) we have combined information from ES-202, non-employer statistics, state directories, and associations. The cluster is organized into three tiers: (1) those individuals (and enterprises) who derive their income from the art, craft, and words they produce with their hands or from their minds; (2) those firms that convert them into commercial products or ventures; and (3) those enterprises that apply art, design, and creative writing to other areas of commerce. (The cluster definition used limits its core membership to industries that add value to their regions and thus may leave out some personal service industries that rely on art and creativity.)

The first tier of the "Creative Enterprise Cluster" consists of individuals and free lancers that do not employ anyone, although they occasionally work with apprentices or family members. These are the artists, crafters, writers, actors, poets, designers, and composers who produce one thing at a time. For example, the state is home to some 1,600 visual artists. Some members of this tier ultimately turn their output into commercial products. For example, books are printed and sold by publishers and distributors, art may be converted to lithographs and posters by printers and sold in bookstores as well as galleries, and some sculptures are cast and reproduced in quantity by foundries. These small independent entrepreneurs comprise a very small but important core of the cluster, with many valuing recognition and lifestyle over commercial pursuits. In the 1990 census one of every 80 people in the state's labor market was a working artist. The actual number of people who make a living from creative enterprise alone is not known. For

example, the Montana Arts Council lists more than 5,800 artists in the state, and the true number may be much higher. For some people the arts are a supplementary income that allows them to engage in other valued but marginal economic activities, such as farming and ranching.

The second tier of the cluster consists of the artisan-entrepreneurs and small to mid-sized firms that can meet a larger market demand. These companies may be family enterprises, non-profits, or for-profit corporations. They include potteries that design and then use production processes to replicate their designs in large numbers of functional pieces, production weavers, photographers who produce multiple copies, a small—but potentially large—movie industry; companies that manufacture high-end furniture or home accessories; and theater troupes. This tier also includes larger enterprises that are able to incorporate art into products that can be manufactured and into services that can reach mass markets. Clay and glass products, lithographs, publishers, motion picture, and sound studios are organized into enterprises that can achieve scale.

The third tier consists of the specialized service companies and freelancers that design, deliver, and produce creative content in various forms. It includes graphic designers, advertising and public relations firms, film and video companies, multimedia companies, decorators, building and landscape architects, web designers, periodical and news publishers, and advertising agencies. These companies provide the artistic and creative content—and thereby competitive advantage—to a large number of more conventional clusters such as construction, furniture, consumer appliances, electronic products, and apparel.

The three core tiers of individuals and enterprises that rely on creative talents depend on various support enterprises, suppliers, market outlets, educational institutions, associational structures and suppliers (see Figure II-1 in Section C).

- *Support service* enterprises include the talent agencies, accounting, and law firms and handle the business side of small enterprises; network administrators that provide technical support; and bookbinders, packagers, and studios that help turn concepts to products.
- *Supply chain* firms includes companies that provide the materials that are used in the cluster, such as silicon, clay, pigments, wood, wool, precious gems, crews for film industries, and those companies that make the equipment and technologies, such as kilns, presses, sound systems, cameras, optical and imaging equipment, specialized software, and computers.
- *Market outlets* are enterprises that add value to the final sale, such as galleries, exporters, publishers, shops, web designers, e-commerce support companies,

and dealers that wholesale and retail the goods and services. These enterprises also support and are bolstered by the tourism and culture cluster.

- *Human resources* are developed by high schools, colleges, and universities, and non-profits that offer programs of study, short refresher courses, workshops, and/or lectures related to arts, crafts, and entertainment and support industries such as printing and publishing, advertising, design, and graphic arts.
- The *associational infrastructure* provides social capital, information, ideas, and scale efficiencies. Many of the specialties within the cluster have their own non-profit organizations and networks, such as the weavers' guilds, writers' centers, performing arts consortiums, and art galleries associations. In addition, there are smaller regional networks of talented people with common interests.

Using conservative figures, the cluster (Table II-1) accounts for more than four percent of the state's establishments with employees, more than five percent of all establishments, and about four percent of the state's workforce. The location quotient (LQ), which is a measure of the relative concentration of a set of companies in the state compared to the relative concentration of the same set in the entire nation, is above the national average for employees and slightly below for all establishments. As seen in Table II-3, however, in certain regions and for certain parts of the cluster, the relative concentrations (location quotient) are quite high.

The true scale of this cluster, however, can only be estimated. To arrive at a reasonable estimate of the total establishments, self-employed, and employees, we combine data from the 2001 County Business Patterns, 2000 Non-employer Statistics from the U.S. Census Bureau, 2002 Montana Manufacturers Directory, and information collected within the state. Standard data in almost all instances have been found to undercount the number of enterprises in a given industry classification, and the smaller the size of the enterprise the more likely it is to be missed. The number of artists, writers, and performers, for example, was 34 in the County Business Patterns, 1,970 in the 2000 Census of Non-employer Statistics, and 5,835 in a list compiled by the Montana Arts Council.

Table II-1
Estimated establishments, employees, and individuals
Creative Enterprise Cluster by sector, 2001

NAICS	Type	Firms w/Empl	Firms w/o Empl.	All Firms	Total Employees	Total Workforce
32311	printing	95	20	115	400	420
3366	bronze castings	10	-	10	120	120
3231	art glass	7	-	-	13	13
3269	pottery	17	-	17	127	127
3911	jewelry, metals	26	-	26	262	262
316	boots & saddles	17	82	89	155	235
3993	signs, advertising	95	-	95	368	368
45121	book stores	57	87	144	539	626
45322	gift stores	202	292	494	970	1,262
45392	art dealers	52	91	143	107	198
5111	publishers	136	-	136	2,264	2,264
512	movies, sound	79	112	191	677	789
5414	design services	68	331	399	360	691
54131	architects	98	157	255	578	735
54132	landscape arc	27	68	95	135	203
5418	advertising	104	262	366	779	1,041
54192	photo services	61	319	380	183	502
7111	performing arts	7	52	59	28	80
7115	artists, writers	-	5,800	5,800	0	5,800
-----	non-profit arts*	88	-	250	2,475	2,475
	TOTAL	1,273	7,673	9,936	10,765	18,436
	State Total	31,849	70,243	102,092	296,220	366,463
	Percent of State	4.00	10.92	9.73	3.63	5.03
	Cluster LQ	1.05	0.84	0.88	1.21	1.16

Sources: 2001 County Business Patterns, 2000 Non-employer Statistics from the U.S. Census Bureau, 2002 Montana Manufacturers Directory, Montana Associations and Councils.

* From 1997 study of "Economic Activity of Non-Profit Arts Industry," Montana Arts Council.

B Geographic Concentrations

Although talent is dispersed across the entire state, there is a tendency for the companies with employees that comprise this cluster—particularly the creative services in the third tier—to be concentrated in and around a few cities, such as Missoula, Bozeman, Kalispell, Livingston, and Billings. Some individual artists, crafters, and writers are clustered in these places simply because they initially were drawn to Montana or supported in their efforts by the universities, creative arts schools and workshops, or residencies in these cities. The creative writing program at the University of Montana-Missoula, the Rocky Mountain School of Photography, and the ceramic residency workshops of the Archie Bray Foundation bring people to the state who may stay or later return. But others—especially those whose work is inspired by the scenic beauty of the forests, mountains, lakes, rivers, waterfalls, and other wilderness areas—might live almost anywhere in the state.

Once a pocket of talent of preeminent people in a creative field forms and attracts attention from the national media, it draws other artists or writers, talent-based companies that want to locate in or near a community of creative people, talented students, and tourists who become potential customers (see Inset II-1). While Montana’s visual artists tend to be located in the western third of the state along the continental divide and writers in Livingston and Missoula, there are smaller concentrations of artists and crafts people making significant contributions to their local economies in Billings and in many of the smaller mid-state towns. Bigfork, with a population of 3,500, has eleven artists studios/galleries, seven art galleries, two theaters, and two bookstores. “Montanans,” Neal Peirce and Jerry Hagstrom wrote, have thought nothing of driving hundreds of miles for a high school football game or a social occasion, a practice untrammled by the transition from days of cheap gasoline prices.”ⁱⁱ

Inset II-1: Italy’s region of Emilia-Romagna, which is widely known as the world’s prototypical clustered economy, has extended the industry cluster concept to its arts and entertainment sectors, which are major attractions to the region. Based on existing concentrations, the regional government has designated certain places as leading centers for various aspects of the arts and culture. The city of Modena, also home of Ferrari and Lamborghini, is designated lead center for theatre. Parma, also known for ham and cheese, is the center for opera. Ferrara is designated lead for art exhibitions, Reggio Emilia for dance, Ravenna for archeology, and the capital city of Bologna for orchestra.

Art also flourishes on the reservations in products that are part of the cultural heritage of the tribes, as cottage industries, and in historically accurate clothing and household products. A number of Montana Indian artists are internationally known in their fields. Each of the tribes builds on its traditions to make products that are sold to tourists and contribute to their economies. Most of the businesses, however, are family run and, as their children pursue educational paths that lead to careers off the reservations, owners pass on their skills to apprentices.

Region	Artists	Artists Per 1000 people
West	1,926	7.2
Southwest	2,163	10.4
South Central	524	3.3
North Central	781	4.1
East	457	6.0

Source: Montana Arts Council, 2003.

Table II-2 shows where artists tend to live. The Southwest is the highest in number and concentration, but the East, with the lowest number has a higher concentration than the central part of the state. Examples of regional differences for a few selected industry classifications are shown in Table II-3. The eastern half of the state has many people earning income from their creative talents, but they are so dispersed it is harder for them to gain advantage from clustering. The existing local clusters need umbilical cords or

must find innovative ways to connect and communicate to be able to enjoy some of the benefits of the state's efforts in this cluster.

Table II-3 Concentrations of Selected Types of Companies by Region, 2001				
Sub-cluster by region	Employees	LQ	Firms	LQ
Independent Artists				
West	726	1.78	-	-
Southwest	566	1.79	-	-
South Central	369	1.14	-	-
North Central	227	1.13	-	-
East	82	0.89	-	-
STATE	1,970	1.40		
Publishers/Art Dealers				
West	1,232	1.35	137	1.26
Southwest	985	1.39	117	1.31
South Central	756	1.04	88	1.16
North Central	557	1.24	63	1.15
East	202	0.98	38	1.42
STATE	3,732	1.19	443	1.16
Design Companies				
West	512	0.84	128	0.74
Southwest	486	0.81	102	0.90
South Central	612	0.65	70	1.11
North Central	253	0.60	46	0.74
East	178	0.47	18	1.13
STATE	2,041	0.85	364	0.68

* Self-employed only.

Sources: 2001 County Business Patterns, 2000 Non-employer Statistics from the U.S. Census Bureau.

C The Bigger Picture: Impacts on the State's Economy

The impacts of Montana's creative enterprise cluster on its economy extend far beyond the direct and indirect jobs created and revenue generated by the companies within the cluster. A brief from the National Governors' Association, for example, lists additional economic benefits of arts and culture: as inputs to manufactured goods and services, as contributor to a quality of life that attracts talent in other fields, by creating a milieu that encourages innovation, and as a positive impact on education—particularly for soft skills.^{iii iv} An additional impact is the ancillary income earned from arts and creativity by families that allows them to remain in their business of choice, which may be a family farm, ranch, or some other small business.

Improving product appeal

Major and often under-utilized impacts to the economy are the advantages firms in other clusters get by integrating original art and design into their products, services, and marketing campaigns. The work of artists and writers may be incorporated in doors, lamps, cutlery, furniture, and clothing; or writers create language for advertising

materials, web sites, and films. The most successful consumer products of any kind depend on aesthetic design to differentiate them from other products on the market and to justify a higher price (see Inset II-2). Quality of course is important, but among products with relatively similar levels of quality, the look and feel is important to consumers. Industrial designers are becoming the rock stars of the consumer products sectors, the key to competing with lower or similar cost rivals (see Inset below). Many Montana producers of household products such as furniture and kitchenware have used design to their advantage. But the opportunity to expand the state's manufacturing base in niche products by use of its artistic talent exceeds its current application.

Inset II-2: Art in Products Two large corporations that successfully integrate art into their products are Kohler and Alessi. The Wisconsin-based Kohler Company, founded in 1873 and the first to manufacture four legged bath tubs, has as its mission to improve the level of gracious living of all who are touched by our products..." The company invites internationally recognized artists into its pottery and iron foundry to contribute to its product design, and has translated art into innovative products while supporting the arts.^v Alessi, based on Lake Maggiore in the remote foothills of the Alps in northern Italy, makes 3,000 kitchen products using wood, porcelain, plastic, and stainless steel. Alessi's owner uses imagery to make the connection to art: "production and design are like the earth and sky—you need to link them to provide life." Alberto Alessi believes that "even in the area of ordinary household products, people require some art and poetry to add to their lives Our job is to provide them."^{vi}

The attraction of creativity for talented people talent based enterprises and tourists

According to Richard Florida, the nation's creative centers are thriving not as a result of such traditional advantages such as access to natural resources, transportation, or tax breaks: "They are succeeding largely because creative people want to live there," in places where "all forms of creativity—artistic and cultural, technological and economic—can take root and flourish."^{vii} While all of the standard indices for amenities favor major cities and smaller university cities, many analysts have noted the attraction of natural amenities that surround small cities and towns. Kotkin calls these smaller magnets for talent and creativity "Valhallas." Some of the most talented people have come to Montana from other areas without any recruitment subsidies, perhaps settling in the state after attending university, vacationing, participating in a workshop or summer institute, or visiting colleagues and friends.

Creating an innovative milieu

Nearly any type of creative endeavor makes people more flexible and creative in their approach to work. A strong arts culture in a region—and in a company—establishes an innovative environment that can reach into other aspects of a person's life. For that reason some of the nation's leading companies encourage their employees to engage in artistic pursuits. They realize that it gets them to think "outside of the box."

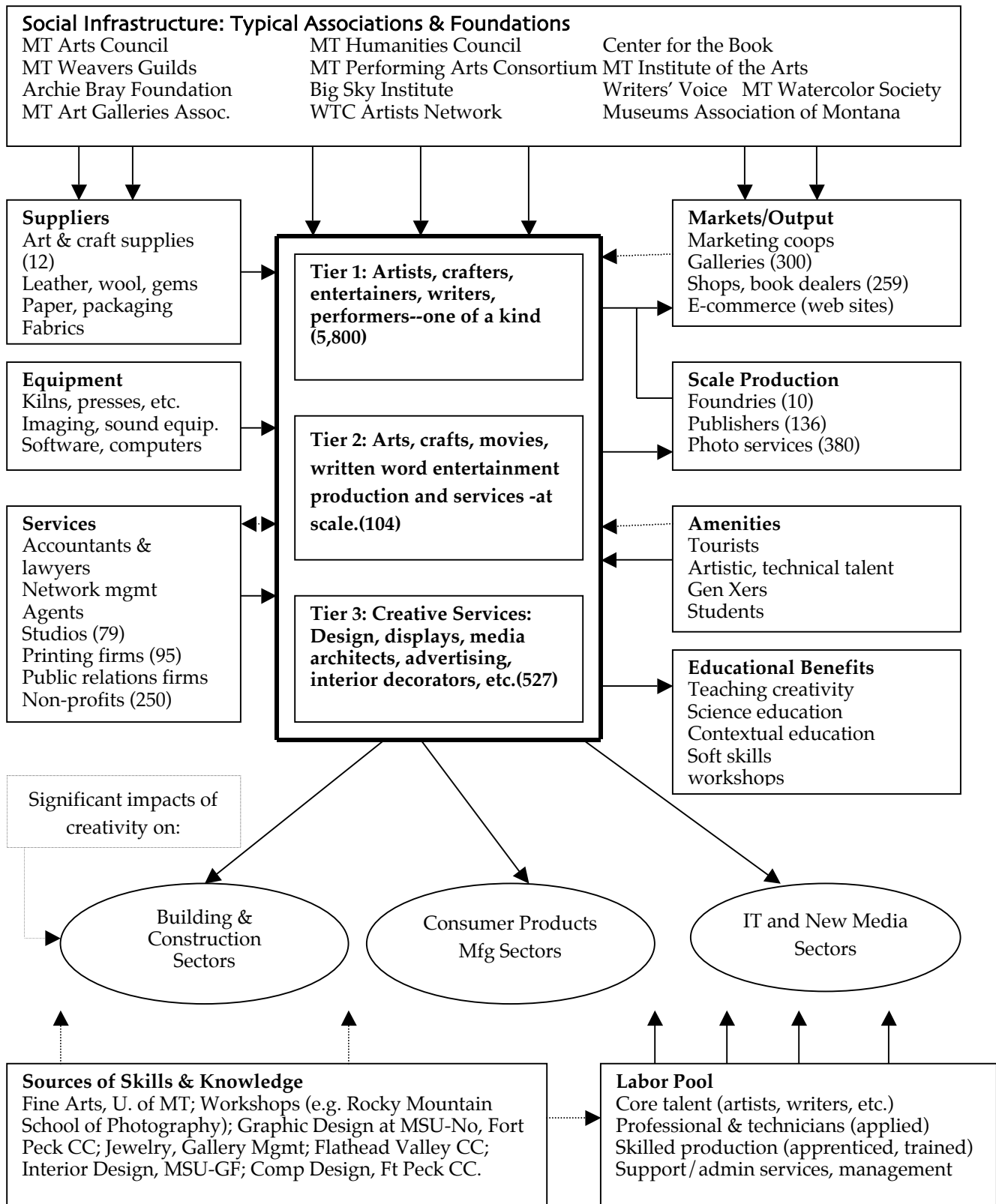
Enhancing education and training

Young people who study art, according to research, perform better in other school subjects and have a more secure sense of their abilities. Art, often an elective or at best a low priority among school subjects, has in fact been shown to enhance learning according to a May 2002 Issue Brief from the National Governors' Association.^{viii} Children who study art are: four times more likely to participate in a math and science fair, four times more likely to be recognized for academic achievement, three times as likely to be elected to class office, and four times more likely to win an award for writing an essay or poem. As occupational programs search for ways to produce graduates with the soft skills employers so often find lacking, the arts offer a potential solution. One expert found that participation in arts develops skills for finding multiple solutions to problems, adaptability, decision-making skills, and visualization of goals and outcomes.^{ix} Creative writing is another art form that improves performance. Through the Montana Writing Collaborative, for example, Montana writers work in schools with children to help them learn to express themselves in writing.

Ancillary income

Few farms and ranches are able to be sustained on the income from those activities alone. The American family farm has stayed viable because family members earned income off the farm. In the South, factory work supplemented farm income. In Montana, the supplementary income is more likely to come from arts, crafts, or tourism. Many of the weavers and spinners in the eastern half of the state, for instance, are members of farm or ranch families. While some creative people use other jobs to allow them to pursue their creative goals, others use their creativity to let them remain in a family enterprise or in a community that lacks enough good full-time jobs to sustain the population.

Figure II : Montana Creative Enterprise Cluster



D Profiling the Creative Enterprise Cluster

Because the creative content of its products and services defines this cluster, the factors that describe this cluster's strengths and weaknesses will be atypical. For example, this cluster's labor force depends on creative people, some of whom may feel unsuited for a more conventional workplace. Its distribution channels are directed to customers who value the aesthetics of a product as well as functionality. Few places, if any, have treated creativity as a cluster. A few have combined arts with tourism and entertainment, as an experiential cluster, but not as a type of product. An analysis of Portland, Oregon come closest to the cluster described in this section, but it uses a more restrictive definition. Therefore, the following profile, which uses the same seven factors as more conventional clusters, helps to establish Montana's creative enterprises as a benchmark for creative clusters in other areas.

Skills & labor

The cluster relies heavily on people with creative minds and highly developed skills. Many of the creative skills and interests of Montanans are developed at an early age, as a result of a supportive parent, teacher, or friend. Children are influenced by how their schools teach and reward creativity. Although the Department of Public Instruction has no positions for the arts, the subject does have its supporters. Schools are required to offer the fine arts to meet state accreditation standards. During the elementary school years there are no specific time requirements. During the two middle school years students are required to take one unit and during the four years of high school, to take two units. But the budget crisis has cut resources back to "bare bones," which makes it difficult to find much choice in the state's small rural districts.

a Higher education

Even though formal credentials may be less important to success in this cluster than talent, experience, and demonstrated abilities, many people still depend on higher education to find out if they have the talent they need to succeed, to hone their skills or, in those parts of the cluster where it matters, to earn the credentials. Montana institutions of higher education have some sequenced programs that prepare people for careers in fields where art, aesthetics, and creativity are essential but few of these courses in the arts are required to graduate in those occupational fields (Table II-4).

Within the educational system, the colleges list in their catalogues various programs matching the skill needs of this cluster that are not among courses that have any students enrolled in 2000-2001. At the two-year degree level, these listed courses include jewelry, museum/gallery management, and computer graphics. No technical or community college in Montana focuses on design, and only four programs include the word "design." The total number of completed associate degrees or certificates in any field matching the definition of this cluster was 42, and 25 of these were in drafting. The enrollments were considerably higher in baccalaureate programs at Montana universities. One of the state's best-known and largest programs is the film/video program within arts and architecture at Montana State University. With approximately 600 students enrolled (about 55 percent are from out of

state), it is one of the largest in the western states. The program’s faculty members are mostly producers themselves and, as a result of the movies, documentaries, television shows they make, add significantly to the state’s economy. Some relevant programs may also be embedded under other names because of the standardized educational program coding system used by states.

Degree programs alone, however, do not adequately reflect the educational opportunities oriented towards this cluster. Some acquire knowledge and skill in programs in which art and design are included as incidental, not primary, goals. Educational institutions generally offer optional courses such as graphic design, architectural drawing, printing technology, journalism, multimedia, and advertising under business or general studies. The tribal college Salish Kootenai, for example, offers three-credit courses in sculpture, star quilt making, beginning and intermediate silversmithing, ceramics, art & design, welded metal sculpture, water color, printmaking, and painting. Here, students took 289 different arts classes last year, with the largest enrollments in star quilt making (57), welded metal sculpture (42), glass/rock etching (30), and drawing (30). In addition, 57 students took courses in film and video. Fort Peck Community College offers color and design, sculpture I & II, jewelry making, photography/digital imaging, ceramics, and American Indian Art Studio.

b Informal learning

In many sectors of this cluster formal credentials are less important than experience and demonstrated abilities. Many of the most creative and innovative people who apply their talents to products and services do not have degrees in art or design. Tacit knowledge is highly valued within the creative enterprise cluster, and people of all ages and backgrounds come to Montana to observe, converse with, and work with artists and artisans and try to absorb some of the knowledge they carry in their heads that is never recorded. That informal learning is likely to occur in apprenticeships, residencies, workshops, seminar series, or summer institutes. For example, the Rocky Mountain School of Photography has workshops across the state; the Archie Bray Foundation conducts ceramics residencies, workshops, and classes; and in Missoula three dance studios organize workshops. Other creative people develop their skills while earning a living in another field or, as in many rural areas, learn them at home and turn them into products that can replace or supplement family income. Some eastern Montana farmers, for example, have commercialized products that once may have been made only as a hobby.

Table II-4 Less Than Baccalaureate Programs and Completions*, 2000-2001		
Program	2-Yr	Certificate
Design & Drafting	MT State Univ-COT Billings (20) MT Tech (11) MSU-Northern (4)	MSU-Billings (1) MT Tech (0)
Arts Management	Flathead Valley CC (3)	
Interior Design	MSU-GF (3)	
Design and Applied Arts	Western MT College (0)	

* Completions in parentheses
Source: Montana University System

Table II-5 Completions in University/College Programs, 2000-2001			
Program	School	BA/BS	Masters
Architecture	MT State-Bozeman	7	46
Architectural environ. design	MT State-Bozeman	47	-
Interior architecture	MT State-Bozeman	1	-
Communications/Creative Writing	Univ. of Great Falls	3	-
	Carroll College	16	-
	MT State-Northern	2	-
Visual & Performing Arts	U of MT-Missoula	57	25
Journalism	U of MT-Missoula	42	13
Mass communications	MT State-Billings	6	-
Public relations	Carroll College	17	-
	MT State-Billings	18	-
Radio & TV	Univ of MT-Missoula	12	-
Dance	Univ of MT-Missoula	0	-
Graphic Design, Comm Art	MT State-Northern	6	-
Drama/theater arts	Carroll College	6	-
	MT State-Billings	1	-
	Univ of MT-Missoula	5	0
Acting & directing	Rocky Mount. College	2	-
Film/video making, production	MT State-Bozeman	80	-
Art, general	MT State-Billings	8	-
	Univ. of Great Falls	3	-
	MT State-Bozeman	59	7
	Rocky Mount. College	0	-
Creative writing	Carroll College	2	-
	Univ of MT-Missoula	-	15
Drawing	Univ of MT-Missoula	6	-

Source: Montana University System

Relationships and social capital

Networking and informal learning are perhaps even more important to those working in creative enterprises than to employees and employers in other manufacturing sectors. The creative worker must be able to keep up with trends in the field, market opportunities, and new techniques and technologies, and to do so depends on networks, associations and guilds, and friends and acquaintances. The fact that people who work alone or in very small enterprises much of the time dominate this cluster contributes to a strong culture of association and collective activities. Despite the perception that artists are “loners,” nearly all interviewed mentioned the value of companionship, opportunities for exchange of ideas, and a need for recognition by friends and peers. One writer opined that artists and writers comprise a “small world” where everyone knows each other. Creative people who travel to meetings, workshops, and shows build even more extensive networks and contacts. But it is the regional networks that really sustain the cluster.

The associative structure of the cluster is more apt to be along shared interests within the cluster. Just as the social capital of many high tech clusters is not association among companies but association among engineers, or human resource managers, or purchasing agents; symphonies, weavers, potters, and web designers have their own networks and

organizations. They associate for marketing and promotion, learning, cost sharing, and accessing services.

Facilitating relationships, a wide range of non-profit associations that serve various interests represent the creative enterprise cluster (Table II-6). In the arts sector in particular, non-profits provide both a social infrastructure and source of services. Furthermore, these associations are important sources of employment and income, and contribute to the sector’s productive capacity. ^x A study in the mid-1990s of non-profit arts organizations in the U.S. found that they employed 1.3 million people and had expenditures of \$36.8 billion that supported another 0.9 million full-time employees. An economic study of this sector conducted in 1997 for the Governor of Montana confirmed this impact. The state had 250 non-profit organizations for the arts that contributed between \$25 and \$30 million to the economy and provided about 2,500 full- and part-time jobs.

Another way cooperation is expressed is by sharing space. Since space requirements are minimal and rents sometimes high, buildings can serve a number of small businesses. The historic Emerson in Bozeman, for example, is a two-story former elementary school that now houses seven galleries, 11 fine art shops, six workshops, four jewelry makers, three dance studios, seven music studios, two theatres, two graphic designers, and others.

Finally, creative enterprises market cooperatively. The Muddy Creek Artisans brings 17 heritage artisans together to learn about skills like packaging, customer relations, marketing, making business projections, and to set quality standards. Regional weavers’ guilds and crafts cooperatives also have proven to be effective networking environments.

Association	Location	Members	Services
Montana Association of Weavers’ & Spinners	Butte	9 affiliates	Conferences, workshops, lectures, juried shows, map of weavers
Missoula Quilters Guild	Great Falls,	150	Bi-annual shows, networking, children’s projects
Montana Art Gallery Directors’ Association	Great Falls		Organizes tours, disseminates tech. Information, procures public and financial support
Montana Watercolor Society	Havre	200	Organizes shows, workshops, develops presentations, newsletter, annual meeting
Montana China Painting Art Association	Helena	-	Professional development and annual show
Montana Dance Arts Association	Bozeman	80 350 students	Workshops, scholarships, communications, travel stipends

Source: Web sites, Brochures, Montana Council on the Arts

Although most of the members of the cluster value associations and tend to be joiners (even if all are not active), regular interaction is much more difficult to sustain in the less populated eastern Plains counties. The Eastern Montana Fiber Arts Guild centered in Bloomfield has

had to suspend its operations as its member weavers have aged and have become less willing to travel the distances necessary to meet. The Guild’s President would like to have closer contact with other weavers but feels isolated from her Montana peers.

Suppliers and services

Because the key ingredient in this cluster is knowledge, the most important input is human capital. Suppliers do not need to be nearby since most materials are easily purchased from distributors—with few exceptions. Landscape architects, for example, benefit from access to plants that can be examined and selected, manufacturers of niche consumer products benefit from the proximity of key suppliers, and interior decorators often prefer goods made locally by artisans whom clients can meet. Southwestern Montana is a rich supplier of clay for ceramic companies and potters across the nation, and access to this supply may create some advantage. The film and video industry needs access to full production crews and specialists from riggers to stuntmen, as well as the equipment.

But for the majority of firms, access to suppliers and equipment manufacturers is handy but not a significant advantage. Close access to knowledgeable supply and equipment distributors, and support services is far more important than proximity to the companies that actually manufacture the supplies or equipment. The Archie Bray Foundation, for example, and sells clay bodies, glazes, and other ceramic supplies and materials. The Foundation also advises ceramic artists on equipment investments, and sells and services the equipment. Associations and non-profits are major players in this cluster, providing not just a collective voice but offering a wide array of services (Table II-7).

Association	Location	Staff	Services
Montana Association of Symphony Orchestras	Bozeman	Part-time	Conferences, networking, sharing resources
Muddy Creek Artisans	Vaughn	1	Marketing, setting quality standards, education, preserving artisan skills, business skills.
Archie Bray Foundation	Helena	8	Workshops, residencies, community classes, shows, source of supplies, equipment, technical support
Montana Writers' Voice	Billings	1	Workshops, classes, readings, rural arts education programs, assists new artists
Montana Film Center	Livingston	Volunteer	Creates awareness of & promotes industry, advises, informs individuals in the industry, organizes conferences
Montana Arts Council	Helena	9	Promotes art and culture, awards grants, technical assistance, strategic planning, research
Montana Arts Foundation	Bozeman	2	Strategic planning, budgeting, bookkeeping, conferences, grant writing, IT, marketing
Montana Performing Arts Consortium	Bozeman	Part-Time	Supports arts in small communities, annual conf., block booking, some grants

Source: Web sites, Brochures, Montana Council on the Arts

Marketing and delivering products and services

Marketing outside the region is generally difficult for individual artists, writers, and crafts people, many of whom lack business acumen and interests. They tend to rely on intermediaries—galleries, shops, agents, publishers, advertisers, and state promotional efforts to find customers. The Emerson in Bozeman, the Carbon County Arts Guild, and the Depot Gallery are studios/businesses/galleries that aggregate products and services and therefore attract more potential customers. Some artisans and artists turn to their associations and non-profits for assistance with marketing. The Muddy Creek Artisans represents a number of people in rural areas who produce to supplement income and survive—people who, with a little marketing support, could turn their skills into full-time businesses. The Paradise Valley Arts Association works to promote the 35 to 40 artists in and around Emigrant. Many of the associations or co-ops list members' work in catalogs or on websites. Some will also design a member's website and perhaps represent them at galleries and shows. Art Montana has a website that lists 240 artists, ArtNatAm is a website that lists 44 Native American artists, and the Rocky Boy Artist Co-op helps distribute art.

Despite the efforts of the associations to build websites and organize shows and the efforts of the State to help market, creative enterprises with interests in growth and expansion find it difficult to efficiently market their products. The owner of Weave Montana in Bloomfield, with some luck, has found a couple of good customers in the East that order woven textiles in volume, but she believes there is a large untapped market. With a little help finding a few more volume customers, she could easily employ a significant number of people in this isolated community. Muddy Creek Artisans has struggled to get support for its marketing efforts and has not yet gained the support of Travel Montana. One photographer said, "The state of Montana is just not getting it that [the arts] would be a big draw for the state.... I've been to other states and they [the arts] are magnets." The Montana World Trade Center manages to help a few creative enterprises find overseas markets, such as a recent showing of Montana artists in Ireland. But the scale compared to potential markets is miniscule.

Transportation of goods is not a problem. The special packaging, shipping, and insurance services for goods are available in the standard chain mailing houses, federal express, UPS, and other multinational services. Content, of course, is easily transmitted over the Internet. The larger transportation problem is personal travel. Getting customers to come to fairs and shows is made difficult by the cost and time to get to Montana, especially from the eastern half of the nation.

Technology and innovation

Innovation lies at the core of this cluster and represents its strongest competitive advantage. Technology and the creative arts are increasingly intertwined through computer based design, drafting, and graphic arts programs; filming, digital photography, art, and music; optics and imaging; and web-based marketing. Firms with products that incorporate art into products and creative content into services also use a variety of industrial and information technologies to meet market demand. Proximity to the developers and producers of the technologies is perhaps less important than it is in embryonic or mature clusters, but nonetheless it is an advantage. Access to the experts among companies in the supply chains

who keep abreast of new market technologies suffices and is an adequate substitute for most of the enterprises and entrepreneurs in this cluster.

Despite the use of technology in some parts of the cluster, however, businesses in this cluster are not typically associated with highly advanced technology. The technology of the New Media industry, for example, is assumed to rest in its delivery, not in its content. The technologies associated with handicrafts are often developed by an individual and shared informally. The technologies used by architects and designers are most often the products of the information technology sectors and are used as they become commercially available (see Inset II-3).

Inset II-3: The EnergyXchange In rural Yancey and Mitchell County in the Appalachian region of North Carolina, local developers found an innovative way to use the methane gas given off by decaying trash to power the technologies of a range of creative enterprises and encourage entrepreneurs. Through the joint efforts of the Blue Ridge Resource Conservation and Development Council, HandMade in America, and Mayland Community College, a six-acre plot was converted into incubator space for glassblowers, ceramic artists, and horticulturalists. A row of Quonset huts and greenhouses house the studios of the resident artisans, who each pay between \$200 and \$350 per month rent and can remain for up to three years. The facility also has a public art gallery and visitor center. The methane gases captured that would be released into the atmosphere are the equivalent of removing over 21,000 cars from state roads and should be able to provide sufficient power for up to 20 years. The proximity to the internationally renowned Penland School of Crafts helps attract tourists year round. The community college teaches the artisans business management and marketing skills. Funding has been provided by the Appalachian Regional Commission.^{xi} See <http://www.energyxchange.com>.

Entrepreneurship and capital

The creative enterprise cluster is made up largely of entrepreneurs. The innovator or person with creative and artistic talent flourishes in an independent work environment and often does not easily fit into the traditional corporate structure. Further, the capital investments needed to start many of the enterprises based on art and design is relatively low. Those that move into scale production may need equipment and technology but often can share it.

The capital required to start a creative enterprise is low compared to the “New Economy” clusters or to more traditional production-based clusters. But because they are unable to promise rapid growth and because the products’ value is based on market tastes instead of needs, they attract little capital.

Equity and opportunity

Creativity is a trait that crosses class, race, and gender. While people who have the resources to support the development of their skills or to help them make connections for marketing what they produce, many benefit most from creativity: the talent is found in all cultures and all communities. Thus, creative enterprise clusters are found in many low-income communities in developing countries (e.g., Oaxaca, Mexico and Cusco, Peru) and in poor parts of the U.S. (e.g., the musicians of the Mississippi Delta and crafters on many Native American reservations).

This cluster, which depends on infrastructure and high levels of formal education less than most clusters, is able to reach all parts of Montana. It is particularly important to the Native Americans, who have long art and craft traditions. This cluster also has an influence on youth, especially in rural communities, by engaging them in the arts and using that to spur educational aspirations and attainment. The Writers Voice of Billings, for example, has special programs to go out into the schools and get rural and Native American students interested in reading, writing, and the arts.

E Challenges and Possibilities

This cluster, given its intrinsic value and potential impacts on other clusters, has not by any means reached its full potential. Perhaps because it is so dominated by entrepreneurs and micro-enterprises, it lacks the recognition of the “New Economy” clusters as a job and wealth generator and is rarely ranked on lists of regional economic development priorities except as it affects tourism. The legislature’s appropriation in 2003 for state arts agencies in Montana on a per capita basis ranks 47th in the nation. The film industry, despite some outstanding and well-connected talent, support crews, and an outstanding university program, has not been able to compete with states and countries that offer tax incentives or subsidies to major production companies.

The universities have good programs for this cluster, but below the university level support is weak and not commensurate with its impacts on economy. Creative enterprises, even though they derive most of their incomes from out of state, lack outlets for marketing, especially outside of the U.S. The growth among artists could also be slowed by significant change in the ecology and population. Much of the attractiveness of the state as a place to live and work and as a creative environment is the scale of life and access to natural diversity and beauty.

This cluster offers three important opportunities with substantial potential for Montana that go beyond the growth of the cluster itself:

- The ability to transfer creative art to products in other industries. Industrial design is an undervalued asset in the U.S., and Montana has a chance to take advantage of it.
- The attractiveness of the cluster as an amenity that draws “New Economy” firms and potential entrepreneurs. People in many growth industries have told us that they choose to do business in Montana because of its amenities, not the conventional factors of production.
- The third is the chance to use local art to establish Montana as a recognized brand name for products. Montana is already capitalizing on this opportunity, but could emphasize it even more.

Table II-8 Cluster Competitiveness Factors		
Factor	Rating	Comments
Skills & labor	9	The level of talent is very high and the state has the amenities to attract more talent. Informal sources of training are excellent and university programs good.
Relationships & social capital	8	Most companies are part of some formal association and networking is the norm. The one gap is in the most isolated areas.
Suppliers & services	4	Most supplies plentiful through regional distribution channels, not original manufacturers. Expertise, however, is available.
Marketing & transportation	2	Limited support, most not well connected outside of state; depends on individual random contacts.
Technology & innovation	8	Ideas flow easily and this cluster is nationally known for its innovations and advanced techniques.
Entrepreneurship	3	Low start-up costs but little support.
Equity & opportunity	7	No educational barriers, talent exists independent of race or class.

* This table is a subjective assessment of the factors compared to other clusters in the U.S., to the best of our ability, using a scale of 1 = low to 10 = high.

The information provided above leads to the estimates of relative strength shown in Table II-8. The cluster rates high on its talent, social infrastructure, innovativeness, and equality of opportunity. It rates low marks in its supply chains, entrepreneurial energy (mainly for growth enterprises), access to markets, and ease of transportation, particularly of people.

F Suggested Actions

The creative enterprise cluster is an important asset for Montana, not only as an amenity that attracts talent and investment but also as an industry in its own right. Creativity is the key to making globally competitive products in areas with relatively high labor costs. It's the secret of the success of consumer product clusters in places like Scandinavia, Germany, and northern Italy, where labor costs are higher than Montana's. The following nine recommendations are aimed at establishing the state as a prime location for any businesses that rely on art, design, and creativity in appearance, form, or word. Some lend themselves to statewide implementation, and others require a regional presence for maximum effectiveness.

Recognize and develop measures for the economics of the creative enterprise

The arts are too often viewed as a "frill" in economic analysis and not as a major source of growth and advantage, in part because very small enterprises and individual contractors dominate them, not large employers. Recent studies measure the relationships between creativity and technology-based development but fail to measure the value of the creativity itself. Creativity is a primary competitive advantage of many Montana companies in other clusters as well as the core of a cluster itself. The Montana Arts Council's Strategic Plan for 2001-2006 presents a number of useful recommendations (e.g. a one-stop shop for artists and artisans).

Action: The State and the Montana Department of Commerce should treat this as an area for potential growth, promoting its products and encouraging talented people and small companies to move to the state.

Expand emphasis on design competencies in secondary and higher education

The aesthetics of design are vastly underappreciated in most American industries. The auto sector finally gets it; the subtitle of a December Economist article was “forget engineers, designers are the rock stars of the car industry.” One way to bring more recognition to the contribution of aesthetics as a competency is to integrate art, creativity, and design into the educational system, as the Northern Economic Initiatives Corporation attempted to do in Northern Michigan with Suomi College (see Inset II-4). Montana already has a wealth of talented and artistic people, and Montana could become the West’s center for product design. A small number of two-year colleges in different parts of the state should be designated as Design Colleges. These colleges would build different types of expertise, take responsibility for benchmarking exemplary practices at other colleges, and develop curricula to be shared with other institutions.

Action: Increase the emphasis on art and design in the high school and college programs, offer concentrations in design for talented students, and investigate the possibility of establishing a full scale design center at a college and university in the state.

Inset II-4: Business-Based Finnish Art and Design in Northern Michigan Suomi University, located on the northern tip of Michigan’s Upper Peninsula (UP) 150 miles from the nearest interstate highway and a day’s drive from the closest large metropolitan area, has developed a means for weaving together business and entrepreneurial education with art and design in its programs. The economy had been hit by downturns in its main industries, logging, mining (copper and iron ore), and fishing, and two local air force bases were closed due to military downsizing. The only bright spots were tourism and technology. To link art and business enterprise, the college turned to Finland’s Kuopio Academy of Crafts and Design for inspiration and assistance. The resulting program in Business-Based Finnish Design provides students with an education both in design and in business/entrepreneurial practices, giving them the business acumen and design skills to succeed as employees and as independent business people. In addition to providing students with experience to students, this gives companies access to design expertise of students and faculty that is rare in rural (and urban) economies. Originally a two-year college (named Finlandia) offering certificates and associates degrees, Suomi University has recently expanded and became a four-year university.

Recruit technical talent

The existing creative enterprise cluster could become a major marketing tool for the state, complementing the draw of the state’s natural resources. The state ought to develop a state “brand,” not only for artists but also for its creative environment and support structure. Branding the state as a “creative” place can be used, as economic geographers like Richard Florida and others have shown, to recruit talented university faculty members, professionals, researchers, small and mid-sized companies, teleworkers, and independent contractors who will be able to expand the economy, blend into it, and enhance the creative impulse.

Action: Offer incentives, perhaps in the form of a one-year housing allowance or tax credits, to entrepreneurs and people who have demonstrated creative talents with the potential for producing goods or attracting tourists and who choose to live in less prosperous parts of state.

Establish a statewide one stop resource center

The one-stop resource center would serve as a broker for existing resources and services and develop enough support to fill existing gaps in services. For example, many small entrepreneurs lack the skills and/or interest in marketing and managing their businesses. Marketing, in particular, is difficult, especially for artisans in rural areas. The typical means of shows and exhibits are expensive and time consuming. An organization that provides technical assistance and information at low costs, matches artists with possible customer companies, and aggregates needs would enable artisan firms to expand their markets. Currently some non-profit associations provide some of the needed services but fall short of the resources needed to operate at scale and to reach the outer regions of the state, including the reservations. Most also address only a sector of this cluster. This center should have a specific focus on all creative enterprises and be staffed by people who understand the arts. It could also match artists/designers with companies that make goods or services anywhere, branding Montana as a major source of creative content for industry.

Action: The state should establish and staff a cluster one-stop resource center, with enough outreach offices to serve distant parts of the state, that is responsible to the cluster leadership council. The center will work with existing associations and non-profits to provide missing services, develop a single point of contact for information, and point individuals to existing resources and associations.

Marry the creative enterprises with companies making products that depend on appearance and content

Although some Montana artists and writers provide product and content to manufacturers and services, there ought to be resources dedicated to searching for opportunities and guiding Montana companies to people who can make their products and services more attractive, unique, and therefore more competitive. These resources could operate out of existing offices that provide related services or in the cluster one-stop shops recommended above (see Inset II-5).

Action: The state should organize a series of special workshops bringing together artists and writers interested in commercial applications, companies that make final products, and associations that represent them. The intent of the series will be to form an ad hoc task force to recommend ways to more effectively integrate art and industry.

Inset II-5: Design for Development in Shannon, Ireland The European Union's Regional Innovation Strategy program allows less advantaged regions to develop and implement a plan to strengthen its economy based on innovation. Shannon, Ireland had long been a favorite site for U.S. branch plants because of its low costs and labor, but as the region prospered it could no longer compete on cost. Therefore, the region chose to base its new competitive strategy on design—increasing the adoption of art and design by companies in this region, especially smaller ones. Most companies felt this was too expensive or out of their league. Only 15 percent of companies listed design as one of their firms' activities. Two workshops organized in 1999 confirmed the low level of awareness on the importance of design at that time. The regional planning body believed that aesthetically and practically, design adds value to a product in the eyes of the consumer. Furthermore, by defining design as 'problem solving' rather than using narrower definitions, the project encompasses every process in business, from manufacturing to marketing in a cost effective, competitive manner. A regional design centre was initially recommended, yet needs analysis suggested that a system of connecting individuals and companies required more than a physical location. The Shannon Regional Design Council was formed to provide policy advice from current and potential design users, and a Co-operative of Centres of Design Expertise represented the structure of the project. Key issues included the predilection to view design as a desirable add-on rather than an integral aspect of the added value process and communicating the value of multi-faceted applications of design from reducing costs to increasing sales through better-looking products. One of the first actions was to form a design network to simulate the use of design. Its objectives are to provide showcases of design excellence, improve the awareness among general public, and secure a regional design identity.^{xii}

Promote Montana's galleries studios and workshops as tourist destinations

The element of this cluster that makes original work is a natural attraction for tourists that appreciate and purchase local goods. Places that have concentrations of creative people also draw tourists. Large numbers of people travel to northern New Mexico, western North Carolina, and Vermont and to many Central American regions, not just for their topography but also to visit galleries, observe artisans, and collect art and crafts. This may require a SUPERHOST!-type program for gallery managers to help them learn how to market themselves and present themselves as tourist destinations. The attraction of arts and crafts ought to be merged with cultural heritage and nature to motivate more tourism and provide opportunities for tourists to purchase goods.

Action: Strengthen links between creative enterprises and tourism, which will enhance both. Integrate non-profits representing arts into state tourism and marketing efforts.

Offer tax and other financial incentives for small and creative enterprises including Montana's film industry

Creative enterprises have never had access to the generous subsidies typically given to new and expanding industries. Small creative enterprises that can have immediate or long-term job growth potential but need some help to compete, such as the state's nascent movie industry, or that are considering locating in the state, ought to be given modest tax incentives or subsidies (see Inset II-6). Montana, because of its scenery, small cities, and support services (crews) has a chance to develop into a major site for the film industry. This would not only create jobs, but it would make Montana better known in other parts of the world as a tourist location. According to local and national industry executives, a 15 percent tax credit would be a much stronger inducement than the existing small exemptions, putting Montana in a very competitive position with other mountain and plains states and Canada.

Action: The state should design a modest tax or matching expense incentive program aimed at encouraging the re-location of individual entrepreneurs that add to the state’s pool of talent, for the expansion of or innovations in existing micro-enterprises, and to encourage the state as a site for the movie, television, and commercial film industry.

Inset II-6: Tax Incentives for Creative People: In 1994, the legislature of Rhode Island, recognizing the economic value of the arts and the decline of their old industrial mills, established an “industrial district” for the arts designed to support and attract artists. The state allowed tax incentives for living and working in a newly created Arts & Entertainment district. In 1999, Pawtucket implemented a 307-acre district that encompassed 60 streets and 23 mill properties. Artists living and working in the district were exempted from state income tax on income generated from their work. Since 1999, the city has attracted 122 artists to Pawtucket, filled 117,000 square feet of space, and created 85 new jobs. The economic developers estimate that every \$100 earned generates \$75 more in the state’s economy. The city’s Business Development Corporation also created a \$200,000 revolving loan fund for restaurants in the district. As a result of the success, developers are spending \$15 million more to convert lofts in another mill and the city is turning an armory into a regional performing arts center. In September 2002, the city will host an arts festival, which includes a photo contest, a film festival, performing arts, and boat races. Hundreds of artists have inquired about the program and the city’s Department of Planning and Redevelopment has a full time person working in this form of development. The success, according to city officials, is due to public-private cooperation, an advocate on staff, tenacity, and vision.^{xiii}

Promote and support classes and workshops operated by non profits and intermediaries

Much of the success of the creative enterprise cluster in western North Carolina can be attributed to the people attracted by Penland School of Crafts, the John Campbell School, Black Mountain, and architectural programs associated with the Biltmore Estate that choose to remain. Educational programs taught by expert artists and artisans attract people who spend money in the state and spread the word about the state’s creative environment. Montana ought to provide support for such programs that attract resident artists and artisans.

Action: Make workshops and classes in creative arts eligible for state workforce development and training funds.

Connect Montana artisans to distant artisans and markets

There are large potential international markets for Montana goods. Some artisans are already reaching large markets but most are not. Matching Montana’s creativity cluster to other regions that depend on creative enterprise—Denmark, northern Italy, or the South Island of New Zealand—is one approach to share ideas and markets. Innovation and creativity require stimuli. Connections to different cultures and experiences can catalyze creativity and production techniques and help locate new markets. The state could begin transforming existing sister-city relationships to regional economic partnerships and defining collaborative activities.

Action: Through the cluster one-stop resource center, assist artisan networks by helping them make the necessary connections to establish partnering relationships with peer groups in other countries leading to shared marketing activities.

End Notes

- ⁱ This category was defined for Portland, Oregon in Patricia C. Scruggs, Joseph Cortright, and Marcia Douglas, *Designing Portland's Future: The Role of the Creative Services Industry*, Report to the Portland Development Commission, June 1999,
- ⁱⁱ Neal R. Peirce and Jerry Hagstrom, *The Book of America*. New York: Norton Press, 1983, p. 677.
- ⁱⁱⁱ Phil Psilos, "The Arts and Culture as an Element of Economic Development Policy: An Integral View." Washington, DC: National Governors' Association, 2002.
- ^{iv} National Assembly of Local Arts Organizations, *Jobs, The Arts, and The Economy*, January 1994.
- ^v See <http://www.kohler.com/corp/ai/artsindustry.html>.
- ^{vi} "Designed to beat the world," *Financial Times*, November 22, 2002.
- ^{vii} Richard Florida, *The Rise of the Creative Class*. New York: Basic Books, 2002, p. 218.
- ^{viii} Phil Psilos, "The Impact of Arts Education on Workforce Preparation." *Issue Brief, NGA Center for Best Practices*, May 2002.
- ^{ix} *Ibid.*, p. 4.
- ^x "Arts integral to economic vitality, *State of the Arts*, Montana Arts Council, July / August 2002, pg.1.
- ^{xi} Sue Wasserman, "easy being green," *Our State: North Carolina*, 70 (January 2003), 62:65.
- ^{xii} Regional Innovation Strategies, *Regional Innovation Strategies under the European Union Development Fund Innovative Actions 2000-02*. Brussels: European Union Regional Policy, 2002.
- ^{xiii} Michael Cassidy and Herb Weiss, "Customer Service Key to Growing an Arts Community," Northeastern Economic Developers Association, 2002.