

Success factors Artistic Breeding Places: NDSM Wharf



**Course: Cultural Entrepreneurship
and Innovation**

Professor: N. Wijnberg

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Students – Group 3:

Gregory Correia - 0367001

Maarten Bul - 5821703

Sabine Feirabend - 0335088

Stella Yanxing Liu - 5904803

Tessa Cramer – 0411469

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Introduction

More and more emphasis is placed on the importance of stimulating the cultural environment within a city. The number of parties, who are currently working for and with artists, is high. Working- and living places are created to make it easier for artists and other creatives to commit to their jobs, the so-called 'breedingspots'. At the moment, there are 47 locations set up to provide a place to work for a starting or mediate creative in Amsterdam. One of these locations is the NDSM wharf in Amsterdam Noord.

In this study we are going to take a closer look at the NDSM wharf. We made the decision for this case first of all because of our personal interest. Four of us have once been to the NDSM wharf and we think it is a very interesting area in Amsterdam. However, we knew little about it. Secondly, there were group members who had connections with people working with or on the NDSM wharf, which made it even more interesting since we also had to collect secondary data. Furthermore, it appears that at the NDSM wharf culture and economics have to cooperate. People with cultural backgrounds have to work very closely with people who have economic backgrounds and interests. We were very interested in this collaboration. It's a place where the artistic, political and business environments operate together in one place. And finally, NDSM is a very innovative environment, which supported our curiosity to this breedingspot.

In course of this paper we had to find out whether NDSM is and has been a success. How did this former shipyard turn in to a breedingspot in the first place? What is the purpose of this breedingspot? Who are working there? While answering these questions we will try to find an answer to our main problem statement: **'Is NDSM a success?'** With the help of several interviews and background theory we will try to find out if NDSM is a success or a failure and what the success-/ failure factors are.

The first chapter contains our desk research. Here we will provide a short explanation about breedingspots in general and give a description of our case: NDSM wharf. We will also give a brief overview of the organizational structure of NDSM. In the second chapter we provide theoretical background, supporting our case study. We will discuss the theory around breedingspots and incorporate some of the articles covered in the course Cultural Entrepreneurship and Innovation. Furthermore, we will give a competitive analysis we did on Wilhelmina Pakhuis. We will compare this with the NDSM wharf. Also, we discuss the perceptions of the artists themselves and the value they put on the breedingspot NDSM. We will

also provide a look into the financial part concerning NDSM. Finally, conclusions are drawn based on all the information found. We will give conclusions from different perspectives, since one defines success different than another. A conclusion from the artist perspective, from the governments perspective and from breedingspot perspective and eventually we will draw our own conclusion about the success of the NDSM wharf.

Chapter 1 Desk Research

1.1 Breedingspots in general

Breedingspots serve more goals than just providing young creative's a cheap place to work and live; they enforce a social infrastructure. Moreover, the spot illuminates the cultural activity which contributes to cultural enrichment of a city. The environmental surroundings of a neighbourhood are positively increased because people are attracted to the breedingspots.

Currently 47 locations are set up to provide a place to work for a starting or mediate creative in Amsterdam (derived from broedplaatsen.nl). According to the mission statement 'Geen Cultuur zonder Subcultuur' of the local authorities of Amsterdam (2000) are these breedingspots informal living and working places of cultural producers, manufacturing producers, service workers and technicians. The shared lifestyle, way of production and individual vision are the building blocks of a breedingspot. Moreover, do the buildings create an important statement to be a cultural free spot within an existing city.

As stated by the local authorities of Amsterdam (2000) a breedingspot has a flexible nature, which is subject to different phases as that are enforced by users and inhabitants of the breedingspot. This phase will renew itself often, for example by the removal of residents and the attraction of new inhabitants. The cultural entrepreneurs develop throughout the years, at some point they will want to leave the breedingspot. Moreover, the developments towards professionalization will also be part of the renewal phase. This development will change the working/living environment. A future scenario for the breedingspot could be that it has served its goal (creating a social infrastructure of artists) and has become a new part of urbanity instead of a breeding spot. If this is the case for the NDSM wharf will be assessed in the empirical part.

The primary goal of the local authorities is to create a small scale infrastructure for non-commercial, cultural entrepreneurs (2000). In the case of NDSM warf the selection of the artistic entrepreneurs is performed by the organisation itself, while other breedingspots are bound to expert selection of independent agency's like CAWA - 'Commissie Ateliers en (Woon)Werkpanden Amsterdam'. The organisation nonetheless simultaneously select cultural entrepreneurs in two divisions. The first group of entrepreneurs are individual working artists aiming to produce art. The second division that is selected consists of cooperating artists that work together in order to inspire one another part of a subculture and whom are not essentially

focussed on success. These cooperating artists could form a new social infrastructure by the means of a new location.

The local authorities have described in the mission statement ‘Geen Cultuur zonder Subcultuur’ at the 21st June of the year 2000 that the project of NDSM as a breeding spot will be successful if two goals are maintained. The first aim is realizing galleries within 4 to 6 years that have substantial influence to decrease the quest for space. The second key to success has been formulated as increasing the continuity by policy that stimulates a minimal investment in breedingspots. Besides stimulating governmental policy, a foundation for breedingspots will come into being. Today, eight years later the breeding spot is filled for approximately fifty percent and is the financial organisation still not where it should be. We will elaborate on either of these success and failure factors in the subsequent chapters.

1.2 The NDSM wharf

The area from the former ‘Nederlandsche Dok- en Scheepvaartmaatschappij’ (NDSM) lies at the IJ-shore of Amsterdam-Noord, is larger than 10 football fields and is now a centre for underground culture in Amsterdam. Since the end of the nineteenth century ships are built here on this 86.000 m² site. The cranes, ramps, shores and docks are remainders of this time period and the NDSM sheds are part of important industrial heritage of the port area of Amsterdam.

From 1978 the government only rendered aid if all loosing parts of NDSM would be closed. Eventually in 1984 both parts of the docks of NDSM were declared bankrupt. In course of time, all the empty buildings on the south-west part of the NDSM site were cracked. Artists, theatre producers and skaters were forced to move away from the new urban developments which made prizes rise so high Artist couldn’t afford them anymore. In October 1999 the district of Amsterdam-Noord offered a price for the most creative entrepreneur, who could create a plan to develop the former NDSM dock into a cultural meeting place. Some people from the guilds got together and they united in the ‘Stichting Kinetisch Noord’ and won the competition. In 2002 ‘Kinetisch Noord’ presented their plan. The essence of the transformation plan of is to create a ‘bubbly mix of individual artists and, well-known and less-known independent organizations’ with room for organic growth. The focus is to give Amsterdam ‘once more a place where energy begins and which is a continuous stage as well as a workplace, laboratory and party area’.

From here, one of Amsterdam's breeding grounds developed, with affordable working accommodations for artists, craftsmen and supporting businesses. In July 2006 the large machine shed, the outside area and the building slips were assigned to the foundation. The district of Amsterdam-Noord is owner of the buildings on the NDSM dock. 'Kinetisch Noord' has a rent contract until 2027 and is main tenant, developer and recruiter of appropriations for the NDSM wharf.

The NDSM wharf is nowadays the largest cultural breedingspots in Amsterdam and offers facilities for a number of artistic disciplines and small crafts. There are about 250 artists working in the field of design, theatre, film, media and architecture. The wharf has become a sanctuary for individual artists and craftspeople as well as for independent organizations, both established and less known, to cooperate, inspire and create. Collectivism, interaction of the users with the public, but also the creation of employment for potential users are very important topics in all plans concerning the NDSM dock. Prospects are that this unique location will develop to a cultural hotspot were different activities are offered throughout the year.

Win-win situation

According to Kinetisch Noord, all the developments around art, culture and renewal on the NDSM dock cause tremendous win-win situations. There are gains for the city, gains for Amsterdam-Noord, and also gains for the cultural climate in general. Added value for the users of the NDSM area include for instance, mutual inspiration, cultural expression opportunities, and because there is cooperation between different disciplines, larger projects can be undertaken. The benefits for Amsterdam-Noord include their positioning on the cultural ladder, attractiveness for investors, and economic growth. For Amsterdam as a whole, employment opportunities, supply of affordable studios and workspaces, a cultural and free image for Amsterdam and an increase in national and international appeal of the city.

NDSM layout

As mentioned before, the NDSM wharf is about 10 football fields and contains the NDSM hall, a hangar-like structure 20.000m² in area and 20 metres in height, the 60.000m² Docklandshall, and two historic ship slipways. The breedingspot NDSM builds on various initiatives. The most important ones will be discussed here;



NDSM hall

The NDSM hall, is about 20.000 square metres, and houses Sectie 4, the Kunststad, the Vrije Kavelstrook, the Oostvleugel, and the Noordstrook. In total there are 10.000 m² of workshops, 2.000 m² skate park, 4.200 m² devoted to other youth activities, and 6.000 m² exhibition and theatre space.

Kunststad

Kunststad is a complex of studios and workshops divided among two floors, connected by a network of several long, broad streets and smaller side streets. Kinetisch Noord builds the basic units, which then are finished by the resident artists. NDSM gives everyone a say in the costs, quality and design of their own spaces. The working areas vary from 50m² to 150m², with heights of 3.20m, 6m and sometimes even more.

Oostvleugel

The Oostvleugel comprises 12 studios Located at the east of the NDSM hall covering 2.250m². It is mainly used by travelling theater groups, set builders and artists who produce large pieces. The south corner is occupied by the Internationale Theaterwerkplaats, a multifunctional area of 450 sq. meters with a mezzanine, changing rooms and a bar.

Vrije Kavelstrook

In the Vrije Kavelstrook at the south side of the shed, tenants can design and build their own building.

Sectie 4

Sectie 4 is located at the west side and is meant for youth-oriented projects and initiatives, for instance a floating skate park that stands seven meters high. Under the park there is room for rehearsal spaces, a hip-hop school, an internet cafe and a recreational area.

Noordstrook

The Noordstrook is a 6.000m² area where artists' studios, artists' homes, cafes and restaurants and experimental programming and exhibition areas are located. It is suited for theatre performances, expositions, and unexpected projects. In the future festivals and parties can occur here.

Buitenterrein

The outside area of the NDSM wharf is very suitable for outside events, like festivals and expositions. Especially during the summer, there is a busy program for this area.

Docklandshal

The Docklandshal is adjacent to the NDSM hall and covers 5.800m². The hall is suitable for large-scale events, such as theatre and music performances, company conferences, parties, major exhibitions, and markets and bazaars. The hall is can accommodate 5,000 visitors - ideal for house parties and large performances. However, the space can also be used to host smaller productions and events. The hall is offered as a large empty space, without partitions, stages or bars, giving clients full freedom to arrange and fit out the space as they wish. This is the place where Kinetisch Noord expected to get revenues from events and parties. However, when safety regulations were increased after 'Volendam' and 'Enschede' (to fire related disasters in The Netherlands, the fire department rejected the hall to be suited for this amount of people.

Hellingen X en Y

At the dock, there are two historical slipways, X and Y. Under these slips there are several spaces where artists set up their studios and working spaces. Sculptors, painters, a photographer, stage-set staff and a coppersmith are working together here.

The Y-Kantine is located on the Y-helling, a canteen for people from NDSM. The roof of the Y-helling gives a beautiful view on the IJ and the city and offers great opportunities for open air performances.

many parties have to be satisfied. Eva de Klerk, initiator of NDSM, suggests that the amount of clusters should be decreased to five, based on their location and therewith similar interests on NDSM. This way it should be easier to come to one general policy and get things done when needed.

Chapter 2 Theoretical underpinnings.

2.1 Theoretical part: generic literature on cultural industries

As stated in the introduction the city of Amsterdam wants the breedingspots to be an infrastructure that accommodates individual artists and other cultural entrepreneurs in their living and business requirements in the short and middle long term. But why do these artists and cultural entrepreneurs need these accommodations? Apparently there are marketplace differences between this group and “normal” working people and entrepreneurs that makes it necessary that specialized initiatives such as these breedingspots are needed to accommodate them. The following paragraph will discuss the main differences and the reasons behind them. And it will determine success factors for breedingspots. These success factors are adapted from cultural economic and entrepreneurial theories that are seen as relevant to the structure of a breedingspot in general.

One of the biggest and probably the most important difference between normal marketplaces and the cultural marketplace is in occupational risk. The occupational risk of being an artist or cultural entrepreneur is higher than for their counterparts because of the enormous oversupply of labour in the form of artists (Menger, 1999; Throsby, 1994) in the cultural industry. This resulting in a poor economical situation for the vast majority of these artists. The market demand simply is too small to maintain the vast amount of artists. This oversupply will be taken as a given fact in this paper, because the existence of breedingspots will not have a reducing effect on this concept. But what is important, is that these breedingspots can accommodate these artists in offsetting their occupational risk and helping them better their economic situation. Menger (1999, p. 562) states that artists diversify their occupational risk in three ways. First they can be supported by private endorsements coming, for example, from family, friends, public funds or corporate sponsorship. Second artists can work together by accumulating cooperative funds which can be used as insurance for everyone within the team. And third they can hold multiple jobs next to their work as an artist. When linking the above to the directives of a breedingspot in Amsterdam a success factor of a certain breedingspot should be to create an infrastructure or network that helps artists to diversify their occupational risks by making the above mentioned diversification strategies more accessible or easier to exploit.

Throsby (1994, p. 5) argues another problem facing artists caused by the oversupply in the cultural market. This oversupply and the lack of credentialing mechanisms within this market

make it almost impossible for individual artists to distinct themselves from other artists. *“Even highly trained and qualified groups of artists are unable to exert any supply-side power in this market in order to restrict competition or to raise prices.”* (Throsby, 1994, p. 5). This is also a reason why intermediate organizations as galleries and art-dealers have considerable market power and the distance between the normal artists and these middlemen is considerable. We propose that these oversupply effects can be overcome for a part by breedingspots and that successful breedingspots have an active directive to do so. For instance the presence of an own art galleries and expositions or a cooperation with existing galleries can bring the artists closer to the demand side of the market and raise artistic legitimacy for artists within the breedingspot. Or a selection method that regulates the flow of talented artists that connect with the breedingspot.

Moving to the theory concerning entrepreneurship and specifically the resources needed before setting up a new venture. Chiu, Mol and Wijnberg (2007) examined six of these so called pre resources and had some interesting findings. These pre resources were; entrepreneurial experience, industry experience, organizational ties, entrepreneurial motivation, knowledge about inputs and knowledge about selectors. As a result of their analyses of 131 new entrants in the music industry they found that organizational ties in the form of vertical integration, and knowledge about selectors and financial motivations have a positive influence on profits and turnovers. For the other variables in this study there was found a negative effect. Relating these two resources and the preferred financial motivational starting point to the breedingspot we propose the following. Breedingspots should incorporate within their infrastructure knowledge about the selection criteria or methods of the submarkets their participants are in. Vertical integration can be accomplished between actors within the breedingspot. A simple example could be the housing of a recording studio on a breedingspot where lots of musicians reside. And last the financial motivational part. It is common knowledge that artists’ motivation to produce for a large proportion can’t be attributed to monetary incentives. Artists highly value the non monetary rewards of their job occupation, “psychic income” As Menger (1999, p.554) calls it. In light of the finding of the research discussed above it might be a success factor for breedingspots if they have accommodations for the possible lack of financial striving amongst artists. For example a breedingspot could cooperate with an accounting agency willing to help artists.

2.2 Theoretical part: breedingspots

Breedingspot for enterprises means provides necessary conditions gathering the enterprises and pay attention to take care of these enterprises and make them thriving. Cultural breedingspot is a

place or set of circumstances that encourages the development of any kind of cultural entrepreneurs by organization or government. In the paper we study possible factor influencing the success of the NDSM as a breedingspot. Our concern in this section is exclusively with how the breedingspot formed and what benefit associated with it to entrepreneurs.

In October 1999 the district of Amsterdam Noord decide to revitalize distressed NDSM wharf district and held the competition of a planning to develop the former NDSM dock into a cultural meeting place, which goals were improving the looks of the district and at the same promoting the local creative entrepreneurs to make this district more attractive.

In contemporary history, there are several successful cases which from defunct industries area to prime real estate through the cultural entrepreneurs or artists carved out. SoHo art district is one the most famous example, which originally associated with the arts. It has since become famous for both destination shopping and its downtown scene in the Manhattan, New York City. And also was considered as the distinguishing area in which was thriving entrepreneur art work market and promoting the local prestige and influences in economy. SoHo changed from a dying industrial area to prime real estate as the artistes carved out, not just artists' viable and exciting urban community but also a thriving market.

The relative cultural or art entrepreneurs gathering in breedingspot on some extent which form a cluster market. With regard to the NDSM wharf apparently is not only a breedingspot for artists but also an 'innovative cluster' for the organizations devoted in cultural industries. Based on the definition from Feldam et al (2005), the term 'innovative cluster' is used to refer to a geographically confined collection of related firms. The NDSM wharf apparently is an innovative cluster which the local government aims to build. While most of the other breeding places are rely on the expert selection of independent agency, the NDSM perform the selction of the artistic entrepreneurs by itselfe. Hence, the NDSM wharf has greater rights of self-determination to choose the artistic entrepreneurs by their particular criteria.

Regions also matters for innovative behaviour. Brouwer et al (1998) concluded that the firms in urban agglomerations dedicate a higher share of their innovation to product development compared with the firm in other dispersed rural regions. Moreover, they found that the firms in central regions have higher probabilities of announcing at least one new product in a journal and they also announce new products in larger number.

We propose that breedingspots in which can lower transaction costs due to the concentrated location. For a number of kinds of transaction cost have come to be known by information costs

and bargaining costs. The innovative cluster provides a spatial concentration market to bring down such cost through negotiations and sharing of information (Lorenzen and Foss, 2003). And the spatial concentration also provides the entrepreneurs the possibility of proximity to suppliers, competitors and customers.

Chapter 3 Empirical Research

3.1 Competition benchmark

In order to understand the perspective within the industrial environment we have arranged an interview with the project leader of the Wilhelmina Pakhuis, Carolien Feldbrugge. The Wilhelmina Pakhuis has a similar concept and size as NDSM and is therefore a perfect benchmark.

Wilhelmina Pakhuis (W.P.) is a breedingspot located at the banks of the IJ river in Amsterdam. It accommodates 93 artists that all created their own work shop within the walls of this former warehouse. These work shops were build by the initial artists themselves just as is happening at the NDSM right now. But the difference is that at NDSM this is far more difficult because of the spatial design of the far larger building. The W.P., according to Ms Feldbrugge, successful because it has managed to have a going concern for many years now without any form of governmental subsidies beside the initial investment in the acquiring and development of the breedingspot. Ms Feldbrugge was the initiator and the project leader that oversaw this development and of the W.P. and still is board member of the foundation. Next to this she also was a board member of NDSM in the early stages. The following will state the main factors that contributed to the success of the W.P. according to Ms Feldbrugge. Later on in this paper we will use these factors just as the other above mentioned success factors and confront them with the current and past situation of the NDSM wharf.

The first and maybe very obvious factor is the time span of the initiative. Ms Feldbrugge feels that the way many parties look at breedingspots or the artistic industry as a whole as a trade economy. But she argues that from the perspective of the artist it actually is a production economy. The difference for these artists is that they prosper more from a business/production location that is fixed for a large time span, just as big factories shouldn't be moved too often. And because they invest a lot of their own time and money in the development. So a breedingspot should have the possibility to guarantee this to the artists as a form of reducing their occupational risk.

Second the breedingspot has to reduce occupational risk of the artist by reducing their business cost. Rents have to be lower than on the "normal" market. Ms Feldbrugge had the opinion that

artist are never willing to pay a premium for their stay in a breedingspot. They will just rent somewhere else where the nominal cost are lower.

Third the breedingspot has to reach a critical mass before it becomes economically viable. This means that there has to be a certain density within the network of artist present in the breedingspot. So there is a level of occupancy from where on the breedingspot can be seen as a success. Not just from an accounting point of view; the simple fact that the rent of the whole building has to be dealt with. But also for the creation of a “solidarity principle”. Ms Feldbrugge feels that that without a general and common mind state of the artist a breedingspot set up in the way NDSM and W.P. are and were build becomes extremely difficult. She has the opinion that this solidarity principle is strengthened by the aforementioned point of critical mass.

Moving to the daily management of a breedingspot. Looking at the way this is done at the W.P. one can say that a lean or “casco” management, as Ms Feldbrugge calls it, is the way to go. Very few governing layers and the daily running has to be done as much as possible by the residing artists. For the more business governance a small and experienced board is preferred.

In the here above theoretical part attention was given to the selection of the artist entering the breedingspot. Against what we proposed the a selection method that was directed to “high brow” or talented artists isn’t, according to Ms Feldbrugge, necessary. It even can cause for some friction with the present residents. She states that the selection method should rather fit to the way the people in the breedingspot connect with each other than to the best way to connect with the art market. These high brow and talented artist are often very on their own and don’t want anything to do with the other community members. They mostly behave as consumers and not as participants of the breedingspot. That is why at W.P. they selection is done by the neighbours of the member that is leaving the breedingspot. This to avoid any misconnection that can be caused by a central selection system. Next to this it is plausible, just as discussed above, that one can get artistic legitimacy from the fact that they are tied to a well known breedingspot. But this isn’t the case at W.P..

One very important success factor according to Ms Feldbrugge is the ability of an breedingspot to avoid and keep out what she calls “job hunters”. These job hunters see opportunities within the system of a breedingspot to create unnecessary jobs for themselves and getting paid for this. This is possible because of the non-profit system of the breedingspot. She argues that non-profit project such as the creation and upholding of the breedingspot which can be done on a lower cost base than commercial initiatives. So there is a margin where these fortune seekers think they

can skim a bit off for their own benefit. The W.P. had one instance where this almost went wrong and it could have cost the breedingspot a lot of money.

We looked if the W.P. had an art gallery as we proposed in the theoretical part that this might be a success factor because it could bring the market closer to the artists. W.P. has an art gallery but this gallery isn't very successful. Even when it collaborated with a big and well know art gallery it failed to attract the attention of the art consumer. In the theoretical part of this paper also was suggested that within successful breedingspots, artist will profit from the fact that they are housed in the same close infrastructure. This is indeed the case at W.P.. The artists often work together on projects and there is, for instance, a store were artist can buy their equipment.

To summarize success factors according to the project leader of the W.P. and former board member of the NDSM wharf:

- Long term guarantees for the artists so they are willing to invest their time and money in the breedingspot.
- Reducing business costs (low rents)
- The breedingspot has to reach a critical mass before it becomes economically viable.
- “Casco” management.
- The right selection method for new entrants that fits the community standards.
- The ability to keep out fortune seekers that want to profit from the non-profit system.
- Synergetic benefits for the artists because the can use each other in their art production. And thus job creation within the breedingspot.

3.2 The artists

After analyzing the industrial environment of the NDSM wharf it is of additional value to understand the perspective in existence within the cultural environment. Therefore we went to the NDSM area and questioned several artists about their perspectives on the breedingspot.

The foundation of the interviews is the question why an artist has chosen to be working at the NDSM breedingspot instead of another breedingspot. The artist emphasized that before they actually became a part of the breedingspot they already had been around. They knew other artists and subsequently got drawn into to network. Granovetter (1973) has described this character of networks which could illuminate the choices the artist make. In traditional societies networks are strong and small scaled in contrast to contemporary societies in which networks of people have widely expanded. The connections within social communities are subsequently 'lighter' then before (Duyvendak, 2004). The interdependent ties have become less strong in the traditional sense - people do not interact as intensive as in traditional surroundings anymore. Accordingly Granovetter recognises that these weak ties are actually an advantage for artists because an individual has more benefits from knowing a lot of people vaguely in contrary to having just a few best friends. Artists get jobs more easily because a friend of a friend knows somebody that really needs an artwork. This sociological approach explains why an artist would choose to be part of a certain breedingspot. That network of 'weak ties' could henceforward have great influence on the choice for the NDSM wharf. The NDSM wharf is open to visitors and future participants. The wharf is actually frequented by people that already try to be part of the strong network of weak ties within the NDSM building.

Subsequently did we ask how long the artists think they will be staying at the NDSM and if there are advantages to work at NDSM regarding other breedingspots. The model of co-creation in which the artist invest in his own space subsequently attains sustainable relationships between the artist and the NDSM. The artists are planning to stay at the NDSM wharf for, preferably, decades. As described earlier a conventional breedingspot is a place which is object to change. Artists come and artists go. The NDSM model is in that sense one of a kind. Because artists come, but do not go. Moreover, do the artists emphasize that they have to build their own working space and are therefore committed to a new breedingspot model; one in which everybody co-creates. The artists are the end-users of the breedingspot. They invest in their own space and contract to this spot for a sustainable period. The artists are not able to answer the question how much they actually pay for their space. "It is too complicated to explain," they say. They can tell us that they receive a loan by the local government to finance some of their

expanses. The artists know one thing for sure: the NDSM area is much cheaper than the city centre.

The artists regard themselves extra successful since they have decided to work at the NDSM breedingspot. By the means of networking with weak ties (Granovetter: 1973) the artist consider themselves more successful in receiving assignments for jobs then before they decided to move to the breedingspot. The scale in size is another reason to choose for this breedingspot; there is a lot of space for every creative expression. There is still a lot of space left for new artists that would be interested in the NDSM area – this fact does not bother the artists because this entails that they have more space for themselves.

In conclusion do the problems within the organisation of NDSM clearly does not have effect on the optimistic approach of the artists. They are happy to have a sustainable connection with the breedingspot and do not intent to leave in the near future. The only sign that they are worried about the current socio-political environment are small protest posters on the walls of the dock - "NDSM is here to stay!". However, the artists state collectively that they receive more work then before they started working at the NDSM and happily make use of the network within this cultural environment. We can consequently conclude that the cultural environment is successful.

3.3 Financial legitimization

This abovementioned research has led us query the financial legitimization of the NDSM wharf. As a result we have questioned several people to ask whether the NDSM wharf is a success in financial terms. We have decided that the success of NDSM in the financial perspective can be measured at three levels. These are the actual realization of the breedingspot, the rent-loan system and finally the rent-investment system of the end users.

The realization of the breedingspot

After the bankruptcy of the last ship wharf NSM in 1984 no other commercial entity took residence in the warehouse and its surrounding terrain. After years of squatters the local government organized a contest to find an entrepreneur who could successfully transform NDSM in a successful creative centre for at least five years. The main problem here was a negative current value of the location, which needed a complete renovation. It was Kinetisch Noord who won this contest and who could start working out its ambitious long term plan it had for NDSM.

Because of the size of the location NDSM could serve many different purposes and parties. This multipurpose intention of Kinetisch Noord gave way to multiple investors, who were needed to

realize a legitimate and user friendly location. The fact that a breedingspot was created on such a large scale with so many participants is a success on itself according to initiator and project developer Eva de Klerk. Maarten van der Poelgeest (member of the city council, responsible for breedingspots) concurs and would like to see more “icons” (large scale breedingspots) like NDSM. On 31 December 2007 five parties were investors in NDSM. Their identities, relative investments and interests in NDSM are tabled on the next page.

As one can see are the artists and small entrepreneurs also investors of the realization of the breedingspot. A unique framework was designed by architect so the renters could build an own workplace or office within the wharf. Thereby a three leveled ‘art-city’ evolved within NDSM. This is a unique construction of financing where usually they are just end users. According to Eva de Klerk, this is one of the success factors of NDSM, while the end users as investors benefit from a successfully developed breedingspot too. This, according to her, should result in an increased level of involvement and a more stable network within the breedingspot.

Investments in NDSM per stakeholder

Stakeholder	Investment (x 1.000.000 Euro)	Interest
Artists and small entrepreneurs	4	Relatively cheap space to locate their business
Bureau Broedplaatsen	6.8	Realization of low rent space for artists and small entrepreneurs.
City Council	1.14	Realization of a skatepark for the youth
Ministry of VROM (area development)	1.25	Development of the area and city
Stadsdeel Amsterdam Noord (local government)	5.7	Owner of NDSM and in control of area development
Total	18.89	

Source: 'Plan van aanpak aankoop en uitgifte NDSM-loods', Kinetisch Noord, 13-12-07

Director Jaap Schoufour of Bureau Broedplaatsen found it difficult to say whether NDSM is a success as a breedingspot. He wouldn't, however, make the same investment with today's knowledge. In a short elaboration he said the development costs between 1000 and 1100 Euro per m² were relatively high. At the moment all future investments for the completion of NDSM by all parties are taken into account this is correct. However the investment of Bureau Broedplaatsen alone is at the moment 660 Euro/m² (6.800.000 Euro / 10.317 m²). Unfortunately it was due to the time frame impossible to compare this with other Bureau Broedplaatsen so we decided to compare the total in government subsidies instead. Note: the 5.7 million Euro of Stadsdeel Amsterdam-Noord is not included for this is a loan to be paid off by the end-users, as can be read in the next paragraph.

Comparisson subsidies for realization per m² breedingspot by government funding

Breedingspot	Investment (in Euro)	Size	Euro/m ²
Beehive	120.000	405	297
NDSM	8.190.000	10317	794
Pakhuis Wilhelmina	1.800.000	8900	203
Xpositron	735.000	4181	175

Source: 'Plan van aanpak aankoop en uitgifte NDSM-loods', Kinetisch Noord, 13-12-07

Even when NDSM realizes the 13.220 m² as agreed upon with the government, or the 17.617 m² which is its potential, the investments are 620 Euro/m² and 465 Euro/m² respectively. It is estimated the full potential requires another 17.000.000 Euro investment, making the realization price per m² a total of 2038 Euro.

It must be noted the value of the property has risen with approximately 10.000.000 Euros, lowering the net investment of the government tremendously upon sale. Herewith the interest of Stadsdeel Amsterdam-Noord is covered for the financial part. As for the Ministry of VROM and the City Council, we didn't get feedback on our questions in time to take them into account in this research.

The rent-loan system.

Kinetisch Noord couldn't get a bank loan in order to buy and renovate NDSM. This is because the novelty of the project had no grounds on which it could prove it would be successful. After carefully budgeting the 10 year development plan it turned out Kinetisch Noord could afford a rent of 11 Euro/m² per year (excl. VAT). Based on this rent Stadsdeel Amsterdam-Noord got a loan of 5.700.000 Euro which could be invested in the building. Problems rose however when Kinetisch Noord got into financial problems, as illustrated by their profit and loss account:

Synopsys profit and loss statement Kinetisch Noord 2007 (in Euro)

Expenditures		Revenues	
Wages	310.000	Rent (fixed)	340.000
Depreciation	30.000	Rent (variable)	160.000
Rent	410.000	Service costs	190.000
Service costs	190.000		
Office costs	30.000		
General costs	50.000		
'Kunstenplan'	200.000	'Kunstenplan'	200.000
Construction costs	320.000	Construction costs	320.000
	-30.000		
Total	1.510.000		1.210.000
Difference	300.000		

Source: 'Plan van aanpak aankoop en uitgifte NDSM-loods', Kinetisch Noord, 13-12-07

When comparing these figures with the budgeted expenditures for 2007 one notices many large differences. Because of the sensitive and complicated character of this certain aspect, we countered a lot of hesitation and refusal to cooperate in researching this problem. The management of Kinetisch Noord has been replaced, but neither former nor current directors responded to our queries. At the moment Stadsdeel Amsterdam-Noord offered NDSM for sale. The reason for this is seemingly the financial failure of Kinetisch Noord through which the interests couldn't be paid. Herewith further development and investment in NDSM is paused and is Kinetisch Noord a lame duck.

Excerpts budgeted profit and loss statement Kinetisch Noord 2007 (in Euro)

Expenditures		Revenues	
Wages	145.250	Rent (fixed)	432.980
Depreciation	22.689	Rent (variable)	462.500
Rent	214.988		
Office costs	33.112		

Source: 'Plan van aanpak NDSM-werf', Kinetisch Noord, 24-06-2002

It is expected NDSM will be sold in December 2008 to a professional project developer. In this agreement it is expected a clause will be added to secure the position of the entrepreneurs who rent space and are co-investors. There too will be an option for them to buy the building when a bank loan is granted.

The rent-investment structure

As said before the entrepreneurs located in NDSM do not only pay rent, but also invest in the realization of their own work space. The rental period there with is set at 10 years. In the same time the investment can be depreciated. Kinetisch Noord estimated the investment needed per m² at 22 Euro per year. On top of this the end users must pay a rent of 32.50 Euro/m². This price is well below the maximum of 50 Euro/m² set by Bureau Broedplaats (Programma Broedplaatsen 2006-2010).

Chapter 4 Conclusion

4.1 Confrontation between the found success factors and the present reality of NDSM.

In the following part the here above found success factors from the theoretical and empirical part will be confronted with the present situation of the NDSM breedingspot. This to analyze whether NDSM can be seen as a success from these points of view. To some extent some of these success factors were overlapping across different views so it might seem that in this part not all are used in the analysis.

NDSM's success as breedingspot

Starting with the success factor proposed from the breedingspot theory. We proposed that breedingspots should be able to lower transaction costs due to the economics of scale and scope. The spatial concentration should provide the entrepreneurs the possibility of proximity to suppliers, competitors and customers. In our opinion the NDSM breedingspot is able to lower transaction costs. This is based on the interviews we took. End users of NDSM found the networks within NDSM provided them with much additional work. This was, according to them also thanks to the diversity of the network.

Moving to the general theory concerned with the cultural industry. We proposed that a success factor of a certain breedingspot should be to create an infrastructure or network that helps artists to diversify their occupational risks by making the following diversification strategies more accessible or easier to exploit. Private endorsements, cooperative funding with other members of the breedingspot and multiple “other” job holding. This is closely related with the theory of economy of scale. By the interviews taken it seemed the large loose-tied networks do reduce occupational risk. The risk itself is lowered to by the lower costs of being in business, thanks to lower rent and lower transaction costs. The rent is with 32 Euro/m² well below the maximum rent of 50 Euro/m² allowed for breedingspots and far below regular rents in Amsterdam that exceed 100 Euro/m².

We also found a breedingspot should have the purpose of their own art galleries and expositions or cooperation with existing galleries to bring the artists closer to the demand side of the market and raise artistic legitimacy for artists within the breedingspot. In case of NDSM there are no galleries realized (yet) and is the openness to public too low. Location, fire regulations and

rawness of the area are given as possible reasons. Also no long-lasting relationships with existing galleries were realized.

As for NDSM the selection criteria are based on feasibility of an entrepreneur and their connection to the existing network. The criteria of sub-market plays a smaller role in this.

NDSM as political success

The goals for breedingspots set by the local authorities are next to review. As stated above the first aim is realizing galleries within 4 to 6 years that have substantial influence to decrease the quest for space. This was a goal set for Bureau Broedplaatsen. NDSM is with over 10000 m² the biggest contribution in space of the last 8 years of this policy. At the moment NDSM houses 250 artists and entrepreneurs and this number is expected to increase, because it currently is occupied at only 45% capacity. Accordingly Maarten van Poelgeest, member of the City Council and responsible for breedingspots said NDSM was a success because of its size and he would like to see more icons like NDSM in Amsterdam. A reason for the low occupancy is the financial problems Kinetisch Noord ran into.

Another key to success has been formulated as increasing the continuity by policy that stimulates a minimal investment in breedingspots. As found in the chapter on financial legitimization of the NDSM the realization cost of the breedingspot were incredible high. However allegedly the value of the NDSM area was negative at the start of the project and will give the local government a revenue of over 10 million Euro when sold. The total realization cost will now probably fall in range of the average. Unfortunately too little information is available to draw definitive conclusions.

NDSM's financial legitimacy

Any breedingspot has to reach a critical mass before it becomes economically legit. Because the NDSM currently has a capacity utilization of 45% this is not the case yet. As discussed above this critical mass level is needed for paying off the loan the local government took to realize NDSM. A second reason for the failure of the rent-loan system is the lower than anticipated revenues from variable rent mainly because of the security regulations concerning the Docklandhal. Thirdly the operating costs of Kinetisch Noord seemed to be a lot higher than anticipated.

NDSM's organizational success

We discussed the phenomenon of “Casco” management. This management style where there are few governing layers and the daily running is done as much as possible by the residents

themselves is not successfully incorporated at NDSM!!! As elaborated above there are too many clusters with a wide variety of interests, making a general policy hard to execute. This too could be a factor of the high operating costs of Kinetisch Noord although more research will be required to conclude such a statement.

NDSM's success to end-users

Besides the success factors of NDSM as a breedingspot, which are largely applicable to the end-users there are a few additional success factors. In theory the end-users should benefit from the success of NDSM for they too are investors. Besides, they hope to buy the property by getting a mortgage loan from a bank directly when the critical mass of renters is met. This means in the future they could sell their location in the artcity. The success of this system has to be (dis-) proven in the future.

Because the renters need to build their own work environment they need to show financial legitimacy as a professional in order to get a loan to do so. This results in a more professional network within the NDSM. Besides it results in longer renting periods and a more stable work environment. Like said before, the network also benefits from the size of the breedingspot and the selection methods. All are beneficial to the artists and the interviews we took confirm this.

The ability to keep out fortune seekers that want to profit from the non-profit system seemed to be of big importance to breedingspots because they have influence the social coherence within the breedingspot. From the information we gathered from different actors of the NDSM this was rather a big flaw in the past. In the past the breedingspot has attracted a lot of people with the wrong intentions. With an increasing size of the breedingspot the change someone passes the criteria, but seems not fitted within the existing network increases.

The last success factor is the amount of synergetic benefits the arts and artists get of their residence at the breedingspot. According to the intentions of breedingspots the arts can learn from each other and cross-over stimulate innovation. However further research should determine whether this is the case.

4.2 NDSM's success from our point of view

After weighing the different success factors in the previous paragraph we conclude NDSM is a success. It clearly serves its goal as a breedingspot, largely contributes to political intentions and supports small artistic entrepreneurs. The realization prize will remain a point of discussion, but

we attach great value to the revenue which will be flowing back towards the government after the property is sold.

The level of organizational failure and its influence on the financial legitimacy is unclear, but a fact is NDSM has proven not to be financial legitimate in the recent years. Although it is considered a success the NDSM was realized at all and the rent-loan system as fundamental part is successful in theory, it can be concluded NDSM is a financial failure with respect to financial independence. The failure of Kinetisch Noord's financial legitimacy now leads towards the selling of the property. After sale it is expected the professional project developer will increase the occupancy rate and organizational efficiency. The sales contract will most likely include a clause ensuring the breedingspot for at least 10 more years and an opportunity for the end-users to buy the property when they get a mortgage loan in two years. Thus the financial failure could well be turned around in the future.

An aspect not considered due to research difficulties is the influence of a breedingspot on urban development. Since this is of great interest to the investing project developers too this would be a good subject for following research. What we do know is that after initiating NDSM as a breedingspot a student complex was realized and commercial companies like MTV Networks moved to the area too, so the area is flowering for sure.

4.3 Recommendations

First of all, the organization of NDSM should create a more solid organizational structure. A structure in which end-users are divided in only five groups, mostly based on location and profession as suggested by Eva de Klerk could be a good solution. We hope more oversight also allows a more successful policy against fortune seekers.

Secondly an experienced board is needed to change the organizational structure and to continue developing the NDSM, while running a tight budget which is actually met by the rent income. Maybe focus on the Docklandhal or an increase in rent is needed, but research in this area is advised. We expect a professional developer has proper knowledge and experience to turn NDSM into a well organized and financial legitimate breedingspot.

With these improvements and more after-sale security on the future of NDSM, more artists can occupy NDSM. Important in this aspect is that the realization costs are kept relatively low. In respect with the original plan and the independent character of NDSM we hope a stable organization is realized, the critical mass of renters will be met and NDSM can be self supportive with an own mortgage loan.

Chapter 5 Problem Reflection

While working on this paper, there were several obstacles which we encountered. There are multiple parties involved in the organization and planning around NDSM as a breedingspot. It is not a straightforward environment, so there are no general, clear rules and regulations that can be applied to NDSM. In addition, since the plan for NDSM is based on a fairly new model, the organizational structure has been quite difficult to implement. In this reflection we will discuss the difficulties and challenges we came across while we tried to gather information for the paper.

First, the definition of success is vague. One person or party defined success differently from another. As mentioned above, local authorities see the NDSM as a success that within a certain amount of time the quest for spaces have to decrease, due to the creation of gallery spaces on NDSM. Also, by increasing continuity that stimulates minimal investment in breedingspots. According to Eva de Klerk, who initiated the idea for the NDSM wharf, the project is a success when enough money is raised, the framework of the building is finished, the selection criteria of the artists go smoothly and the end-users eventually finance the project themselves. Jaap Schoufour however hopes to get many square meters for artists at a good price, where the City Counselee Maarten van Poelgeest likes to see an icon of creativity representing Amsterdam.

Thus, different conceptions of success make it hard for us to conclude if NDSM is a success. As mentioned above there are numerous participants active in the case of NDSM who all have different interests in NDSM. Local authorities, the government, artists, committees like CAWA, foundations like Stichting Broedplaatsen all seem to have a common goal, which is creating an affordable place for non-commercial, cultural entrepreneurs where they can practice their crafts and are stimulated by all the impulses around them. Unfortunately when we talked to different parties, we discovered that although it seems that they all have shared goals and interests about NDSM, money is a spoil-sport. There are for example problems around subsidies and rent payments.

A combination of previous problems encountered is the reluctance to cooperate in this research. Apparently people find it hard to determine whether it is a success or don't want to be held accountable for their opinion. Besides that is there the aspect in which it is hard to put a price tack on art and creativity.

Other problems were the closeness of the artistic environment, which made it hard to gather information from artists. Also, the design for the NDSM wharf has been based on a new model, which made it hard to compare with other breedingspots. Since it is a fairly young project, not entirely finished, it was difficult to determine its success.

Lastly there was a tremendous lack of time. Conflicting stories made it difficult to draw a conclusion in such a short amount of time. There were many people we couldn't reach in time in order to get the right information and perspectives. We therefore want to emphasize this is a general case study only! It is an initial research which identifies important points playing in the success of a breedingspot and NDSM in general only.

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