Requirements and demands of Munich’s creative knowledge enterprises

The managers’ view

ACRE report 6.7

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Accommodating Creative Knowledge – Competitiveness of European Metropolitan Regions within the Enlarged Union

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The overall aim of this report is to understand the drivers behind the decisions of the managers of selected knowledge-intensive and creative industries to settle in the Munich region. To reach this aim the empirical research was to answer the following questions: which factors were decisive for decision-makers in knowledge-intensive and creative companies in the decision to establish their enterprise at the Munich location, or to keep their company in the Munich city region? How do the companies rate Munich as a location? How do networks between companies and to institutions like universities, industry organisations, research institutions influence the regional development of the investigated sectors?

In this study the consultancy sector is investigated as an example of a sector from the area of the knowledge-intensive industries and the internet and games sector as well as the TV and film production sector as examples of sectors from the area of the creative industries.

The analysed sectors have different location needs due to their different structures. Within the sectors, the location factors vary according to the size of the companies and their client structure.

One important finding of this study which corresponds with the results of the previous ACRE study of creative knowledge workers is that the location of companies is strongly determined by the location of the residence of the company founder (this does not apply to the big film production firms and to the so-called global players in consultancy).

This plays a role at the level of the city region, as well as in the choice of the micro-location within the city. The business founders had already lived or studied in Munich, and in the start-up phase they used existing private and professional contacts in Munich which they had built up whilst they were students. This result emphasises the great importance of universities and educational institutions for cities that want to attract talents: young people who come to Munich to study are also very likely to start their businesses here. In addition, many entrepreneurs in the area of the creative industries said that they had chosen their company location on the basis of proximity to their place of residence.

Five hard location factors were of particular importance for the two creative sectors (TV and film production and internet sector) as well as the knowledge-intensive sector (management consultancy): the local labour market, the proximity to customers, universities and educational institutions, accessibility and a strong economic setting. Important soft location factors for the sectors investigated are: the quality of life of the city and the surrounding countryside, high leisure value, the image of the city, a creative environment or “feel-good factor”, and prestige of the micro-location. On account of the high quality of life, none of the sectors have problems in bringing qualified staff to the Munich location. Consequently, this soft location advantage becomes harder in that the high quality of life in Munich makes it
easy for companies to attract qualified personnel to the location. Soft location factors like
tolerance or cultural diversity turned out to be quite unimportant for the industries surveyed.

In general, all three sectors that were investigated are highly successful in Munich. Munich is
a leading centre for the media industry, the internet sector as well as the management
consultancy sector in Germany.

In both creative sectors, this success can be attributed to the existence of clusters. The TV and
film production industry as well as the internet industry show strong cluster tendencies and
benefit from the co-location with other clusters such as the IT, media and finance cluster in
the region of Munich. Both sectors benefit firstly from specialised labour markets and
secondly from networks between firms, freelancers and customers as well as educational
institutions and associations which are well developed in the Munich region.

In the case of management consultancies, the city does not function as a cluster but as a
“reputational node” (Glückler, 2007). For management consulting firms proximity to the
decision-making centres of industry is an important criterion in the choice of location. In that
respect, Munich represents a good location for them: eight of the 30 DAX companies [the
index of the 30 strongest shares on the German stock exchange] have their headquarters in
Munich, and they are among the clients of the international management consulting firms.
Furthermore, the government of Bavaria as well as important financial institutions are located
in Munich.

However, the great economic strength of the region, coupled with the fact that both
knowledge-intensive and creative sectors are successful in Munich, also brings with it
disadvantages for the further development of the city region. One problem that was mentioned
in this study by the companies we surveyed, as well as in the last study, is the high cost of
living in Munich. The high cost of living represents a problem above all for the less well paid
creative workers in the region, whereas it was not mentioned as a problem once by the
managers of management consultancies that we surveyed. It is also mentioned by the creative
sector as a location disadvantage for their sector.
1 INTRODUCTION

1.1 Structure of the report

A positive urban regional development today is largely dependent on the potentials and capacities of metropolitan regions in the field of knowledge-intensive and creative economic activities. To explain why some city regions are more successful than others in attracting knowledge-intensive and creative firms regional studies focus on the question of why firms choose a certain location. For example, researchers such as e.g. Porter (1998) or Allen Scott (2004, 2006) see above all in the spatial concentration of firms, but also of institutions such as research centres and chambers and associations, an important reason why certain cities have a higher level of knowledge-intensive and creativity-oriented sectors than others. Whereas neo-classic theories focus on hard factors like the extent and quality of infrastructure or the availability of capital and labour or tax regimes and related factors, cluster theories also take into account the institutional thickness of a region or the social relations and shared conventions between different actors in a region. Instead of looking at the location factors of creative firms, Florida (2002, 2003) tries to explain why highly qualified and creative people settle in a certain city or region. According to Richard Florida, creative knowledge workers are drawn to places providing a range of lifestyle amenities, and have specific demands in relation to accommodation, the residential environment, and how they can spend their leisure time. Florida (2002, 2003) supplements these factors with factors such as social diversity, openness to minorities, a high level of ethnic-cultural diversity, and the prevalence of a bohemian culture. Thus, soft location factors play an important role in his concept. In his view, cities should not only try to attract firms from the creative knowledge sector, but the people that work for these companies or that might start such companies themselves, because his verdict is: “company follows talent” (Saris & Brouwer, 2005).

Which hard and soft factors actually influence the location decisions of managers and their firms? How important are dense networks which hint at cluster structures for them? To answer these questions we have investigated the consultancy sector as an example of a sector from the area of the knowledge-intensive industries and the internet and games sector as well as the TV and film production sector as examples of sectors from the area of the creative industries.

The report is structured as follows:

In the second chapter the four sectors at the centre of our study are presented briefly, with their characteristic features in order to provide the background knowledge that is required for interpreting the results of the empirical study.

In the third chapter the research design and the methodological procedure, from the development of the interview guidelines to the execution of the research, is explained. The
core of the report, namely the presentation and discussion of the results of the interviews, is formed by chapter four to seven. A summary and a discussion of the most important results viewed against the background of current theories and compared to the results of other studies are contained in chapter eight which is also the concluding chapter of this report.

1.2 Introduction to the region

Munich lies in the south of Germany and is the capital of the Free State of Bavaria. The city is the sole centre of the administrative district of Upper Bavaria (Nuts-2 region). Upper Bavaria belongs to the most dynamic regions of Europe in economic terms. Its economy is characterised by a strongly diversified industry and a high concentration of high-tech oriented firms as well as knowledge-intensive, business-oriented services. In contrast to many other regions in Germany, it shows also a positive demographic development resulting from migration, due to the wide-ranging employment opportunities of the region.

With a current population of approximately 2.4 million inhabitants, the Munich region has developed into one of the most dynamic and economically prosperous urban agglomerations in Europe. The region of Munich that is formed by the planning region 14 of the Bavarian planning regions encompasses not only the city itself, but also the surrounding administrative districts (Landkreise) of Dachau, Ebersberg, Erding, Freising, Fürstenfeldbruck, Landsberg am Lech, München and Starnberg (see figure 1.1 and 1.2). With a surface area of 5,504 square kilometres, it is the second largest of the 18 Bavarian planning regions. It is also one of the most densely populated regions in southern Germany. The region is strongly oriented toward the state capital.
The city of Munich, with a surface area of 310 square kilometres, makes up only 6 percent of the planning region, but almost 50 percent of the regional population. 1,337,030 million people (July 2007) live in this area. Approximately 60 percent of the total workforce (according to figures for those paying social insurance contributions) of the region has its place of work inside the city limits (1,026,330 workers).

Situating Munich in the national context it becomes apparent that Munich is one of the most important centres of research and development, of the high-tech industry as well as the media in Germany. With a current population of approximately 2.5 million inhabitants, the Munich region has developed into one of the most dynamic and economically prosperous urban agglomerations in Europe. The current positive economic situation of Munich is reflected in the dynamic labour market, the low unemployment rate, the dynamic service sector, the high purchasing power as well as the positive demographic development. One part of Munich’s strength as a business location is based on the diversity of its economic structure and the mixture of global players and SMEs. This modern and balanced economic structure is often referred to as the ‘Munich Mix’ (Münchner Mischung). This term not only refers to the mixture of big and small enterprises, it also refers to the sectional structure of the economy. Another part of Munich’s economic success can be attributed to the existence of numerous clusters like biotechnology and pharmaceutical industry, medical technology, environmental technology, ICT, aerospace, the media and finances. They form the innovative growth poles of the city region. The clusters are not only made up by links among enterprises of the respective branches but also by links to the numerous research institutions in the Munich area, by the networks of SMEs and large enterprises as well as links to commercialisation protagonists.

The Munich region can be considered to be one of the leading German locations for the creative and knowledge-intensive industries. 28.5 percent of all employees subject to social insurance contributions in the Munich region work in the creative knowledge sector, and in the city of Munich this even rises to 32 percent of all employees. Almost 8 percent of the total workforce is employed in the creative industries, and 9 percent in finance, the biggest sub-sector of the knowledge-intensive industries in Munich.

In 2004, the creative knowledge sector comprised more than 41,000 enterprises in the region of Munich. Around 28 percent of firms in the Munich region were active in the creative and knowledge-intensive sectors in 2004. They achieved a turnover of over 80.6 billion euros, which corresponds to just under a quarter of the total turnover of all the firms based in the Munich region, and in 2004 they employed 304,573 people. In Munich as the capital of Bavaria, the proportion of companies from the creative and knowledge-intensive sectors is higher than in the Munich region: approximately one third of all firms are active in these sectors of industry here. In 2004, the companies in the capital of Bavaria achieved a turnover of just under 51.2 billions, i.e. 22.1 percent of the total turnover of the city of Munich. A comparison of the knowledge-intensive and creative sectors shows that although about a third of the firms in the region and in the Bavarian capital are active in the creative and knowledge-intensive sectors, they achieve less than a quarter of the total turnover. It is particularly the companies in the creative sectors that achieve lower turnovers. Thus for example the economic importance and the relevance for the regional labour market of the knowledge-
intensive sectors is much greater than that of the creative sector: although 52.5 percent (region) and 55.2 percent (Munich city) of all creative and knowledge-intensive firms are active in the artistic-creative sector, they achieved only 22.1 percent (region) and 18.5 percent (Munich city) of the total turnover in the creative and knowledge-intensive sectors.
In the chapter that follows, the four sectors at the centre of our study are presented briefly, with their characteristic features. These include the management consulting sector from the area of the knowledge-intensive industries; the media sector from the area of the creative industries; the games sector; and the new media or internet sector. In each case, the field of activity and the historical and current developments in the sector at a national and regional level are discussed. The brief description of the sectors, and the political measures that are intended to support them, provides the background knowledge that is necessary for interpreting the results of the empirical study. The individual chapters also reflect, to a certain extent, the state of research on the various sectors. The availability of reliable figures varies greatly from one sector to another, which is why we have not adopted a uniform structure for the chapters.

2.1 The consulting sector in Germany and the Munich region

2.1.1 History of the sector and services provided

The management consulting sector is one of the strongest growing markets around the world. Management consulting came into being in the USA at the end of the nineteenth century. In the course of Taylorism and the advancing division of labour in production, there arose a demand for efficient work organisation, the aim of which was to optimise production sequences in terms of time, cost and revenue, and thus to increase the efficiency of industrial production. What came out of this was the professional field of management consulting with consultants who come from various areas such as business management, law, engineering or finance, and more recently from other areas too (Glückler, 2004a). The high demand for consulting services these days results above all from the increasing pressure of competition due to increasing technological change, international interconnections of capital and production, as well as increasing differentiation of products and demand (Glückler, 2004b).

The range of consulting on offer has always been very heterogeneous, and covers various fields of consulting.

According to the federal association of German management consultants (Bundesverband Deutscher Unternehmensberater – BDU), consulting services can be divided into the areas of management consulting, human resources consulting, software development and system integration, and outsourcing/managed services. The present study deals exclusively with the area of “classic” business consulting (corresponding to management consulting and IT consulting), which in turn is divided into four areas. The classic division covers strategy consulting, organisational and process consulting, IT consulting and human resources
consulting (BDU, 2007). The large international groups are mostly active in all areas of management consulting.

Greiner and Metzger (1983) define the classic field of management consulting as follows: “Management consulting is an advisory service contracted for and provided to organisations by specially trained and qualified persons who assist, in an objective and independent manner, the client organisation to identify management problems, analyse such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions.” (Greiner & Metzger, 1983).

On the basis of this definition, some characteristic features of consulting can be identified: the consulting process covers the identification and analysis of problems, as well as the development and – if desired – the implementation of solution strategies by an independent expert. A constitutive feature of the consulting service is its externality, i.e. the spatial, organisational and financial independence of the consultant from the client. The responsibility for implementing solutions and measures however remains with the client, and not with the consultant (Glückler, 2004a).

The consulting service is usually provided in mobile project teams and through temporary residencies with the client.

2.1.2 Development of the consultancy sector in Germany

Since the mid-1980s, the consulting sector has recorded considerable growth, and is one of the most dynamic service markets in the world. The European market volume has doubled in the period from 1997 to 2005 to almost 61.6 billion Euro turnover. The market is dominated by Germany, Great Britain and France, with a share of 75.5% in 2005. The largest shares are held by Germany with 38.6%, followed by Great Britain with 27.3%, ahead of France with 9.6% (FEACO, 2006). Germany thus enjoys a priority position in the European management consulting market.

Compared with Great Britain or France, in Germany the development of the management consulting sector began relatively late, with the establishment of branches of the American consulting firms in the 1960s, and with the founding of new enterprises by Germans who had previously gained experience on the American market. Prior to that, there had been only isolated instances of German consulting firms being founded.

In 2006, the overall market for the consulting sector in Germany had around 14,250 consulting firms with 101,000 staff, roughly 73,000 of whom were consultants. The turnover volume rose from 9.6 billion Euro in 1998 to 16.4 billion Euro in 2007 (cf. Figure 2.1). By the end of the 1990s, the industry was showing strong growth. This growth was weakened in the years 2002-2004 by the general economic lull and the collapse of the new economy. Since 2004/05, the management consulting sector has been recovering, and can show growth increases of 11.4% (2006) and 11.8% (2007) on the previous year. (BDU, 2008a).
Turnover is distributed over the various sectors as follows: the highest turnover in 2007 was achieved by organisational and process consulting, with a share of 44%. The market share in the area of strategic consulting was 24%, the share for the IT consulting field was 21.1%, and 10.6% of turnover was achieved in the field of human resources consulting (BDU, 2008a).

The consulting market in Germany is very diversified and segmented. Thus in Germany, there are only a few large multinational management consulting firms and many small or very small businesses or freelancers (see Figure 2.2).
As can be seen from Fig. 2.2, just a few firms employ the majority of all consultants, and achieve the most turnover in the sector. Contrasting with these is a large number of small and very small enterprises, which employ approximately half as many staff as the large firms, but generate only a sixth of the turnover of the large firms. The figures underline the assessment of one interview partner of the development of the sector: the consultancy market will continue to differentiate itself into large firms that are active in all areas of consulting, and very small enterprises that specialise in particular niches.

The client structure of the consulting firms also changes with the size of the companies. Large consulting firms have almost exclusively large multinational firms as their clients, whilst small consulting firms advise predominantly medium-sized and small clients. (Glückler, 2004a, 2004b). The customers or clients of the management consultancies belong to various branches of industry. The strongest demand for consulting services in Germany in 2006 was in the manufacturing industry (vehicle construction and mechanical engineering, chemicals/pharmaceuticals, consumer goods), with 34.1% of total turnover for the sector, and financial services (financial institutions and insurance companies), with 23.9% of total turnover for the sector. Other focus areas of the sector are: public administration, TIMES (telecommunications, information technology, multimedia, entertainment, security services), energy and water supply, transport and the hotel and catering industry, other services, wholesale and retail trade, and the health and social welfare sector. (BDU, 2007).

The regional distribution of management consulting firms is congruent with the economically strong regions in Germany. In terms of the individual federal states, 23.5% of German management consultancies are based in North-Rhine Westphalia, followed by Bavaria with 19.4%, Baden-Württemberg (13.0%) and Hessen (11.4%). The city-states of Hamburg and Berlin follow, with 6% and 6.4% respectively. In the structurally weak federal states, by contrast, there are hardly any head offices of management consultancies (below 1% in the federal states of Mecklenburg-Vorpommern, Thuringia, Saxony-Anhalt, Bremen and Saarland).

According to Glückler (2004a, 2004b), it is not the proximity to clients that plays the decisive role in the choice of company location, but location factors such as proximity to a labour market with a large number of highly qualified people, proximity to decision-making centres in the economy, as well as central transport infrastructure at the location. These location factors are to be found above all in the areas of agglomeration, which is why the spatial concentration of management consultancies is limited largely to the agglomeration and economic areas of Germany.

2.1.3 The consultancy sector in the Munich region

Measured by the turnover yield of the consulting firms, the consulting sector is concentrated on the conurbations of the Rhine-Ruhr area (above all the cities of Düsseldorf and Cologne), Rhine-Main area (above all the cities of Frankfurt am Main, Wiesbaden, Mainz and Darmstadt) and Rhine-Neckar area (above all the cities of Karlsruhe and Mannheim) as well as the urban regions Munich, Hamburg, Berlin and Stuttgart. The locations with the highest turnover are Munich, Düsseldorf and Hamburg (Glückler, 2004b). Besides the Rhine-Main
area, Munich is the conurbation with the highest concentration of consulting firms (Glückler, 2004b).

The importance of the location is shown by the large number of consulting firms in the Munich region (cf. Table 2.1)

<table>
<thead>
<tr>
<th>Location of firms</th>
<th>City of Munich</th>
<th>County of Munich (Munich county)</th>
<th>Munich region (Planning region 14)</th>
<th>Remaining rural districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of firms, NACE code 7414</td>
<td>2794</td>
<td>822</td>
<td>4690</td>
<td>1074</td>
</tr>
</tbody>
</table>

Table 2.1 - Location pattern and number of consultancy companies (only firms in the commercial register)

Source B.I.H.K. as at 02.05.2008, company database of the Bavarian chambers of commerce and industry

The head offices of the management consultants in Munich are concentrated predominantly on the city of Munich (60%) and Munich county (18%). Altogether, over two thirds of the consulting firms are based in the city of Munich and Munich county, and one third are spread over the remaining rural districts of Planning Region 14. This shows that the sector is concentrated on the urban area. If one looks at the distribution of consulting firms at the urban level, one finds that almost 70% of all firms based in Munich are concentrated in the inner city core area (in a radius of 5km from the city centre).

These data are based on figures from the Chamber of Industry and Commerce of Munich and Upper Bavaria. They must be viewed in a differentiated manner, since NACE code 7414 also includes firms that do not have management consulting as their primary field of activity or main focus. On the other hand, presumably there are also many small firms or self-employed consultants that are not listed in the register of the Chamber of Industry and Commerce of Munich and Upper Bavaria, and are therefore not included.

These figures nevertheless demonstrate the tendency in the consulting sector towards concentration in the core city, and on the city centre area within it.

2.1.4 Political support measures

In the Munich region, there are no support measures specifically tailored to the consulting sector. However, the sector benefits to a large extent indirectly from the impressive variety of policies of the Free state of Bavaria as well as the city of Munich that are directed at improving entrepreneurship, commercialising knowledge as well as creating networks of innovation.
2.2 Audiovisual media in Germany and in the Munich Region

2.2.1 The media sector in Germany

In the last two decades, the media sector in Germany has developed into a significant sector of the economy. Despite some problems, it is seen as a future-oriented sector, and as a decisive player in the future development of employment, and has thus moved into the focus of interest in terms of economic policy. In Germany, the proportion of employees in the media sector who are liable for national insurance contributions runs at 2.0% of employees overall. In spite of the boom leading up to 2000 and the subsequent crisis in the media sector between 2001 and 2006, this proportion has remained largely the same (Geppert & Mundelius, 2007). However, the proportion of freelancers in the sector has increased over this time.

The most important areas of the media economy are traditional sectors such as the printing and publishing industry (printing industry, production of newspapers, magazines and books), the audiovisual media (television, radio, films, music), as well as the advertising industry and information services (Biehler et al., 2003). The multimedia sector or internet sector (CD-ROM storage media and internet), which has come into being only in the last few years, is usually likewise counted as part of the media economy, but in this study it is treated as a separate sector (see chapter 6).

In Germany, the media economy is concentrated in a few metropolitan agglomerations. The reasons for the cluster formation at the urban regional level which are given in the literature are the specific production conditions in the media sector, which are characterised by project-oriented working, production in networks, as well as the great importance of knowledge, learning and innovation (Seufert, 2002).

The Munich region is considered to be one of the most important media centres in Germany, alongside Cologne, Hamburg, Berlin and Düsseldorf. Whereas each of these four cities has a stronger specialisation in a specific sector of the media industry, Munich has the broadest media range and the greatest functional diversity (Biehler et al., 2003; Sträter, 1999). Media has developed into one of the most important sectors of the economy of the Munich region in the last two decades (Biehler et al., 2003) and hardly any other city in Germany has profited more from the media boom during the last few decades.

According to a study by the German Institute for Economic Research (Deutsches Institut für Wirtschaftsforschung – DIW), in 2006 40% of all media industry employees in Germany who were liable for national insurance contributions were concentrated in the five most important media locations. The Munich region heads the table, with a proportion of 11.4% of employees paying national insurance contributions working in the production of media content in Germany. Hamburg and Berlin follow, with proportions around 9%, and the regions of Cologne and Frankfurt am Main lie between 6 and 7 percent. When the various sectors are looked at separately, Hamburg takes first place in advertising, Berlin in film, and Munich in publishing as well as radio/television (Geppert & Mundelius, 2007).
The production of television programmes in Germany takes place essentially in the locations of Cologne, Munich, Berlin and – with lesser significance – in Hamburg. According to a study by the DIW, in 2000 around 2/3 of all employees liable for national insurance contributions who were working in this area fell into these four focus regions. Over three quarters of all production companies in the television programme sector which were liable for turnover tax were based there, and earned around 88% of total turnover (Seufert, 2002). Cologne is seen as the centre for studio productions (quiz shows, talk shows or cookery shows), whilst Munich and Berlin have greater expertise in the area of fictional productions (feature films and television movies).

Since the present study relates only to audiovisual media, what follows below relates to the areas of film, television and radio. Of all the areas in the media and communications economy, this area has the highest growth rates, as measured by the number of personnel and by the turnover (Biehler et al., 2003; Sargl, 2003).

2.2.2 The audiovisual media in Munich

Biehler et al. (2003) regard the Munich media industry as a strong cluster made up mainly of small and medium-sized companies, with some 30 large-scale enterprises. In terms of their influence and turnover, these large-scale enterprises can be regarded as ‘global players’. They form the nodes of the network made up by the Munich media companies. For the interaction of the enterprises, the branches are less important than their functional co-operation (Biehler et al., 2003). Furthermore, numerous associations come together to represent the interests of their respective customers in the different sectors of the media industry (Sträter, 1999; Sargl, 2003). The cluster is completed by a broad range of training and support facilities for media professions.

The genesis of the cluster in the area of film and television production is closely connected to the development of the public broadcasters, the founding of important media enterprises and key enterprises in the film industry.

The development of the public broadcasters represented an important stimulus for film and television production. Thus in 1922, with the “Deutsche Stunde in Bayern – Gesellschaft für drahtlose Belehrung und Unterhaltung mbH” (German hour in Bavaria – society for wireless education and entertainment), the first forerunner of Bayerischer Rundfunk was founded in Munich. Even before the founding of the Federal Republic of Germany, Bayerischer Rundfunk (BR) was founded in 1949 as an institution under public law. The beginning of the television age is regarded as the 1950s, when BR moved into its television studio in Freimann in 1954, with Unterföhring being added in 1963, as the second television location (cf. von Streit, 2003). Due to the existing production infrastructure in Munich, with the liberalisation of the broadcasting and television sector in 1984, numerous private-sector stations settled in Munich.

Whereas to date, the public sector broadcasters covered almost all stages of the value-added chain for programme production from their own resources and using their own staff, from the mid-1980s onwards, with the growing number of private broadcasters, the principle of
commissioned production became established: the programme content was now produced by independent production firms. Along with the increasing numbers of broadcasters, the broadcast hours too rose gradually. Since the beginning of the 1990s, 24-hour full schedules are standard for the major broadcasters. This led to a heavy demand for programme content, which in turn encouraged the establishment of firms in this area. In this way, both the production system and the location structure have undergone lasting change through the political deregulation measures in the 1980s, and above all the private television broadcasters have developed into important customers for production companies.

Nowadays, in addition to the two public broadcasters, Bayerischer Rundfunk (with over 4,000 permanent and freelance radio and television workers) and Zweites Deutsches Fernsehen (ZDF), many national as well as some international private broadcasters maintain a presence in Munich (see Appendix 4) (von Streit, 2003).

2.2.3 The capacities in the film economy

Another important cornerstone of Munich’s development into a leading location for the film and television industry is the company Bavaria Film GmbH. Today, it is one of the largest and most long-established media enterprises in Europe, and arose out of the tradition of a studio operation that was founded in 1919 at Geiselgasteig. The Geiselgasteig film city has been the base of Bavaria Film for more than 80 years, and has become a globally active production and service group with more than 20 subsidiaries and holding companies at the important media locations in the German-speaking area. Today, foreign film and television productions as well as series and daily soap operas are produced there. Bavaria Film also acts as a media service provider, with recording studios, video centre, sound-recording studios, dubbing studios, studio engineering, lighting engineering and equipment. Film studios represent important infrastructure elements for the film and television sector. That is why the Bavaria Filmstudio is an important locational advantage for Munich, since there are no film studios of comparable size anywhere else in Germany.

The availability of technical infrastructure is likewise decisive for a successful film location. The second largest media service provider after Bavaria Film is the firm ARRI, which is decisively linked to the rise of Munich as a film location, on account of the production of film editing equipment, film lighting equipment and cameras.

Besides the firm ARRI, which provides the technical infrastructure for film production, there are also other key enterprises for the film industry in Munich. In the media cluster in Unterföhring, key enterprises such as ASTRA have established themselves, which provide the technical infrastructure for data distribution and the reception of radio and television. (Expert interview FFF and CAM).

In all, 34% of the sector turnover in the film and television sector in Germany is achieved in the Munich area, and two thirds of all feature film producers are located there. As far as the economic importance is concerned, television, commercials and video production is considerably more important than the production of cinema films (cf. Biehler et al., 2003).
Due to the available capacities, and since particularly in the film industry, every product represents something unique and requires differing inputs in terms of creative and technical resources, a comprehensive, heavily networked ancillary industry has developed in Munich, ranging from studio operators through production companies, film engineers, lighting engineers, casting agencies to post-production and film lending companies. Biehler et al. (2003) also see Munich as a European centre of trade in film licensing and rights.

2.2.4 Location pattern of the media sector in the Munich region

Concerning the spatial concentration of the media industry, the media enterprises are almost entirely concentrated in the city of Munich as well as in the northern, eastern and southern parts of the adjacent Munich county administrative district [Landkreis München]. Furthermore, the different sectors of the media industry have developed special locational profiles. The film production and distribution enterprises are concentrated in the inner city. For these enterprises, proximity to other companies and a thriving urban culture are important (Sargl, 2003). The TV and radio stations are located either in the inner city or in the neighbouring municipalities of Unterföhring, Ismaning or Grünwald, where spatially concentrated media clusters have developed (see Figure 2.3). The cluster in Unterföhring has developed around the former Kirch group, the cluster in Grünwald around the Bavaria Studio GmbH (studio facilities).

Figure 2.3 - Location pattern of the media sector in the Munich Region

Source: Hafner, Schier, von Streit., 2005
2.2.5 Educational and training institutions for the film and media economy

An important factor contributing to the creation and development of the cluster in Munich is the educational institutions based there (above all universities and academies), as well as other supporting institutions (e.g. the financial institutions that specialise in financing television and films). The broad range of public, private and private/public educational and training establishments represents a decisive location advantage for the film and television sector and related branches of the media economy. There are no fewer than 30 different schools and further education facilities for media professions in the Munich region.

A special role in the film industry is played by the college of film and television (Hochschule für Fernsehen und Film – HFF), which was established in 1966, and which has now assumed an important educational function beyond Munich too. It offers courses in “Film and television drama”, “Documentary films and television journalism” as well as “Production and media economy”. The HFF itself attributes great importance to the location question for a college of film and television, since it is linked through numerous joint ventures and partnerships to enterprises from various sectors, and thus contributes to strengthening Munich as a media location.

2.2.6 Political support measures

Due to the fact that the Länder (states) bear responsibility for the fields of education as well as the media in Germany, the Bavarian state is an important actor in deploying a variety of policies that are directed at the promotion of the media.

In this connection, we should mention first of all the educational and training establishments referred to above.

Furthermore, the Bavarian Film Centre (Bayernisches Filmzentrum) was founded in 1992, its shareholders being the state of Bavaria (70%) and Bavaria Film GmbH (30%). On the Bavaria Film site, it offers up-and-coming producers and young enterprises in the media industry fully equipped offices, services, and individual assistance.

Another important infrastructure measure for the film industry is the large film studios on the Bavaria site, which was established with the help of the state of Bavaria.

Another outline condition characterising the location for the film industry in the greater Munich area is Bavarian film promotion. In 1996 for example, FilmFernsehFonds Bayern GmbH (FFF) was established by the state of Bavaria together with leading private and public broadcasters, with the aim of introducing high-quality support for the film industry in Bavaria, and of offering additional services for the film industry. In addition to the state of Bavaria, various public and private television bodies work together here to create and extend a strong film and television landscape in Bavaria (FFF Bayern, 2008). Areas that receive support include television films, fresh talent, and film theatres.

In 2002, the total volume of support that was provided was 29.5 million euro, of which 9.9 million euro (33.6 %) went to television productions. The production location of Munich
benefits from the so-called Bavaria effect of 150%, which says that the production firms must spend at least 1.50 euro in Bavaria for each euro of support funding they receive. In fact, however, the Bavaria effect actually lies well above 150%; thus in 2002, it stood at 272% (cf. Moßig, 2004).

Other important elements of film promotion in Bavaria are events such as the Munich media days (Medientage München) which, since 1987, have been held annually in the autumn by the Bavarian state agency for media (Bayerische Landesanstalt für Medien), and have become a “media event”. Since 1983, the Munich film festival has taken place once a year in early summer, and it is the largest film festival in Germany after the Berlin film festival. Well-known prizes and awards are given there, such as the “director sponsorship prize” awarded by the Hypo Vereinsbank, as well as the Bavarian film, television and documentary film prize awarded by the state of Bavaria. These events make an important contribution towards strengthening the confidence of players in the sector, and to a positive attitude amongst the public towards the media at the Munich location (cf. Biehler et al., 2003).

In addition to infrastructure measures, the support of festivals and prizes, as well as financial support for films via the FFF, the latest support instrument offered by the state of Bavaria is cluster promotion.

The cluster strategy is a state initiative for ‘stimulating a self-reinforcing growth process, whose concrete outline conditions are worked out and brought to life by the protagonists in the cluster’ (Bavarian Ministry of Economic Affairs, Infrastructure, Transport and Technology, 2006). For this, financial involvement is expected from the players in the cluster, since the financial provision is intended only for covering the costs of the cluster management. Critics argue that support for large-scale projects such as the Film Zentrum Bayern has now been replaced by modest support for project ideas. However, for the first time, Bavaria is now also supporting communication processes and dialogue approaches on a large scale.

The cluster for audiovisual media (CAM) is available as a platform for all participants and protagonists in the market from the audiovisual media sector in Bavaria, such as e.g. film-making companies, film and television producers, post-production and animation producers, through to the computer games industry and games developers.

The over-arching aim of CAM is to bring about a long-term improvement and strengthening of Bavaria’s position as a media location, through strategically directed networking activities. Through the cluster initiative, the aim is to maintain the attractiveness of the location, and to support its economic strength in the media sector.

This takes place through a number of measures. Through the establishment of an online database for the media sector, cross-sector access to technical expertise at universities and research institutions, to highly qualified personnel, to innovative creative workers and to capital investors is facilitated. This is intended to improve the networks of Bavarian media entrepreneurs. CAM also offers non-monetary support in the sense of assistance, individual advice in the areas of starting up firms or available support, ideas, making contacts, or events for particular sub-sectors (expert interview FFF and CAM).
offers its services above all to small and medium-sized enterprises in the Munich region (CAM).

In contrast to the support provided by FFF, the support offered by CAM consists of non-monetary services. Instead, the cluster initiative provides large-scale support for communication processes and dialogue approaches.

Compared with the state of Bavaria, the activities of Munich as its capital city appear modest – as the city does not have the same financial means as the state of Bavaria. But there are some measures taken by the City of Munich, especially by the Department of Labour and Economic Development, to promote the media industry in Munich.

In the area of the media economy, the City of Munich supports the award of media prizes or film festivals such as the Munich film festival or the documentary film festival, or is itself a member of industry networks. Another of its activities is assisting companies in their search for premises, or offering municipal premises. Furthermore, municipal support is also currently being provided to develop a business park in the city centre of Munich, specifically for firms from the media sector.

2.3 The internet sector in Germany and in Munich Region

Like the games sector, the new media sector is a young one. It lies at the intersection of traditional and new media sectors (Christopherson, 2002), and it has developed as a service-oriented field of employment since the mid-1990s, when the internet came into being in its present form. This branch of industry is referred to as either the internet sector or the new media sector, since it combines “elements of computing technology, telecommunications, and content” (Batt et al., 2001) in a new way, and at the same time produces products and services that can be used interactively, in other words over the internet, by private and commercial users.

The most important originating sectors are, besides information and communications technology, the advertising sector (advertising, marketing and market research) and parts of the associated publishing and graphics industry, as well as parts of the audiovisual media (Mayer – Ahuja & Wolf, 2005, Läpple, 2002). It includes established companies that have expanded their sphere of business to include internet activity, such as e.g. advertising agencies, software developers or book publishers, as well as newly established enterprises. The main activities of the firms with which the present study is concerned lie in the area of web design, e-business, e-learning, e-publishing or other internet-related services.

1 In the academic debate, this sector is referred to without any great distinctions as the New Media (e.g. Batt et al., 2001; Pratt, 2000) or in German as the Neue Medien (Henninger, 2004), or as the internet economy or internet sector. The term “multimedia” on the other hand is hardly used any longer. Thus the association that represents the interests of these firms changed its name in 2004 from Deutscher Multimedia Verband (dmmv – German multimedia association) to Bundesverband Digitale Wirtschaft e.V. (BVDW – federal association for the digital economy), since the term “multimedia” was regarded as being too narrow for the sector.
In the 1990s, multimedia agencies, which above all offered web design and marketing and accordingly were close to the classic advertising sector, could still easily be distinguished from internet service providers (ISPs) that offered internet access and hosting for websites, or from companies that sold goods and services over the internet. In the meantime, these demarcations have vanished, because more and more firms cover several business areas: software suppliers in the area of e-learning for example must come up with appealing design; ISPs are expected to provide complete solutions; and many of the firms that started out as agencies with web design have expanded their range of services over time to include concept, text design, graphic design, software development and consultancy services. Consequently it is no longer possible to make a clear distinction from the advertising sector or the IT sector.

2.3.1 Companies and workers

No reliable figures for the size of the sector and the number of people working in it can be obtained from the official statistics. The reason for this is, first of all, that official statistics are entirely absent, and secondly that it is hard to distinguish this sector from others such as IT or advertising. The estimates for the number of people working in this sector in Germany range between 72,000 and 151,000, plus the estimated 67,000 self-employed, in the year 2001 (Krafft, 2001). At this point in time however, the new economy boom and thus the high point in terms of numbers of workers had already been passed. Following the onset of the crisis in 2000/2001, from an academic point of view this sector was paid far less attention in Germany, so that it is hard to say very much about the development in terms of numbers of people working in the sector since then.

This sector is heavily concentrated in urban regions. Besides other media metropolises such as Berlin, Cologne, Hamburg, Düsseldorf and the Rhine-Main area, the Munich region is the most important location for the internet sector in Germany (Sträter, 1999; Krätke, 2002).

In order to provide at least an insight into the sector in Munich, in what follows we refer to the iBusiness year book for 2006 (Graf & Treplin, 2006) 2, since it no doubt provides the most complete overview of the numbers of enterprises in the internet sector.

According to the iBusiness year book for 2006 (Graf & Treplin, 2006), in the Munich region the sector is represented by around 195 enterprises, with around 12,355 workers. However, the firm Unilog alone accounts for 9000 workers, who are not included in the analysis below, since this figure refers to those employed across Europe, and not just those working at the company’s branch in Munich. According to the publishers of the year book, about three quarters of all firms in Munich are recorded in the year book, so that we can assume a figure of around 234 companies and around 4000 workers in the Munich planning region. The internet sector is characterised by small and very small enterprises (Mayer-Ahuja & Wolf,

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2 The year book is published by Hightext Verlag in Munich, and companies can be entered in the year book free of charge. For the whole of Germany, 3000 internet service providers are listed. The year book includes agencies, service providers and producers, as well as one-man companies, that work in the interactive media. Freelancers are recorded separately.
2004), and this is also the case for the Munich location. Around 90% of companies have fewer than 50 staff, and over 60% have at most ten staff (cf. Figure 2.4).

*Figure 2.4 - Employee statistics for the region of Munich*

![Employee statistics for the region of Munich](image)

*Source*: Graf & Treplin 2006; own illustration

The spread of workers across the company size groups is such that only 40% of them work in companies in the class of up to 50 workers, whilst the 17 medium-sized companies account for almost two thirds (60%).

It is not possible to put precise figures on the numbers of freelancers, and particularly the number of sole entrepreneurs. In their survey of the Hamburg multimedia sector, Läpple et al. (2002) place the proportion of freelancers at just 11%, which corresponds approximately to the proportion of self-employed in the economy as a whole. Detlev Sträter (1999) on the other hand assumes a proportion of almost 50% for Munich, and a study by the chamber of commerce and the city of Munich on IT and the media economy in the Munich region estimates the proportion of freelancers to be around a third (IHK München and Oberbayern & LH München, 2004).

There are several reasons for the high proportion of freelancers in the sector: Firstly, “subcontracting” is very important. Specialist sub-tasks in particular are placed with very small firms or freelancers. This outsourcing may well be the reason for the marked horizontal division of labour in the performance of services (cf. point 6.3). Furthermore, in this way specialist knowledge or skills that are not available in the firm can be purchased via freelance project workers. Secondly, agencies make use of freelancers in order to cope with larger projects or order gluts, and to save on costs that would be associated with permanent employment.
2.3.2 An urban phenomenon: location patterns in the industry

Just as with the media sector, here too we can see a selective concentration on a limited circle of cities and metropolises (Braczyk, Fuchs & Wolf, 1999).

Several reasons can be put forward for the cluster formation of enterprises in this sector at the urban regional level, which apply generally for knowledge-intensive and design-intensive production and service activities. We shall first examine the cluster formation at the urban regional level. In accordance with Marshall’s argumentation, various part-processes encourage the spatial concentration of enterprises (Bathelt & Glückler, 2002). Regional interwoven relationships are then particularly advantageous if there is only minimal standardisation when it comes to material purchasing, the award of sub-contracts, and exchange of information. This is the case for services and products in the internet sector. The availability of labour also plays an important role. Thus a specialised labour market makes it easier both for the companies to look for workers, and for workers to look for new employers. Because of the organisation of labour in the sector, for internet service providers the existence of a large pool of specialised labour is an important point in their choice of location (cf. point 6.6) (Grabher, 2002c). Clusters also make access to non-codified knowledge easier, with this transfer of new, non-codified knowledge being seen as a socially embedded process (Storper, 1997). In this connection, local and regional cluster formation in knowledge-based sectors is justified with concepts of “cultural” or “institutional proximity”, and of “collective learning” in geographically condensed economic relationship networks (Krätké, 2002). Secondly, an important characteristic feature of the spatial configuration of the internet sector is the cluster formation within a city, in other words the local concentration in particular districts, preferably in the area of the city centre (cf. Braczyk, Fuchs & Wolf, 1999; Pratt, 2000; Scott, 2000; Indergaard, 2004).

This location pattern also applies to Munich. Thus for example over 70% of Munich companies in the internet sector are to be found in the city centre and in the adjacent districts which for the most part date back to the late nineteenth century. Only 30% are located in the other districts at the edge of the city. A concentration of companies in the outer districts can also be seen on large arterial roads (cf. figure 2.5).

The reasons for the cluster formation in small areas in inner city districts are to be found not so much in the lower transaction costs but, as Andy Pratt (2000: 434) explains in his study of the New York internet sector, in the “untraded interdependencies”, which are made possible through frequent random or planned, formal or informal face-to-face contacts:

“It was clear that many aspects of human interaction, those that are important in untraded transactions, cannot be achieved solely by new technology (e-mail, webcasting, video links, etc.). The need for physical interaction was identified in the practices for learning, innovating, contracting, employment, as well as in socialising, eating, relaxing, or just ‘feeling the pulse’ of the city’. (…) Moreover, physical proximity facilitates these untraded dependencies and patterns of interaction. Structured and routinised social events and institutions (such as “cyber sud” parties, and particular restaurants, coffee bars, and night clubs) became the focus for such interactions”.

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The question as to how far these location factors apply to Munich will be revisited in the empirical part of this study.

**Figure 2.5 - Location pattern of the internet sector in the region of Munich**

Source: von Streit, forthcoming

### 2.3.3 Political support measures

In the Munich region, there are no support measures that are explicitly tailored to the new media sector. However, the sector benefits generally from the good educational and training opportunities in the media, advertising and IT sectors in Munich. Since the industry has a high proportion of freelancers without employees, the business start-up support programmes can be seen as an instrument for supporting the sector. One example is the MEB (Münchner Existenzgründungsberatung), a consultancy office for start-ups organised by the city of Munich with the chamber of industry and commerce.
2.4 Computer games

2.4.1 Introduction to the industry

Interactive software and computer games represent the fastest-growing sector of the media economy, whilst at the same time being one of its youngest sectors. From the first patent for a video game, which was filed in 1968 in the USA, through to their ubiquity in the everyday culture of many young people, as well as older ones, just four decades have passed. In 2005, world-wide turnover was around 25-30 billion US$, whilst the comparison value for 1980 ran to just 10 million US$ (Masuch, 2006). One reason for the explosive market expansion is the symbiotic dependence on technological development, for example the short lifecycles of PC hardware or games consoles. According to Nolan Bushnell, the founder of Atari, “Computer games have done more to encourage the spread of computers than any other application.” (B.I.U., 2008)

Since 2004, in the USA computer games have turned over more than current cinema business, and this trend can be seen in other countries too. In the recent past, international growth rates have been at 5 to 20% per annum, and well over 10% in Germany. By 2010, a further increase in turnover of around 65% in relation to 2006 is anticipated (G.A.M.E., 2006). Regardless of their great economic performance, however, only very few computer games (around 5%) enjoy commercial success, and 80% of turnover is generated by just the top 20 titles in a year. Around 50 million games were sold in 2007, which corresponded to turnover of 1.36 billion euro. The sector of PC games accounted for 458 million euro, or 23.1 million titles sold; console games turned over 544 million euro and sales of 15.1 million copies; and the hand-held sector achieved 360 million euro turnover on 11.7 million games sold (B.I.U., 2008).

Germany is not a pioneer in the computer games industry. Ninety per cent of the games are imports, whilst the quota in countries such as the USA, Japan and Great Britain is around 35%. The German developer sector has hardly been able to make headway with its titles on the international market, and therefore continues to serve mainly the interests of the German PC-oriented clientele. Within the EMEA economic area (Europe, Middle East, Africa), Germany’s share of the turnover remains quite constant, at between a quarter and a fifth.

Computer games – usually referred to in German too by the English word “games”, to distinguish them from board games or parlour games – are a complex and high-tech product, requiring sophisticated division of labour and numerous project partners for their production. Typical characteristic figures for a new product development are team sizes of 30-50 specialists, development times of 2-3 years, and investment of several million euro.

The industry can be roughly divided into two sectors: the developer side and the publisher side. The developer studios, or “developers” for short, design and produce the game, and generally comprise various teams of game designers, writers, graphics designers, modellers, animators, interface designers, programmers, level designers, sound designers and/or composers.

Only very few developer studios can bear the high entrepreneurial risk of games production independently, which is why generally they approach a publisher with a concept, or ally
themselves firmly with one, in order to be financed by them. Other tasks performed by the publisher are product management, PR and advertising, quality control, localisation and frequently also distribution. The interface between the sectors of developer and publisher is represented by the producer, who administers the development budget and monitors the progress of the game (so-called milestones) (Schmitz, 2008).

It is a young and highly creative industry with few veterans, many people joining from other industries, and a high drop-out rate. Characteristic features are a strongly interdisciplinary, project-oriented and informal approach to work, as well as flat hierarchies. The rapid creation and dissolution of studios ensures that the small scene is concentrated on individual urban locations. This often makes it possible for people to change employers easily. In Germany, this relates above all to the conurbations of Munich, Berlin, Hamburg and the Rhine-Main area. Furthermore, the federal state of North Rhine-Westphalia, with half of the national turnover, can be counted as the most important location. Around 30 of the approximately 200 German developer studios as well as branches of the leading publishers in the market are based there, and together with the downstream service providers, they account for over 9000 jobs (G.A.M.E., 2006).

Across Germany, around 2800-3300 staff work in the developer studios, which is of the same order as the number of people working in the Canadian headquarters of Electronic Arts or Ubi Soft. In Germany, there are numerous small enterprises, self-employed people and freelancers in this sector: 70% of the developers employ fewer than 16 staff, 20% between 15 and 50 staff, and 10% over 50 staff, but hardly any studios have significantly more people employed on a permanent basis. If one looks at the industry as a whole (developers, publishers and other service providers), the federal association of games developers (Bundesverband der Spieleentwickler – G.A.M.E., 2006) estimates that there are around 15,000 workers. The sector is continuing in the ascendant, so that it is estimated that it will have grown to 22,600 workers by 2010.

In recent years, there has been a trend towards significant restructuring and buy-ups. The publisher scene is now dominated by big global players such as Electronic Arts, Sony, Nintendo, Activision Blizzard (the latest merger of Activision and Vivendi Games), Take Two, Atari or Microsoft. In addition to their main activity in the gaming nations of Canada, the USA, Great Britain, and the home country of consoles, Japan, they are also active on the German market, where they compete with local publishers such as Koch Media (in the Munich region) or Ascaron (Gütersloh). The future may see a consolidation of this structure, which also means that it will become increasingly difficult for small developer studios and start-ups to become established.

Associated with this is the continuing expansion in turnover volume in the industry, which is slowly approaching that of the music industry. The production of games is becoming ever more costly, whilst at the same time the top titles are increasingly being aimed at a broader-based target group with higher proportions of female and older players (casual gaming). The online market will continue its rapid growth and establish new forms of distribution (for example, through downloadable expansions). Finally, the growing area of hand-held games is ensuring increased mobility of this leisure activity: the products of the games industry are moving into public space.
2.4.2 Description of the industry in the Munich region

Munich is one of Germany’s leading media and IT locations, which undoubtedly may be seen as significant for the games industry too. The German branches of Microsoft and Oracle can serve as examples of “software giants” in the Munich region. For this reason, the figures that are available are difficult to transfer to the games sector. The games sub-sector is a very fast-growing and volatile sector. For the sake of completeness however, the characteristic figures for the “software consultancy and supply” branch of industry (NACE 722) are provided: In the Munich region, 26,360 employees in 3,179 firms generated a turnover of 3.36 billion euro. For the city of Munich, the statistics show 14,843 employees, 1,815 firms, and a turnover of 1.81 billion euro.

Thus it is not possible to make quantified statements about the Munich games industry, although in contrast to other segments of the media landscape, the Bavarian capital is not a prominent and trend-setting location within Germany. There are only a few relatively small developers (around 10), which for the most part have been established close to the city centre of Munich, and work on in-house productions or conversions there. Munich carries greater weight as a location for games publishing: one of the well-known German publishers, Koch Media, is based outside the south-west city limits. The enterprise, which was established in 1994, employs around 300 people. Microsoft Germany too has established itself in the surrounding area, namely in Unterschleissheim, a municipality in the northern part of the Munich administrative district, or Landkreis. Apart from that, the publishers prefer urban locations: Munich is home to branches of large international groups such as Disney Interactive, Take Two Interactive or Sega.

Whilst it may seem an exaggeration to talk of established location patterns or spatial concentrations for the sector of computer games development at the urban level, fundamentally there is increasing media convergence. The area of computer games and learning games is also becoming increasingly important for companies whose main turnover and renown are generated in other fields. Examples would be publishing houses (such as Langenscheidt), film and television companies (such as Disney), and of course traditional software houses (such as Microsoft).

Increased networking is also the aim of Bavaria’s media policy and media support. The games sector counts as one of the 19 clusters across the state – cluster of audiovisual media (CAM) – of the “Allianz Bayern Innovativ” (Bavarian innovation alliance), to which currently approximately 300 companies and industry insiders belong. The objective of the project is defined as faster transmission of knowledge and access to technical and academic expertise, above all for smaller and medium-sized enterprises. The state of Bavaria supports this networking to the tune of 1.1 million euro; in addition, there is further financial support from the European Union, amongst others.

In April 2008, the “Munich Gaming” conference took place in Munich for the first time. At this event, the Bavarian prime minister talked about the future importance of this branch of industry: “The government of the state of Bavaria is aware of the role played by the digital games industry as part of a modern economy. Our aim must be to drive the development of computer games in Munich further forward” (Beckstein, 2008). The cluster management is
currently said to be working on start-up support, as well as a suitable location parallel to the Bavarian film centre. As yet, there is no concrete support in the form of networked premises in Munich, for example through a Gründerhaus, or premises aimed to help games developers who are starting up, such as have been provided by the city of Hamburg since April 2008.

To the extent to which computer games pervade everyday life, the sector is increasingly accorded appreciably more public attention. Since 2007 we have had the German game prize “Lara”, which comes with 5000 euro and is awarded in Munich. In addition, since 1998 the “Pädi” prize, or pedagogical interactive prize, has been awarded to valuable games for children and young people. The non-material prize is awarded by “SIN - Studio im Netz”, an educational media association from Munich in partnership with the cultural section, the section for school and culture, and the welfare section of the state capital Munich.
3 RESEARCH DESIGN AND METHODOLOGY

3.1 Justification for a qualitative research approach

For the empirical research, a qualitative research design was selected. The aim of the empirical examination was to answer the following questions: which factors were decisive for decision-makers in knowledge-intensive and creative companies in the decision to establish their enterprise at the Munich location, or to keep their company in the Munich city region? How do the companies rate Munich as a location? For two of the chosen sectors of industry (the consultancy sector and the computer games sector), to date there have been hardly any studies of the location requirements and location-change decisions of companies. For this reason, a qualitative and exploratory approach is most suitable here, since with this methodological approach, new and context-specific perspectives and explanatory approaches can be gained (Glückler, 2004a).

In qualitative social research the focus is not on checking predetermined hypotheses and concepts, as is the case with quantitative approaches; rather, the hypotheses or theorising come at the end of the research process.

“The aim of research here is not so much to check what is known (such as pre-formulated theories), but to discover new things and to develop empirically grounded theories” (Flick, 1999).

Fundamentally, a piece of circular research is structured as follows: from the researchers’ knowledge, first of all assumptions about the subject under investigation are made, and building on that, initial qualitative open surveys, such as for example guided interviews or expert discussions, are carried out. The new information that is thus obtained is used to modify, supplement or tighten up assumptions, and these in turn are taken into account in the further research process. In this way, newly obtained information and aspects can be included in the investigation, and the research tools (such as e.g. a guideline) can be adapted if necessary. Through constant reflection of the results, one obtains a comprehensive understanding of the subject under investigation, thus enabling empirically grounded formation of hypotheses or theories (Flick, 1999).

Advantages of the qualitative approach include, for one thing, that through the open approach, new aspects can be included in the research that had not been considered by the researcher. Furthermore, new hypotheses can be developed and at the same time checked, and existing hypotheses can be tested.

The data forming the basis of qualitative research projects usually comprise text material that has been obtained from interviews with varying degrees of structuring, or from participative observations (Hopf, 1995).
The empirical survey for this project began with a comprehensive search of the literature for the individual branches of industry. This was followed by partially standardised interviews in the form of topic-centred guided interviews and expert discussions.

### 3.2 Expert interviews and guided interviews

#### 3.2.1 Expert interviews

For this study, we have pursued both routes: the interviews with experts in the field at the start of the research process were above all important for obtaining initial general information about the individual branches of industry, and secondly for gaining a deeper insight into the structure of the respective branch of industry in the Munich urban region, with its special features as well as problems that are specific to the location here. The industry experts include editors of specialist magazines, chairs or managers of industry associations, as well as representatives from the area of public administration (see table 3.1).

<table>
<thead>
<tr>
<th>Consultancy</th>
<th>No expert available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Film</td>
<td>Mrs. Müller-Roider (Dept. of Labour and Economic Development, City of Munich)</td>
</tr>
<tr>
<td></td>
<td>Mrs. Pfennigdorf (FilmFernsehfond Bayern)</td>
</tr>
<tr>
<td></td>
<td>Mrs. Schardt (Cluster Audiovisuelle Medien)</td>
</tr>
<tr>
<td>Internet</td>
<td>Mr. Graf (High-Text Verlag)</td>
</tr>
<tr>
<td>Games</td>
<td>Mr. Klinge (Game Star)</td>
</tr>
</tbody>
</table>

*Source: own illustration*

The information from the expert discussions was used above all for the description and analysis of the sectors (see chapter 2). Furthermore, the information obtained from the industry experts, in other words, their “insider perspective”, was of great importance for evaluating the guided interviews.

It is envisaged that the results of the investigations will be discussed within the framework of a workshop with the interview partners, as well as with the industry experts.

#### 3.2.2 Guided interviews

The core of this investigation is formed by 33 topic-centred guided interviews with representatives from knowledge-intensive and creative enterprises in the Munich city region.

On the basis of qualitative guided interviews, the subjective perspectives, evaluations, relevance structures or decision circumstances of the discussion partners can be established. The advantage of partially standardised interviews is that through openly formulated questions, those people who are interviewed have a wider area in which to frame their answers, and can thus freely express their experiences and views. There are no set answers (Glückler, 2004; Bortz & Döring, 2006).
For the topic-centred interviews that were conducted within the scope of this investigation, first of all a guideline was developed, which contains a catalogue of questions on the most important topics. This ensures a certain comparability of the interviews, and during the discussion the interviewers can check whether all the important aspects have been addressed or dealt with adequately. The questions from the guideline did not follow any set order, but were put according to the situation, and depending on the situation, new questions were asked accordingly.

Since the questions are designed to look into the location decisions of companies, the interview partners have a special role, which must also be taken into account when evaluating the interviews. On the one hand, the interview partner is to be understood in his role as a representative of the company, someone who adopts the perspective of the company, but on the other hand the person who is interviewed also gives his personal assessment in the case of particular topics, which must be differentiated in the analysis of the interviews. This was the case for example with the subject of quality of life in Munich, or the image of Munich. Sole proprietors represent a special case, in which in many topic areas of the interview, the company and personal perspectives can coincide.

3.2.3 Content of the guideline

The interviews were conducted on the basis of a semi-standardised guideline which contains open questions on the most important topic complexes of the investigation. The guideline has been adapted in each case to the respective particularities of the various branches of industry, and the size of the company.

The guideline is divided into five thematic focus areas (see guideline in Appendix):

**Business model / production structures and work organisation**: The aim of this topic area was to obtain information about the services or products offered by this company, as well as about the usual work organisations in this branch of industry. In-depth knowledge about the work organisation (project work, project procedures, project partners, network labour market) in the sectors are important because a close connection between the work organisation of a company, the customer structure and employee structure, the role of networks and the significance of spatial proximity is supposed.

**Customer structure and employee structure**: The questions about customer structure, regional distribution or customer acquisition are intended to reveal the importance of the spatial proximity of companies and customers, and to clarify any possible decisions on location that are made by the firms. With regard to employees, we examine whether Munich is attractive for employees in the knowledge-intensive and creative sector, whether the demand for qualified employees in Munich can be covered, and how strongly the various branches of industry are dependent on the local labour market, or whether it is primarily a network labour market.
**Networks:** A distinction is made here between the formal and informal networks, and we examine their importance for obtaining orders and acquiring personnel, or generating new knowledge. A further central point in this topic section is the importance of spatial proximity for the development and maintenance of networks.

**Location factors:** Here, we distinguish two spatial reference units. We differentiated on the one hand according to hard and soft location factors for the whole urban region, and on the other hand according to hard and soft location factors for the company location at the level of the district of the city (city centre or in the suburban area). The aim here is to discover the significance of certain location factors, as well as the reasons for establishing the company at the Munich location.

**Municipal policy and the policies of the state of Bavaria / support measures:** What importance do these measures have, and what political measures could be taken to improve competitiveness? It was also a matter of discovering what support instruments the companies are aware of, which ones they make use of, and how they evaluate the measures.

Within the framework of a pre-test with management consultants and multimedia agencies, we examined whether the wording of the questions was comprehensible, and whether the choice of questions is consistent. The guideline was revised slightly following the pre-test. Over the course of the investigation, the guideline was repeatedly adapted, in the manner of a circular research process, to the current status of evaluation and knowledge.

### 3.2.4 Structure of the sample and selection of interview partners

In order to ensure comparability of the interviews, from the knowledge-intensive and creative branches of industry, three sectors were selected (for a definition of which sectors are counted as being amongst the knowledge-intensive and creative sectors in the ACRE project, see Appendix). The following sectors were chosen for the study by the ACRE coordination team:

- Knowledge-intensive sector: code number 74.14 (business and management consultancy activities).
- Creative sector: code numbers 921 and 922 (motion pictures, video, radio and television activities), and 722 (only computer games and electronic publishing; software is not included).

In the area of the knowledge-intensive sectors, the Munich case study relates not only to the management consultancy sector, but in addition to straightforward management consultancy firms, auditing firms that offer management consultancy as part of their service were also included.

In the area of audiovisual media, the Munich case study relates exclusively to film and television production, with the choice of firms being concentrated on production firms. Moreover, electronic publishing, in other words the multimedia sector, as well as the
computer games sector, were studied and analysed separately, since in the course of the investigation, it was found that the differences between these two sectors of the economy were too great.

The cases were selected in a targeted manner, according to a grid of variables. The following criteria were decisive for the structure of the sample (see table 3.2 and figure 3.2):

- Belonging to the sector
- Size of the company
- Location of the company, at the city level

| Table 3.2 - Structure of the sample and selection of interview partners |
|---------------------------------|----------------|----------------|----------------|
|                                 | Consultancy (n=12) | Film (N=10) | Internet/ games (n=11) |
|                                 | City centre | Outside city centre | City centre | Outside city centre | City centre | Outside city centre |
| Self employed                   | 0         | 2               | 3         | 0               | 2         | 1               |
| Small                           | 1         | 2               | 1         | 2               | 4         | 1               |
| Big                             | 5         | 2               | 2         | 2               | 2         | 1               |

*Source: own illustration*

Thus first of all companies or sole proprietors, i.e. self-employed people without employees, based in the Munich region were selected who could be allocated to one of the sectors named above.

In a second step, the size of the company was taken into account. In each case, included in the samples for the individual sectors were large companies (6 or more staff), small companies (2-5 staff), as well as sole proprietors.

Finally, a further distinction was made according to the company location at the city level, so that for each sector and company size, one company was selected in the city centre area and on the urban fringe, and in the suburban area of the city of Munich.
3.2.5 Selection of cases according to the grid of variables: sector, size of the company, location

Those companies that fulfilled the selection criteria were identified on the basis of trade directories, and contacted by means of an official letter. Altogether, approximately 50 companies from the three sectors were contacted, of which 33 firms expressed their willingness to be interviewed.

The discussion partners for the guideline-based interviews were predominantly people who had a management function in the company (managers, members of the board). This selection ensured that the interviews could yield relevant information about the background to the location decisions, satisfaction with Munich as a location, and general local requirements of the company.

The expert discussions were conducted with selected representatives of trade associations, industry journals, as well as representatives of the city of Munich or the Bavarian state government (see table 3.1). It was not possible to conduct expert discussions for the consultancy sector, since there is no management consultancy association based in Munich, nor are there any specific support measures in this sector of the economy in the Munich region.
3.2.6 Interview situation and analysis of the interviews

The interviews mostly took place at the companies, and lasted on average 1 to 1.5 hours. Usually the discussions were conducted by two interviewers, in order to ensure that all aspects of the guideline were adequately dealt with, and new aspects were investigated further. For each interview, a memo of the most important statements and details about the interview situation was produced.

The discussions were recorded, and subsequently transcribed in full and anonymised. After transcription, an initial evaluation of the interviews was made, the results of which flowed into the further progress of the research.

The evaluation of the interviews is represented by a textual analysis of the content. The analysis is based on the principles of qualitative content analysis according to Mayring (2003). The aim of this evaluation procedure is to reduce the textual material to a category scheme that applies across cases, and which on the one hand results deductively from the guideline as well as from existing theoretical approaches or hypotheses, and on the other hand is obtained from the material (Bortz & Döring, 2006). The reduction of the data material is simultaneously associated with a generalisation of the results at an abstract level. This method enables a comparative analysis of the individual statements about thematic aspects, and helps with the identification of causal effects. Through the category scheme, which is applied equally to all cases to be investigated, the interpretation of the text material remains intersubjectively comprehensible.

The category scheme was developed in the present investigation, in a two-stage analysis process. First of all, two example interviews were selected from each sector of industry, and these were initially coded openly and thematically (Flick, 2002). In a further step, the codes that were produced in this way were further generalised and abstracted in a group discussion amongst the project team, and eventually a final coding scheme and initial hypotheses or guideline questions for the analysis of the text material were drafted.

Coding of the interviews was carried out finally with the aid of the program for computer-assisted qualitative data analysis, MAXQDA.

3.2.7 Coding scheme

Subsequently, the cases were studied according to the principle of minimum / maximum contrast in respect of the answers to the questions posed, and the differences and common features of the various companies were worked out according to sector, size, and company location at the city level.
3.2.8 Problems

One limitation of this study is that the number of interviews in each sector is to small to allow universally valid statements about the sectors. Our results show only tendencies of the main drivers behind the decisions of the managers of selected knowledge-intensive and creative industries to settle at a certain location in the Munich.

Furthermore, it is debatable whether the selected sectors are representative for all creative and knowledge-intensive sectors and to what extend the results of this study can be transferred to other sectors of the creative and knowledge-intensive industries.

Another limitation of the study is that only firms were interviewed which are located in Munich. Firms which have turned their back on Munich because they were unsatisfied with the situation in Munich are not included in the sample. This could explain why most of the firms are very satisfied with their location.
4 MANAGEMENT CONSULTING IN THE MUNICH REGION

4.1 Description of the companies studied

Within the framework of the present study, twelve management consultancies in the city of Munich and the Munich region were interviewed.

The consulting sector is very diversified. Moreover, different company sizes and different offers of consulting services are associated with different client structures and also different requirements of the location. For this reason, we shall first of all briefly describe the management consultancies that were surveyed, summarised in groups.

According to the ACRE classification (cf. chapter 3), seven of the companies were large ones (more than 6 staff). Four large international management consultancies with more than 1500 employees were surveyed at the Munich location. They are among the so-called global players of the consulting sector. One company has its head office in Munich, whilst the other three are branches in Munich. These management consultancies offer a wide range of consulting services, such as strategic consulting, organisational and process consulting, IT consulting and human resources consulting. Their clients are mainly groups that operate on an international level. With the exception of one firm, they are based in Munich city centre.

The three medium-sized management consultancies in our study are distinguished by their specialisation in particular areas of consulting or particular clients in the market. They are active mainly in the consulting areas of company restructuring and strategic consulting for medium-sized companies. They have between 20 and 60 staff, and their clients are either a few large groups or medium-sized companies.

The small management consulting firms (fewer than six staff) consist of several self-employed consulting partners who employ few permanent staff, and engage freelancers as required. The three small management consultancies that we surveyed have specialised in particular activities and sectors (e.g. advising the agricultural and food industry, or head-hunting), and advise medium-sized firms and large groups.

The consultants without employees who were interviewed had been employed for a long time in large management consultancies prior to becoming self-employed. They usually present themselves to clients with other self-employed people as a consulting partnership, or else they work with small consulting firms as freelancers.

The office locations of the medium-sized and small firms, as well of the self-employed consultants, are located both in the city centre and in the suburban districts of Munich.
4.2 Work organisation / project work

Consultants’ work is organised into projects, and is generally carried out on site at the clients’ premises – so it is not tied to the Munich location.

A “typical” project sequence as described in the interviews runs as follows: first of all, there is contact with an existing or potential client, who is enquiring about a consulting service. If the client is satisfied with the offer made by the consulting firm, a contract is drawn up and the consulting firm starts work on the project. The management consulting firm’s task is now to assemble a suitable team for the project. In the large management consulting firms, the location of the company to which the consultants are assigned is immaterial as regards putting together teams. What is decisive is the qualification of the consultants, so as a rule the teams are made up of consultants from branches across the whole of Germany, or even from abroad:

“Well, our Munich-based consultants work just the same in Frankfurt. The area of consulting is not tied to location. The business is organised on a Europe-wide basis, and the teams are deployed where the client happens to be, according to sector specialisation. There is no particular affinity to Munich here.” (consultancy, city centre, big 1)

Working on the ground with the client’s management and personnel, the consultants work out strategies and solution plans. This work organisation necessitates a great deal of travel on the part of the consultants, since they are often looking after clients across Germany or worldwide. The consultants generally spend four days in the client’s firm and one day in their own firm.

The work organisation gives rise to a high pressure of work and often long working hours, and in addition heavy demands are made of the consultants in terms of mobility (Eichmann & Hofbauer, 2007). Once again, we must make a distinction between the internationally active large management consultancies, and medium-sized and small firms. Thus the requirements made of consultants and the performance pressure in large management consultancies is often greater than in the small consulting firms (cf. Eichmann & Hofbauer, 2007). Due to the changing places of work at clients’ premises, and the consequent travelling involved, in terms of where they live the consultants are not necessarily bound to the location of the consulting company. In the interviews with the management consultancies however, it was repeatedly emphasised that Munich represents a popular place for consultants to live, on account of the high quality of life.

4.3 Staff / project partners

Management consultancies that operate on an international scale are largely independent of the local labour market in the Munich region. Their staff come from all over Germany, and as a rule they have a university degree. They come from the fields of economics, engineering, and to some extent from the humanities and social sciences. The companies recruit their staff from all over Germany, through various channels such as job advertisements, employment fairs, head-hunters and increasingly straight from university. In the recruitment of university
For staff in management positions, the consulting firms are largely competing for the same circle of people, who work in the various big management consultancies. An attractive location in the city centre of Munich, or attractive offices, are used as inducements to attract the best staff. Because the consulting work itself is not tied to a particular location, consultants are free to choose where they live. Many consultants choose Munich as a place to live, on account of the high quality of life. Management consultancies consequently have no problem in bringing qualified staff to the Munich location.

The staff qualifications and recruitment paths for small and medium-sized management consultancies are different for those of the international consulting firms. The consultants from the medium-sized and small firms usually have, in addition to a university degree, several years of professional experience in management positions in industry, and thus have more practical experience and knowledge than university graduates. Only rarely are graduates without professional experience recruited.

“In our consultants are often a little older, in other words around 50. They are experienced people, who may for example have been head of Controlling in a medium-sized company, in other words they have gained practical experience (...) and who then want to engage in meaningful work with the experience that they have.” (consultancy, outside city centre, big 7)

“I would never employ someone who came straight from university. Not because I don’t value them – they are often brilliant people – but they simply cannot have had the opportunity to gather certain experience.” (consultancy, city centre, small 8)

In contrast to international management consultancies, the small and medium-sized consulting firms recruit their staff from their network of contacts in companies, banks, associations etc. that is geographically concentrated on the Munich region as well as Bavaria.

The medium-sized and small firms also work together with freelance consultants if they need a consultant with specialist knowledge for a project, or to cover order gluts.

As a rule, the self-employed consultants who were surveyed had worked as consultants in a large company before they became self-employed. For them, the choice of where to live is made above all on personal grounds, since the consulting work is carried out mainly on a nationwide basis. On the one hand, Munich is attractive as a location because of the high quality of life, but on the other hand also because of the potential clients and network contacts (see point 4.5) based in the region, which are important for acquisition of orders.
4.4 Client structure

In contrast to many other knowledge-intensive, company-oriented services, proximity to clients plays only a subordinate role in the consulting sector.

The global players amongst management consultancies provide consulting services in all sectors of industry, and for all questions, on both a national and an international basis. Those included in our survey found it difficult to define a precise geographical distribution of the clients, on account of the national and international orientation of their firms.

Large management consultancies work for groups which operate on an international scale (insurance companies, banks, media companies etc.), and which often have their headquarters in Munich. They also provide consulting for other large companies in other German cities, and their foreign branches. Most of these are DAX companies.

In the case of medium-sized and small consulting firms, the client structure depends on the specialisation and sphere of activity of the consulting firm. The firms which were interviewed predominantly advise medium-sized (large) firms, and to some extent also large groups such as energy groups or insurance groups. Whereas the large management consultancies concentrate exclusively on big clients, smaller management consultancies cover all sectors and company sizes:

“...in small companies, the smallest company had 50 employees, the largest had several thousand – that was a German ancillary supplier to the automobile industry. Basically, you can do it anywhere, and ultimately in all sectors.” (consultancy, city centre, small 8)

In the consulting area of company restructuring, the clients are predominantly from the state of Bavaria, since the contacts for restructuring consulting are set up by the state banks. Other areas of consulting are less concentrated on regional clients. For example, the companies said that on average, around 10% of their clients come from the Munich region or Bavaria, between 50 and 80% of clients are distributed across Germany, and the rest are from abroad.

The clients of the self-employed consultants include, besides smaller companies, also large groups, which are distributed across Germany. This is due to the fact that consultants often retain their long-term clients when they become self-employed.

The spatial proximity to clients likewise plays only a small role for small and medium-sized management consultancies. For the acquisition of clients however, the networks of consultants and representatives of the economy at the Munich location are of great importance.

Furthermore, the client structure of self-employed consultants as well as small and medium-sized consulting firms shows that for the consulting sector, one connection that applies for other sectors does not apply here: even small consulting firms and self-employed consultants carry out work for large groups. The size of the client is independent of the size of the consulting firm.
4.5 Contacts and networks in management consulting

In the consulting sector, networks play a role above all for the acquisition of orders. Networks are also used in order to acquire new staff, and to exchange knowledge.

Since consulting is a non-tangible service and the profession of consultant is not legally protected – in other words, there is no certification required for access to this profession – uncertainties exist for the clients. The uncertainties of clients with regard to the seriousness and quality of the consultancy can be reduced through the good reputation of the consultant or consulting firm. Glückler (2004a) distinguishes between public reputation (publicly available information such as company rankings etc.) and network reputation (the evaluation of the services rendered by third parties is passed on within a network. Through the concept of reputation, the quality of the consulting service is secured, since obligations arise for the consultant: the consultant who is recommended by an existing client must do justice to the good reputation of his consulting qualities that has been communicated, and must further reinforce this reputation. If he were to disappoint the new client, he might lose the trust of the existing client who had recommended him. In the worst case scenario, he loses both clients. For that reason, the consultant always makes an effort to offer the best consulting services. Reputation thus serves as a quality assessment of the consulting service or the consulting firm (Glückler, 2004a). It has a high status, since within the sector it is regarded as reliable and credible, as this management consulting firm emphasises:

“The consulting environment is so complex that many clients simply no longer know what is behind it, and cannot judge the performance process behind it. And that is where the networks come into play: at the end of the day, the clients have to trust us to do a good job. And that is something that has to be built up over many years – trust. With projects, but also with personal contacts, the client must have confidence in us and trust us to do the job professionally and properly. That is the heart of it, and that works via networks and via recommendations, where they say these people did a good job there, and these people are reliable, and they know what they are talking about. (...) and that only works through networks, you cannot place advertisements, it doesn’t work like that.”

(consultancy, city centre, big 1)

Particularly for smaller and medium-sized consulting firms, a good reputation and the recommendations by clients are essential for client acquisition.

The networks that exist in the management consulting sector can be divided into formal and informal contacts (see figure 4.1).
Within the management consulting sector, according to our respondents, formal networks such as industry associations (e.g. the German association of management consultants – Bundesverband Deutscher Unternehmensberater) have only a low status, since new clients can seldom be acquired through formal contacts. Those involved in our survey did not mention any particular advantages of membership of this association for recruitment of staff or the exchange of professional information between consultants.

On the other hand, the industry associations of the clients represent a good opportunity for winning clients, for example through presentations by the consulting firms at their conferences. Initial contact with potential clients can also be made at specialist trade fairs.

For the recruitment of staff, formal contacts through trade fairs or to universities via research projects and regular events are important.

For management consulting as a knowledge-intensive sector, the generation of new knowledge represents a central aspect. This takes place at the formal level above all through the alumni networks of the big consulting firms, through collaborations with universities, and through visits to trade fairs, conferences, seminars and training courses.

According to one interview partner, due to the competitive situation there are no networks between colleagues of the big consulting firms. The consultants of the global players know each other, but there is no exchange between them, since the consulting business of big enterprises is a “closed job”:

“There are no industry networks in the formal sense, because we are competitors, let’s be clear about that (...) There are quite strict so-called Chinese walls in consulting. For consultants to actually meet up officially – there is nothing like that.” (consultancy, city centre, big 4)

The formal networks of the companies in our study, such as associations, universities or trade fairs, are not geographically bound to Munich as a location. Munich does however have the
advantage that at frequently organised events such as conferences and trade fairs, contact with the decision makers in the business world can easily be made.

Informal contacts play a significant role in the management consulting sector for client acquisition. Informal contacts are situated predominantly at the business or semi-business level, and rarely at the purely private level. The contacts and networks described by consultants can be divided into contacts to decision makers in industry, clients, other consultants, and consulting partners.

Clients are frequently acquired through personal contacts to important decision makers such as supervisory boards and management boards of the big groups and banks. Contacts to potential new clients often arise through networks of existing clients. Private contacts to former fellow students or acquaintances in management positions can likewise be helpful in winning new clients.

Contacts to other consultants are important above all for small and medium-sized consulting firms, as well as self-employed consultants, for acquiring new clients, finding qualified or specialised colleagues, and to swap experiences with other consultants.

These informal networks of consultants arise through various consultants collaborating on projects, through former work colleagues, or former employees of clients. Stable and lasting networks arise through repeated collaboration between consultants. Consulting partnerships can also arise from these stable consultant networks. In the consulting sector, these professional partnerships are a common strategy for the acquisition of clients, since the partners have their own networks and client contacts and which they bring with them to the consulting firm, as one large enterprise confirms:

“We go shopping quite specifically for partners who bring a particular network with them, in order to ‘buy in’ existing networks along with them.” (consultancy, city centre, big 4)

Coming together to form consulting partnerships is common practice for smaller and medium-sized enterprises too, as the following quote makes clear:

“We have a network that consists primarily of people at the partner level. All with a great deal of experience, all of whom already have a career as a consultant, sometimes with the big consulting companies, behind them. They have gone self-employed, and we have pieced together a network accordingly, including for the international market.” (consultancy, outside city centre, small 10)

The contacts and resulting networks described so far are fundamentally person-related, and not geographically bound. National and international networks arise through the fact that consulting work is independent of location. The necessary face-to-face contacts are made through frequent travel on the part of the consultants, whereas the local networks at the Munich location are strengthened by various measures such as informal meetings with business partners, or specific events:

“We quite often have an office breakfast for example, where we just invite business partners to drop in at 8.30 a.m.” (consultancy, outside city centre, big 7)
“Increasingly, we put on events (...) in order to attract attention and also to invite important clients or potential clients, and we develop the network very intensively there, and in a very targeted way.” (consultancy, city centre, big 4)

Nevertheless, spatial proximity and face-to-face contacts are an important component of the networks. According to what our interview partners say, in Munich it is easy to forge new contacts or keep up existing ones, since many important decision makers and businesses are to be found in the region.

“Spatial proximity is important, because the partners who live here certainly also bring with them their private network, and make use of it. (...) After all, all the big consulting firms are based here in Munich. And from that point of view, Munich is (...) a relatively small village. We keep meeting each other, and meeting the same people again and again.” (consultancy, city centre, big 4)

According to Glückler (2007), proximity to the decision-making centres of industry is an important criterion in the choice of location by management consulting firms. Through the large groups that are based there, urban agglomerations offer decisive access to reputation networks, which are important for acquiring new clients. In that respect, Munich represents a good location for management consulting firms. It is a strong economic location within Germany, where many large groups are based: for example, eight of the 30 DAX companies [the index of the 30 strongest shares on the German stock exchange] have their headquarters in Munich, and they are among the clients of the international management consulting firms. Small and medium-sized consulting firms too benefit from the concentration of large enterprises in Munich:

“For us, Munich is a very good location, for one thing because of the concentration of decision-making centres for Bavaria here. Simply through the concentration of company headquarters – Siemens, Allianz, Münchner Rück, BMW, Linde and all those HQs, naturally highly qualified people come to the city. Then other firms settle around them, and that is its strength here, I think.” (consultancy, outside city centre, big 7)

As became clear in the analysis of the contacts and networks of the management consulting sector, personal networks and reputation are important mechanisms for entering the market and asserting one’s position in the market. For that reason, the management consulting sector concentrates on urban agglomerations such as Munich, where it has access to networks with decision makers in industry.

4.6 Why Munich? Location factors in the management consulting sector

Contrary to the assumptions of the classic economic theories, in the consulting sector proximity to clients is not decisive for the decision about where to locate an enterprise. Spatial proximity to the client is achieved through high mobility on the part of the consultant and his work at the client’s premises. Accordingly, management consultancies have different requirements of their company location than “classic” service providers do.
4.6.1 Location factors at the city regional level

Tables 4.1 lists those positive hard and soft location factors of Munich as a location that were mentioned by the management consultancies in our survey. Due to the small number of interviews, they were ranked not according to the frequency with which they were mentioned, but according to the subjective evaluation by the interview partners.

<table>
<thead>
<tr>
<th>City region</th>
<th>Micro-location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inner city</td>
<td></td>
</tr>
<tr>
<td><strong>Very important location advantages</strong></td>
<td></td>
</tr>
<tr>
<td>- Very good accessibility / mobility infrastructure (international airport, railway)</td>
<td>- Attractiveness for staff</td>
</tr>
<tr>
<td>- Attractiveness of the location for staff (high quality of life, attractive surrounding countryside)</td>
<td>- Prestige / attractive architecture</td>
</tr>
<tr>
<td>- Proximity to decision makers in industry / large groups</td>
<td>- Accessibility of the office building for staff</td>
</tr>
<tr>
<td><strong>Important location advantages</strong></td>
<td></td>
</tr>
<tr>
<td>- Availability of qualified staff</td>
<td>- Accessibility by rail, proximity to main railway station</td>
</tr>
<tr>
<td>- Proximity to universities</td>
<td>- Accessibility for clients / business partners</td>
</tr>
<tr>
<td>- Positive image of the location</td>
<td>- Facilities to meet the needs of staff</td>
</tr>
<tr>
<td></td>
<td>- Stimulating environment / surroundings</td>
</tr>
<tr>
<td><strong>Further advantages</strong></td>
<td></td>
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<tr>
<td>- Safety</td>
<td></td>
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<tr>
<td>- Further training options</td>
<td></td>
</tr>
<tr>
<td>- Importance of the location in the consulting sector</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Outside the city centre / outskirts</th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Very important location advantages</strong></td>
<td></td>
</tr>
<tr>
<td>- Good accessibility, proximity to airport and motorway</td>
<td></td>
</tr>
<tr>
<td>- Accessibility for staff</td>
<td></td>
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<tr>
<td>- Cheaper rents / real estate costs</td>
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</table>

Source: own survey

Among the hard location factors, accessibility of the location for the management consultancies that operate on an international basis represents a central aspect. Due to the mobility requirements of consultants, central positioning of the location and good links to the national transport infrastructure, with well developed rail, road and air networks are of great importance. Those who were surveyed were largely very satisfied with Munich’s accessibility; above all, the international airport with numerous national and international direct connections offers clear location advantages compared with other locations in Germany such as Berlin or Düsseldorf. In Germany, only the airport for Frankfurt am Main offers more direct connections than Munich airport. The lack of an airport connection with the ICE high-speed rail service was complained of; this would make the airport faster and easier to reach from the city.
The concentration of large economic enterprises and decision makers in the economy represents an additional advantage of Munich as a location. Through the concentration of decision makers, in Munich consultants have easy access to contacts and reputation networks which they need for winning clients (cf. chapter 4.5). Large management consultancies judge the proximity to highly qualified workers and universities at the Munich location as being of only limited importance, since they recruit their staff across Germany, and also maintain links with universities throughout Germany. By contrast, the proximity to residential locations that are regarded as attractive by highly qualified staff plays a far more important role.

Besides these hard location factors, soft location factors too are decisive in the choice of location by the big management consultancies. The most important soft location factor is Munich’s attractiveness to staff. Munich is seen as an attractive city with a high leisure value and diverse cultural attractions. Those surveyed emphasised the quality of life in the city of Munich, and the beautiful surrounding countryside, with the mountains and lakes, as a significant advantage over other urban agglomerations in Germany:

“One thing is the attractiveness of the location, on account of the surroundings, mountains; when you can say to a foreign colleague that you can go skiing, that is worth half the rent, that’s how it is.” (Consultancy, city centre, big 1)

“Yes, one attraction here is the alleged high leisure value, although if you look at it, the life of a consultant leaves little time for leisure. But the quality of life is appreciated – at least by the consultants where money is not so much an object.” (Consultancy, city centre, big 4)

Munich has a positive image both throughout Germany and internationally, and is associated with the Oktoberfest, beer gardens, lakes or mountains. Since the consultants can choose their place of residence independently of the company location, with regard to staff recruitment it is advantageous for management consultancies to establish themselves where their staff would like to live:

“And another thing about Munich: for the younger staff, Munich is simply interesting as a place to live. That is certainly an attraction, less so actually as a place to work, for in the consulting sector people work here for perhaps 1 or 2 days a week. It is more the topic of residence. It’s not the topic of workplace.” (Consultancy, city centre, big 1)

Munich also enjoys a reputation as a very safe metropolis, which is also very important for foreign staff, and is seen as an advantage.

Another argument for the Munich location is the international renown of the city of Munich and its status within the consulting sector:

“If you have a list of offices and you see Hamburg, Düsseldorf, Frankfurt, Nuremberg - Munich just has to be there too. For us, the top offices are Munich, Düsseldorf and Frankfurt in the banking sector. In that respect Munich is quite simply a very important location.” (Consultancy, city centre, big 3)

In our survey, the location requirements of the medium-sized and small management consultancies, as well as of the self-employed consultants, differ only slightly from the consultancies that operate on an international basis.
The decisions by the small and medium-sized consultancies and the self-employed to establish their enterprises at the Munich location are attributable to personal reasons in most cases: the entrepreneurs either come from the Munich region, or else they completed their professional training here. The contacts and networks that came about here, as well as the personal life focus, were decisive in the choice of Munich:

“I established my business in Munich because I had lived here. I used to be with a Munich consultancy firm, where I was a partner; I left there at the end of 97, and the central focus of my life was Munich.” (Consultancy, outside city centre, small 10)

However, Munich also offers favourable conditions for establishing a management consulting firm. Like the large management consultancies, the smaller management consultants see the good accessibility and good national transport infrastructure as a location advantage in Munich. Another important criterion for smaller consulting firms is the proximity to qualified staff or consulting partners. The management consultancies benefit from Munich’s attractiveness as a residential location for management consultants, since they have no problem recruiting qualified staff, as one medium-sized consultancy reports:

“That is one of the reasons why we are here in Munich. As a location, Munich is very much sought after by many people, including young people. And in that respect it is easier here to find good, capable people than if one were outside Munich. One would probably have more problems finding such people there.” (Consultancy, outside city centre, big 6)

The economic strength of the Munich region is another location advantage for the smaller consulting firms. If the firm specialises in the regional consulting market in Bavaria, the proximity to clients in Munich in particular plays a role. For firms with non-regional clients, the proximity to decision makers in the big groups is relevant for the acquisition of clients.

Moreover, the universities based in Munich, and the numerous opportunities for further training in the form of conferences or seminars for the generation of fresh knowledge and further education, are of great importance.

4.6.2 Factors for the micro-location within the city region

Five out of seven large management consultancies in our survey have their companies based in the city centre, whilst two are located somewhat further away, but still close to the centre. The survey included one small management consultancy in the city centre and two small firms on the outskirts. The offices of the two self-employed consultants are likewise on the outskirts, or outside Munich (see figure 3.2).

When we look at the company locations in the Munich region, the concentration of the large management consultancies in the inner city area is particularly striking. To the large management consultancies in particular, having the best location is of great importance. The attractiveness of the company location to the staff plays an important role in the recruitment of personnel. The location of the office should have a certain prestige, even if there is seldom direct customer contact in the consulting firm’s offices.
“The interesting aspect is that we must somehow be visible as a firm, so one does need a prestigious building. For the team that deals with the clients based in Munich, it is important to have short travelling distances. With proximity comes familiarity, and you can say we are here, and are not just doing a project for a few hundred thousand euro, but that we really are here.” (Consultancy, city centre, big 3)

The management consultancies would like to offer the staff a central location in the city centre which is easy to reach. Since the consultants often have to travel for their work, they should not have to cover long distances within the city in addition. What is wanted are prestigious locations close to the main railway station or with good public transport connections. The attractiveness of the location and interesting architecture of the building play an important role in the “war for talents”, the competition for the best staff:

“And one important criterion for this location here, which particularly attracts consultants, is that you are working in an attractive environment – that’s something you should not underestimate. That is important for everyone, but for consultants, they have always had pompous headquarters or offices. It was also recognised that in order to attract young consultants in particular, it was necessary to be able to offer a corresponding ambience in terms of premises.” (Consultancy, city centre, big 4)

Besides the good accessibility and attractiveness of the location, in the opinion of the people in our survey a stimulating environment with sufficient facilities to meet everyday needs represented an advantage over offices at the outskirts of the city or in direct proximity to the airport:

“This location in the city centre certainly is a great attraction for the staff. Well, not so much as regards parking, but otherwise, going out at lunch, going for a drink in the evening. To be able to run a few errands during the day, and also from the point of view of the surroundings, it is just something quite different from working in an area where perhaps there is not so much going on. At least we get the feedback from our staff that the location is indeed very attractive, and people are willing to put up with a lack of car parking spaces in order to work here.” (Consultancy, city centre, big 5)

The medium-sized and small companies that have their offices in a central location emphasise either the accessibility for their staff or the accessibility for clients. Those management consultancies that have many clients in the Munich region also have customer contact more often in the office, whereas firms with national clients have virtually no customer contact in their own offices. The small management consultancies and self-employed consultants place less value on the prestige of the location or the impressive architecture of the office building, which is why the respondents predominantly have their offices on the outskirts of the city or at the edge of the city centre.

“A central location costs money, and our clients are not so inclined to pay a great deal of money for us to reside in the Maximilianstraße. What’s important to me is that I have decent surroundings in which to work, where the cost/benefit ratio, the price / performance ratio is right.” (Consultancy, outside city centre, small 9)
As is clear from the quotation above, smaller consulting firms tend to prefer a location at the edge of the city, where office rents are cheaper, which in turn has a positive effect on the price levels of the consultancy services.

To sum up, it can be stated that accessibility and attractiveness for staff are decisive criteria in the choice of location at the micro-level. For the global players amongst the management consultancies, a prestigious address and attractive office buildings play an additional role, whereas smaller firms are less status-conscious.

4.6.3 Location disadvantages of the Munich region

The disadvantages of the Munich region that have been mentioned are listed in Table 4.2. The companies surveyed did not name any location disadvantages of their office location, from which we may conclude that the firms are largely satisfied with it.

<table>
<thead>
<tr>
<th>City region</th>
<th>Table 4.2 - Location disadvantages of Munich</th>
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<tbody>
<tr>
<td>Very great location disadvantages</td>
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<tr>
<td>Great location disadvantages</td>
<td></td>
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<tr>
<td>Further disadvantages</td>
<td></td>
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<tr>
<td>- Poor airport links</td>
<td></td>
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<tr>
<td>- Road infrastructure in need of improvement</td>
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<tr>
<td>- Lack of international outlook</td>
<td></td>
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<tr>
<td>- High costs (office space, real estate, cost of living)</td>
<td></td>
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<tr>
<td>- High business taxes</td>
<td></td>
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<tr>
<td>- Conservative Munich mentality</td>
<td></td>
</tr>
<tr>
<td>Individual opinions</td>
<td></td>
</tr>
<tr>
<td>- Conservative municipal policies (e.g. citizens’ decision against high-rise buildings in the city centre)</td>
<td></td>
</tr>
<tr>
<td>- Local transport infrastructure (roads)</td>
<td></td>
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</tbody>
</table>

Source: own survey

Hardly any location disadvantages of the city of Munich were named by the big management consultancies; mostly, they are not serious disadvantages. For example, the interview partners mentioned the inadequate airport links and the overburdened traffic situation in some parts of the city.

Those surveyed also criticised the lack of cosmopolitanism in Munich, and the somewhat conservative Bavarian mentality.

“Social integration is difficult. It is felt to be difficult because the culture is simply not so open. There are worse places, but that is certainly a point that is always discussed, at least subliminally.” (Consultancy, city centre, big 1)

This mentality was described as not particularly open and tolerant; on the one hand with regard to the integration of foreign workers into society, but on the other hand also with regard to the development of a modern city. The lack of openness and tolerance was not however seen as a serious disadvantage.
“I would not describe Munich now as terribly tolerant and open. For me, Munich is more like a large town, which is still somewhat cosy and where there are nice places to live, and there is the proximity to the south and the proximity to plenty of leisure opportunities. In my opinion, that would be more fitting than if I had to say whether Munich is tolerant and open. I could imagine that people in Berlin or Cologne are probably more tolerant and open than in Munich. I have not yet observed that Munich marks itself out through extreme tolerance.” (Consultancy, city centre, big 5)

In addition to the location disadvantages mentioned above (poor airport links, traffic situation that is overloaded in places, lack of international outlook and the Bavarian mentality), the smaller consulting firms and self-employed consultants drew attention to the high cost of office space and real estate, as well as the high cost of living in Munich. Another disadvantage is represented by the high business taxes in Munich, whereas the global players in the consulting sector are barely touched by the high costs that occur in Munich. They do not see the high costs incurred in Munich as a serious disadvantage, since as a rule, management consultants have an above-average income, and so costs play a subordinate role compared with leisure value. Moreover, in the large management consultancies a great deal of money is turned over, whereas in small and medium-sized firms and for the self-employed, the cost of office space and cost of living can certainly have an influence on the choice of location, as it has been possible to show in the choice of the micro-location at the city level.

Overall, it can be stated that the economic location of Munich has more location advantages than disadvantages for the management consulting sector.

4.7 Evaluation of policy and promotional funding concepts

In the Munich region, there are no specific promotional funding measures for the consulting sector.

Since this sector operates on the market in a way that is largely independent of location, policy at the municipal level, or at the level of the federal state, is of little importance. There is hardly any contact between management consultancies and political decision makers:

“To be honest, we don’t have any contact with the political decision makers, none at all. Nor with the representatives of the city. True, we pay business taxes here, but that’s about it. (...) But I myself do not personally approach the city. So that’s the subject from both sides.” (Consultancy, city centre, big 1)

Some firms judge municipal policy to be too conservative, and are unhappy with it. Examples that they mentioned included the prevention of the construction of the Transrapid route to the airport or the conservative municipal building policy and the associated high-rise debate. Flagship municipal construction projects that are known nationwide, such as the construction of the football stadium, were assessed positively, since this type of investment increases the attractiveness of Munich as an economic location, and improves the image of the city. The high cost of living and the high business tax rates were also criticised.

Possible measures that the firms in our study would like to see on the part of local government in Munich would include development of the transport infrastructure. Above all,
they would like to see an improvement of the airport links, as well as development of Munich airport, since they see an international airport as one of the central location requirements for management consultancies operating on a national and international basis.

“The transport links are important, not just the transport links to the airport, but actually having a good airport. That is a great advantage of Munich, that we have direct flights everywhere from here, that’s great. You can fly from here to Hong Kong or to anywhere in America, and that’s a great advantage over Berlin, for example. That really is a big advantage, and that will probably be an important aspect for many consulting firms.” (Consultancy, city centre, big 3)

Another requirement of the consulting sector is the designation of appropriate office spaces for new, attractive locations for the firms.

For management consultancies, the economic strength of the Munich region as a location factor is significant. The people in our survey positively emphasised the targeted economic support of the state of Bavaria and the economic underpinning of the Munich location.

“But the Bavarian government has managed, through skilful policies, to create an industry location which we could say is more in the high-tech area, and this cluster formation that is happening here helps with that. And of course that raises the status of the consulting scene too.” (Consultancy, city centre, small 8)

This targeted support policy for cluster formation and sectors with a promising future strengthens the economic development of the Munich region of the state of Bavaria, which in turn represents a location advantage in the competition between the regions:

“In Bavaria, something is really being done to promote these industries of the future. And if you compare these programmes with other federal German states, then the other federal states are deeply impressed. They don’t have that.” (Consultancy, outside city centre, big 6)

On the part of municipal policy in the area of strengthening of Munich as an economic location, the management consultancies expect the big economic groups to be kept in the Munich region, and new groups to move their headquarters to the region:

“For us it is attractive if big firms in particular have their headquarters here; if it’s just branches, that’s less exciting. In that respect it is extremely important that the firms stay here and that this is developed.” (Consultancy, city centre, big 3).
5 FILM PRODUCTION IN THE MUNICH REGION

5.1 Description of the companies studied

In all, ten firms in the audiovisual media sector were included in the study. The firms surveyed included film production companies of various sizes, situated in various locations in and around Munich. Whereas some engage in classic film and television production, others have specialised in particular genres and sectors. Due to the project-related method of working, many freelancers are to be found in this sector.

According to the ACRE classification (cf. chapter 3), four of the companies in the study are large companies with more than six staff. One of the three companies, with 200 permanent employees and 200 freelancers, is located in Unterföhring, and produces above all advertising and presentation films. Another firm, which operates on an international basis, has its company headquarters with 90 staff in the city centre district of Schwabing, and works in the areas of film and television production, lending and licensing trade. In addition to some additional city centre offices and warehouses in Munich, the company also has branches in other German and foreign production centres (Cologne, Berlin, London, Los Angeles, Tokyo), as well as several subsidiaries. The third largest firm, based in the city centre, was established in Munich in 1999 and specialises in classic film and television production (including documentaries and reportage). It has four co-shareholders, two permanent employees and approximately 10 freelancers. The fourth largest company is located in Unterföhring, at the edge of the city of Munich. With approximately 25 permanent employees, it makes predominantly commissioned productions for public broadcasters, as well as cinema films.

Of the three medium-sized firms (up to five employees), two work in the field of classic film and television production, and one produces cinema films, as well as television plays, presentation films and internet videos. All have around five permanent employees and a corresponding number of freelancers during a shoot. Of the two firms situated at the edge of Munich city, one also has a small branch in the state of Baden-Württemberg.

Two of the firms interviewed are sole proprietors without employees. Whilst one firm based at the edge of the city specialises in the production of presentation films and films in the area of staff development, the other one is based in the city centre and works in film production for the area of documentary films and fictional films.

As a rule, the clients of the film producers are broadcasters, and in the area of advertising and presentation films they also include associations, ministries, advertising agencies or industrial firms.
5.2 From idea to film: Organisation of work in the film sector

For some time now, time-limited project work – which until now was customary in the manual trades and in the building industry or in knowledge-intensive sectors such as management consulting (cf. chapter 4) – has also become established in creative sectors too, such as for example the internet sector (cf. chapter 6). This type of work organisation is encouraged by the high flexibility that arises through the splitting of work between companies, the specialisation of individual firms in particular areas of work, as well as the project-related employment terms (Moßig, 2004). In this connection, Manning and Sydow (2005) talk of “flexible specialisation” in film production, which makes it possible for firms to act flexibly in their sphere of work. As a rule, projects pursue demanding goals and are characterised by a high degree of implementation orientation, deadlines and set time schedules, as well as the creation of new specific organisational structures in each case (Ibert, 2003 cited after Moßig, 2004).

In the production of a film, various task areas work together (on the individual activities, see Figure 5.1). The production system for producing a film for television or cinema is highly flexible in nature. One central feature is the almost complete outsourcing of tasks to independent firms or self-employed people, who are engaged only for the duration of their deployment.

The project sequence in the area of film production is clearly different from the sequence in the area of advertising films and presentation films. By way of an example, we shall describe below the sequence for film production.

The film production can be divided into six sequential phases (Coe and Johns, 2004; Biehler et al., 2003) (see Figure 5.1). In the first phase, the rights to an idea or story are acquired, funds are raised and key actors like director and key actors are contracted to the project. In the three following phases (pre-production, production, post-production) the actual production of the film takes place. The pre-production phase covers the material development and a wide variety of actions like budgeting, planning and scheduling activities. The people who are involved here are above all authors, scriptwriters, directors and artistic directors. The production phase is the most capital and labour intensive phase, as many people as well as a big amount of elements needed to make a film have to be brought together in a studio or a location. Post-production covers the activities that transform the daily film footage into the finished product like editing and soundtrack development before the film can be distributed for theatrical release or broadcast for television. Both creative services such as location scouting, stage setting, costumes, etc. and technical services such as cinematographers, sound engineers, lighting engineers are involved in production (cf. Figure 5.1). Following on from this is utilisation, including secondary and tertiary utilisation by the broadcasters or subsidiaries of the production firms. A complete film utilisation chain looks like this: cinema, DVDs/videos, pay TV, free TV. Other forms of revenue are also possible for the utilisation of cinema films: marketing of film music or content (e.g. in computer and video games as well as in novels), sales of fan articles such as model figures or accessories with film motifs.
For the firms in our study, as a rule film production begins with a creative idea that is converted into a script. Large firms are sent up to 2500 scripts a year, which are read and assessed by the in-house editorial department. Other projects also arise where a producer in the firm has a good idea, which is then implemented. The time taken before a film goes into production can vary greatly:

“Well first of all, you have to have a plan, and that is usually the script. And that sometimes takes a while until it has been developed. That can often be 10, 15 years. We have developed films here for years and years before they went into production and were then very successful, whilst other films go very quickly.” (film, city centre, big 1)

A smaller producer on the other hand describes the procedure as follows: First of all he considers which target group the film should be aimed at. Then he develops a concept specific to the target group, and fixes on a genre. The script is then developed from outline through to screenplay. The search then begins for qualified personnel, and to secure funding.

In the production phase, smaller firms in particular increase, through the large numbers of freelancers who are hired on a project-related basis.

“Well we are a firm of six permanent staff. The rest of the team, such as cameraman, director and authors, we always find on the market, particularly since for the most part they are freelancers. When we are shooting, the staff numbers quickly grow to a hundred. But when shooting has finished, numbers go down again rapidly.” (Film, city centre, small 5)

Since there is a large pool of highly qualified freelancers in Munich, firms have no problems finding staff for their productions.
To some extent, the larger firms employ a “physical production department” that consists of permanent employees, whilst the so-called “key crew” (cameraman, cutters, assistant director, who travel with the director from one film to another) and the actors are engaged only for the duration of the projects:

“Here we have what is called a physical production department. These are manufacturing managers, production managers, recording managers, who are permanently employed here. That, I might say, is something special that we do here – not every large firm does this. We are among the few who really have that.” (Film, city centre, big 1)

Whereas large producers handle the marketing of their films themselves, or through their subsidiaries, for small firms it is important to find service providers to take over the marketing and distribution of their films.

5.3 Staff / project partners

A large number of freelancers is typical for the film and television sector. Permanent employment contracts would bring with them problems of capacity utilisation and coordination, and would also result in very high fixed personnel costs (Moßig, 2004). Whereas one section of staff is employed across projects (such as executive producers, for example), freelancers are engaged only on a project-related basis.

Due to the excellent opportunities for education and training in the area of film and television (e.g. film college, course in communication sciences), and the fact that the film and television sector has a long tradition in Munich, there is a very good pool of workers in Munich. In the educational institutions, it is not just producers and directors that are trained, but technical occupations can also be learned. One large company that maintains close contact with the film college describes the film college as the training centre for its staff, which continues to be used for recruiting fresh talent.

Within the industry, there are also many who have come from other walks of life, since there is no specific training for particular spheres of activity, on account of the high level of specialisation.

“But for someone here to be a political scientist like me, or an economist, and end up as a managing director of some creative area or other, that is not the exception, but almost the rule.” (Film, outside city centre, big 3)

For their productions, the firms in our study find sufficient potential in the form of qualified workers in the Munich region. The firms that operate in the area of presentation films and advertising films, and which as a rule have a lower budget for their projects than movie or television film producers, work almost exclusively with people from the Munich region. For large film productions on the other hand, workers are recruited from all over Germany, and sometimes from abroad.
For the film producers, there are several advantages to working with people from the Munich region:

- **Costs**: There are no additional overnight costs on top of the fees.
- **Support from the fund for film and television (Film- und Fernsehfonds – FFF)**: If the film is sponsored by the Bavarian fund for film and television, it makes sense to employ Bavarian staff, since the support money must be spent in Bavaria.
- **Networks / reputation**: In many cases, recruitment of personnel is through contacts and recommendations. Although there are databases, so-called “guides”, and special online tools in which all the representatives of an occupational group are listed, as a rule work contracts come about through word of mouth.

> "... and then you hear a lot about colleagues, or someone might say: it was great with him. Or someone has seen a film in the cinema, and says that was a superb production. Who did the camera work? I think no-one really goes through databases and then picks someone out." (Film, city centre, big 1)

Several companies refer to the fees for freelance workers, which are high compared with other German cities, as being a problem. However, these also result from the high cost of living. On the other hand, it is no problem to bring staff to Munich, which within the industry is seen as an attractive place to live and work.

### 5.4 Client structure

Depending on the film segment in which producers are active, the customer profile also varies. In the case of cinema film production, the immediate customers are the film distributors while the final customers are cinema audiences; with regard to television film productions it is the public broadcasters and the private television broadcasters; while for advertising and presentation films it is companies, associations or advertising agencies.

One large enterprise states that it has about 75% of its customers in the greater Munich area, 15% from the rest of Germany and 10% from abroad. Among smaller businesses too there are some film producers who have nationwide or international customers. As regards companies who make comparatively less expensive films (presentation and advertising films), the customers tend to be located in the Munich area.

Precisely in this group, proximity to customers plays a very important role, because business relationships depend very strongly on the trust of customers. Thus for example during the course of making a costly 3D production, it is necessary to arrange face-to-face discussions so that the eventual product matches the customer’s expectation.

> "Well, I think that these days, a lot can be done at a distance. But don’t let’s fool ourselves, a lunch or a confidential meeting has a quite different impact from a telephone conference or communication by e-mail. Because we are not talking about technicalities like numbers, or about whether something is right or wrong, but about whether someone likes a blue background more than a red one. Does that come over creatively or is it total rubbish? These things are sometimes so finely balanced that this personal
communication, this trust relationship, is extremely important.” (Film, outside city centre, big 3)

For this reason agencies frequently establish branches in different cities in order to service the needs of their customers on the spot.

A self-employed person without employees will consider the spatial proximity to customers in the founding phase of the business as being particularly important. Above all if one has not yet made a big name for oneself, one will not get work from telephone calls, but must generally have personal discussion, preceded by a comprehensive synopsis. By contrast, much of the subsequent phase of carrying through and development takes place over the internet.

For companies that are active in the television production field, spatial proximity to the broadcaster is very important, and it is frequently crucial to base oneself in a media cluster.

 Particularly if one is mainly producing for the public broadcasters, the greater Munich location plays an enormously important role because, in the opinion of a self-employed person working on their own, to a certain extent they feel obliged to support the production landscape of Bavaria:

“The most important thing that counts today is where you are located. Naturally there is a sense that you are preferred by BR [Bavarian television – Bayerischer Rundfunk] if you come from Bavaria.” (Film, city centre, self-employed, 8)

5.5 The role of contacts and networks

Firms in the film and television sector cultivate a diverse range of contacts. These can be divided between formal contacts which take place in industry-wide meetings, associations and events and informal contacts that arise for example as a result of studying together or working together in common projects. The contacts that arise in this way are frequently not separable into a business and a private sphere, and there is a fluid crossover between the two.

Personal contacts are very relevant for both the larger and the smaller companies in order to get new business.

When broadcasters and producers work well together, subsequent orders for work arise and the producers find themselves recommended further. Production companies frequently locate close to broadcasters because face-to-face contact in this field is highly valued.

Large production companies do not generally need to pursue the acquisition of new work directly, but rather find that new orders come about as the quality of their films gives them a reputation which brings new business with it.

“Yes, let's put it this way, the most important part in acquiring new work is actually the production itself, because if it is as good as it possibly can be, then one saves oneself a lot of time getting new work. This is if one has simply made it plain to the client that it makes sense to work with us. That's actually my theory. Standing around at receptions is less important than making good programmes.” (Film, outside the city centre, big 4)
The initiative for this work can either come from the producer or the broadcaster – in other words, either a producer goes with an idea to the broadcaster, or the broadcaster comes with an idea to a producer, because the producer is felt to be particularly suitable for a particular project.

Because small firms do not yet have a reputation in the initial business phase, it is particularly important for them to be present in the market and to communicate with as many potential clients as possible, in order to build up a network over time from which orders will arise. Presentation and advertising film makers also sometimes send synopses to potential customers without being asked to do so, together with an invitation to a discussion.

One self-employed person without employees, who does not originally come from Munich, sees it as problematic that the Munich networks are relatively closed to people who come from outside the city. Important contracts are given above all in those networks to which freelancers do not have access.

“It is difficult for people who have come here recently: the networks are relatively closed and impenetrable. Those who have arrived here from the outside find it a little bit difficult. In particular networks jobs are given out that you can only dream of but you will never come by because you don’t belong to these networks. Those are networks in which the decision makers are part of the group. In order to get in, you have to have good contacts. A normal freelancer doesn’t have that access, unless he marries in; that happens too.” (Film, city centre, self-employed 9)

When a producer of a television film brings a project team together, colleagues are mostly chosen who have already worked well together or who have been recommended. According to Manning and Sydow (2005), project networks are extended and updated out of project teams who have repeatedly worked together in individual projects.

Figure 5.2 - Projects and Project Networks

Source: Own illustration, after Manning & Sydow 2005
In this way the producer can, according to the film genre involved, choose the appropriate collaborators out of his project network.

“It depends on the topic. There are cases where I can say, if it’s about fashion, beauty or wellbeing, then I have a very good camera woman who specialises in soft lighting. For normal reports, I have access to others; in that regard I have access to a few.” (Film, city centre, self-employed 10)

The literature on the film and the television sectors confirm that name and reputation are very important for people working in that area if they are to be repeatedly involved in new projects (cf. Manning & Sydow, 2005). Even more important than the reputation of particular individuals, the authors consider that teams made up of the same people, who have tuned into working together through repeated common projects, are capable of a more reliable and quicker delivery of projects. Moßig (2004) sees freelancers in such networks as being particularly motivated, since follow-on orders are placed with those people who have achieved good results in the preceding project.

The size and reach of the project network depends on the scale and nature of the production. Thus the project network of a small presentation or advertising film producer extends over the greater Munich region, whilst that of a large film production firm extends over Germany as a whole, or internationally, since many films are shot abroad, and there are subsidiaries and branches world-wide.

An explicit spatial component that leads to contacts and collaboration occurs with production companies that have located together in close proximity in the media agglomerations at Geiselgasteig or Unterföhring, districts on the outskirts of Munich:

“Yes, we are at the film studios, the public film funding agencies like to see that. We have very good contacts to the bigger businesses in our industry with whom we want to do joint work, and sometimes do. We have service providers, actually everything is there. At any rate, access to them is a little closer.” (Film, outside city centre, small 7)

Formal contacts exist chiefly through associations, industry-wide meetings, internet portals, as well through events like film festivals, awards etc. The public film funding agencies and the cluster for audiovisual media are also important in this regard because they contribute to the networking of players in the sector. In comparison with other cities, Munich offers a multiplicity of possibilities to form links with other businesses in the sector, and to keep up to date with trends in the sector.

“... and Munich offers really good opportunities, because there are countless events, from the Bavarian film prize, the Bavarian television prize and so on, that take place, where one can somehow find others, and through this a cultural milieu is created.” (Film, city centre, big 4)

As a matter of principle, big companies use formal contacts above all to the organisations representing media sector interests and for exchanges. Most of the larger business surveyed are members of the Alliance of German Producers, who campaign for better rights and
conditions in the sector. At the same time an association like this serves as a discussion forum and as a vehicle for the generation of knowledge.

Smaller producers are found more frequently in associations that work at cheaper rates and that offer regular seminars, workshops and conferences. One entrepreneur observes that the most important part of these events, namely the acquisition of work, takes place during the informal meetings in the evening:

“...And we are a member of the Association of German Film Meetings, which actually delivers us quite a lot because we aspire to work more on European co-productions. And there is a big meeting once a year, where all the producers meet, where there are a few seminars that are very interesting, but naturally the most important part is in the evening” (Film, outside city centre, small 7)

Events like the cluster events of the film and television funders, the awards and the Munich film festival, represent above all an opportunity for exchanges between the businesses in our study, whilst the acquisition of work, which the small businesses hope for, does not take place there:

“...At the beginning, just the fact that I had been there reassured me. But it didn't bring me any contacts that would have repaid the effort because the time spent was simply too precious. There were a lot freelancers like me on the look-out for work. It is like being in a disco where there are not enough women. There were not enough people giving out work. Only a surplus of freelancers and no real customers for them.” (Film, city centre, self-employed 9)

However it is frequently the case that contacts are made at formal events which are taken up at a later point in time. Thus, for example, producers may get to know a good freelancer at an event who is specialised in a particular field, or who has an interesting project idea, and when the need arises they may come back to that person.

5.6 Why Munich? Location factors in the film and television sector

For the founders of small enterprises, it was personal and family reasons that tipped the balance towards locating in Munich, because they grew up there or they came to Munich to study. Additionally, they built up a network of contacts during their study. The larger companies have to some extent been created by the dissolution of the Kirch media group or have traditionally been based in Munich.

Tables 5.1 and 5.2 show which location advantages and disadvantages Munich has from the point of view of the companies surveyed. In this regard, there is a distinction between Munich as a city region and the more precise micro-location of the respective companies inside Munich or in the Munich region.

Due to the small number of interviews, the subjective statements of the companies are not classified on the basis of frequency of mentioning, but by the degree of importance in the opinion of those questioned:
### Table 5.1 - Location advantages of Munich

<table>
<thead>
<tr>
<th>City region</th>
<th>Micro-location</th>
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<tr>
<td></td>
<td>Inner city</td>
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</table>

#### Very important location advantages

- Proximity to customers (broadcasters, distributors)
- Existing infrastructure (service providers)
- Proximity to educational institutions
- Networks (sector-specific events)
- Quality of life for entrepreneurs and their employees

#### Important location advantages

- Local job market
- Transport connections
- Positive image (liberal, tolerant)
- Strong economic setting

#### Individual opinions

- Strong film funding arrangements
- Positive contacts with public authorities
- Sufficient sector-specific real estate
- Attractive locations for shooting

#### Further advantages

- Outside the city centre / outskirts

#### Very important location advantages

- Calm and inspirational work setting
- Good accessibility
- Availability of car parking

#### Media agglomeration

#### Very important location advantages

- Proximity to broadcasters and producers
- Service providers

#### Important advantages

- Favourable rents
- Sufficient space (larger offices)
- Car parking

#### Further advantages

- Creative environment

*Source: Own illustration*

### 5.6.1 Location advantages of the city region of Munich

Proximity to the clients (broadcasters and distributors) is very important to the cinema and television producers who were questioned. For that reason it is an advantage that so many television broadcasters and video distribution companies are situated in the greater Munich area.

But the technical infrastructure (film laboratories, equipment hire, studios) too is available to a sufficient extent, and the quality is judged to be very good:
“On the one hand, looked at from the technical point of view, with regard to the
production service, what one can get here from other firms is top quality which is on a
par with anything in Cologne, Hamburg or Berlin.” (Film, city centre, self-employed 9)

As regards the availability and the quality of studios, the opinions of the large and the small
production companies diverge. Whilst one freelancer without employees considers the studio
capacities to be very good, a very large film production firm criticises the fact that the only
studio with large halls, namely the Bavaria Film and Television Studios, is continually
booked up. For that reason, large foreign films are frequently shot in other cities.

Soft locational factors such as the high quality of life and the high recreation opportunities are
felt to be important above all by the smaller entrepreneurs in our study. The high quality of
life in the hinterland to the south is used for personal regeneration, and as a balance to work.

For the larger enterprises, this soft location advantage becomes harder in that the high quality
of life in Munich makes it easy for them to attract qualified personnel to the location. This is
helped by the image of Munich, which is described by those surveyed in a consistently
positive way. Thus, despite the mentality of native Bavarians, Munich counts as tolerant and
liberal, including of other cultures, and it has – not least because of the Oktoberfest and Beer
Gardens, a widely known name and reputation for being a metropolis of vitality and fun.
(Film, city centre, big 2)

The availability of creative personnel and a strong economy at a location are particularly
important for small businesses which are above all dependent on regional networks:

“I couldn’t run the business very well in the town of Regen in the Bavarian forest because
I wouldn’t get any customers there, or camera men or film editors.” (Film, city centre,
self-employed 10)

For the big film production firms, Munich and its surrounding countryside offers a
multiplicity of attractive settings for shoots (lakes, mountains, nature), which represents an
important locational factor.

For internationally active large companies, the transport connections of Munich, in particular
its airport with the status of an air transport hub, is of decisive relevance because personnel
frequently have to travel.

Dealings with public authorities are described overwhelmingly in a positive way. On top of
that, there is sufficient real estate available in the greater Munich area.

5.6.2 Location advantages of the micro-location

Two of the large companies surveyed are situated in the inner city of Munich, and two in the
media agglomeration in Unterföhring on the outskirts of Munich. Three of the small
enterprises and the self-employed person without employees are in the inner city, one in the
media agglomerate at Geiselgasteig in the south of Munich, and the other two are situated on
the outskirts of Munich.
As already extensively discussed in section 5.4 (client structure) face-to-face contact with the broadcasters, other sector participants and service providers is very important. For that reason the large film and television production companies and the presentational and advertising film producers have their locations in either a central inner city location or in a media agglomeration outside Munich.

For the companies located in the inner city, the good accessibility for their personnel and other film sector participants is advantageous. In addition they regard an urban environment as one that promotes creativity. Inner city locations are also appropriate for establishing a public image in a young medium.

By contrast, the argument in favour of a location in the media agglomeration at Unterföhring is the proximity to producers, suppliers, broadcasters and services, and above all the availability of vehicle parking as well as favourable rental prices for commercial and office space, through which it is for example possible to access single or twin offices.

The small businesses that are located on the outskirts of the city value the peace and quiet and nature, and need these factors for inspiration in order to be able to work creatively:

“You can concentrate better outside the city. That means, if you are developing a script or are having background discussions, it is better to get away from it all than to be in the hurly-burly, where you can't open the window and it is simply too noisy.” (Film, outside city centre, small 6)

For a small inner-city film producer on the other hand, proximity to authors is essential, in that particular contacts would not happen at all if they involved a long journey from a location outside Munich. In addition, the urban environment of an inner city location helps in the development of creative ideas for scripts and film material:

“An enterprise that tells stories about the city must also live in the city, otherwise one lacks the necessary understanding. In addition, we are not industrial enough, that would need a chimney or machines. Our main business is that we observe people and their lives and their fate, and you can do that better in a city. (Film, city centre, small 5)

5.6.3 Location disadvantages of the Munich region

All the firms we surveyed see the high production and living costs as a decisive disadvantage of Munich. Both the leasing rates and the fees of freelance personnel are a quarter more expensive than, for example, in Berlin.

Also in comparison to other cities, it is said to be more difficult to get permission to do a shoot, because the possible disturbance to residents frequently leads to permission being obstructed. In contrast, in Berlin particularly, the media sector is promoted politically much more strongly.

“And in Berlin that is a bit different. So if you have a problem with permission to shoot on a street, then you ring the office of the mayor and he takes the matter on personally and then you get it.” (Film, city centre, big 1)
A large film producer finds fault with the decentralised situation of Munich as a scene location whilst a freelance producer without employees finds fault with the economically hostile transport policy, which is too heavily committed in favour of public transport.

<table>
<thead>
<tr>
<th>City region</th>
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<tr>
<td><strong>Very large disadvantages</strong></td>
</tr>
<tr>
<td>- High production and living costs</td>
</tr>
<tr>
<td>- Problems with permits to shoot</td>
</tr>
<tr>
<td><strong>Further disadvantages</strong></td>
</tr>
<tr>
<td>- Decentralised situation as film location</td>
</tr>
<tr>
<td>- Economically hostile transport policy</td>
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*Source: own survey*

Overall, the locational advantages far outweigh the disadvantages. Thus producers repeatedly emphasise the advantages of Munich with regard to the proximity to broadcasters, service providers and other participants in the sector compared to other cities. Furthermore, the quality of life is consistently described very positively.

### 5.7 The evaluation of policy and promotional funding concepts

Apart from artistically rated feature films, television production in Germany is to a large extent commissioned work, whilst documentary and short films as well as expensive productions for the cinema are generally dependent on public funding programmes. For presentation and advertising films there is no state funding programme.

At the federal government level, film funding exists though programmes such as the Film Promotion Institute, (Filmförderungsanstalt - FFA) or the German Film Promotion Fund (Deutsche Filmförderfonds). Individual provincial governments also have various funding programmes. In Bavaria, the Bavarian Film and Television Fund (FilmFernsehFonds Bayern) makes monetary support available. To make a bid for Bavarian film funding, there is a precondition that either the business location or the film location is in Bavaria. This is because the requirement for funding is that 1.5 of the awarded loan must be spent in Bavaria (the so-called Bavaria effect).

All the producers in the film and television production segment that were surveyed have already drawn on the funds. They regard this financial support as very important and call for it to be extended further. There was a repeated criticism that because of budgetary cuts, Bavarian film funding no longer stands in first place in comparisons across Germany. With approximately 10 million Euro a year, the programme has fallen behind North Rhine Westphalia and Berlin.

A further point of criticism is that provincial financial support is organised according to federal principles, in that the provincial states compete against each other. Through these provincial effects, the funding becomes very complicated:
“Thus one finds suddenly a sort of balkanisation of the arrangements, along the lines of whether you have just bought film material in Munich or in Stuttgart. Well, the film is from Kodak, which actually produces its material in America and has its German HQ in Stuttgart and a subsidiary branch in Munich which is subordinate to that, in other words a branch office. If I buy my material here in Munich, the bill comes from Stuttgart, and then the Film Fund says: ‘Yes, but that’s not material bought in Munich, it has been bought in Stuttgart.’ Then I have a half-hour discussion with them about whether payment for the film material can be counted as money spent in Munich. It’s as absurd as that.” (Film, city centre, self-employed 8)

A positive effect of the film funding for many young businesses is the fact that the bestowal of funding simultaneously represents an acknowledgement of quality, though which a project becomes regarded as trustworthy. This makes further financial sponsors easier to find. Film finance is particularly difficult for small enterprises to acquire because it is difficult to get loans from banks following the company capital agreement of Basel II, which came into effect in January 2007.

Some of the businesses that were surveyed called on policy makers to simplify permission for film shoots, because on many occasions unnecessary conditions are created on the administrative side. Moreover, according to the experience of one big film producer, restrictions exist in Bavaria and Munich which make shooting much more difficult when compared with other cities:

“We have got restrictions here in the districts of Munich, but also in Bavaria overall. There are restrictions when we work with young people or children that are naturally important, that we always keep to, but which are stronger or stricter when compared with other federal states. And that makes everything a little more difficult, I would say, and if that were altered, it would naturally make it easier to remain here.” (Film, city centre, big 1)

Further points that businesses would like to see are stronger support for educational and training establishments, a reduction in trade taxes and strengthened collaborative working relationship between companies and research institutions.
6 INTERNET AND GAMES IN THE MUNICH REGION

6.1 Description of the firms studied

In all, in the new media or internet sector and games sector, eleven firms of various sizes and various locations in the city and the Munich region were surveyed. As Munich is not a prominent location for developing games, we focus on the internet sector in this report.

For the games sector, the explanations below are based on the analysis of two interviews: one with an editor of the largest German PC games publication, which is based in Munich, as well as one with a director of a Munich company that has specialised in mediation, consultancy and production support in the field of entertainment software. With this interview partner, the developer side is also covered, since he is also a director and producer of two developer studios in Munich city centre. Thus, two firms are covered with this interview.

Eight firms were surveyed in the area of the internet sector. According to the ACRE classification (cf. chapter 3), four firms are large companies with more than six employees. Three of the companies are based in the city centre of Munich, one is located on the outskirts of Munich. The large firms are proprietor-led agencies, of which the largest has approximately 700 staff at the Munich location, and another 150 at the Berlin and Hamburg locations. The other three agencies have between seven and approximately 35 staff. The largest firm is an agency group that has been in existence since 1970, employs 200 staff in the internet sector, and additionally provides services in the areas of marketing, events planning, advertising, market research and communication. The main spheres of business of the other three big agencies, which were established between 1996 and 1998, lie in the areas of internet applications, marketing, and classic and digital communication (websites, corporate design etc.). The main areas of business of the small agency, which has been in existence since 2003, lie in the area of marketing and classic as well as digital communication, above all for companies operating in the environmental area. It is located in the outer districts of Munich. In addition, three self-employed people without additional staff were surveyed. Two of them have office space in a shared office in the city centre, and one works from home. She lives in a suburb of Munich. Their main areas of business lie in the areas of website production, content management systems as well as classic and digital communication.

Due to the project-related method of working, as in the film and television sector, freelancers are widespread in the internet sector.

6.2 Organisation of work in the internet and games sector

Since the products and services in the internet sector arise through a combination of information technologies, telecommunication, advertising and media, there is a marked
horizontal division of labour. The strongly horizontal division of labour on the one hand encourages the organisation of work in projects, whilst on the other hand it includes the possibility that firms can assign individual task areas to freelancers relatively easily.

In the internet sector as well as in the games sector, project work is the determining element in the work sequences and the organisation of work. Project work can be defined as:

"Time-limited cooperation between various specialists and service providers, often extending across company boundaries, with the aim of completing a task set by the client within a fixed time frame. Prompt coordination and communication between experts and service providers, as well as with the clients, is generally effected via project leaders." (Bathelt & Jentsch, 2004)

In the literature, the advantages of project work are listed as reduced costs and reduced risk (Ekinsmyth, 2002; Grabher, 2002a, 2002b), as well as increased flexibility and creativity (Grabher, 2002a). As an organisational form, projects are said to be suitable for countering the increasing complexity of products and services, and the rapid changes in markets and increasing uncertainty (Bathelt & Jentsch, 2004). In the internet sector, this form of work organisation is above all attributed to the proximity to the client and to the specially tailored solution that is to be worked out for the products and services (Mayer-Ahuja & Wolf, 2004).

Projects have a predetermined time horizon – they end when a particular task has been fulfilled or an objective such as the production of a website has been achieved. In this respect, they differ decisively from other more stable organisational forms such as companies or even networks, in which cooperation is based on long-term target systems and obligations (Bathelt & Jentsch, 2004).

In the internet sector, due to the pronounced horizontal division of labour, three relatively clearly demarcated activity profiles can be discerned: the creative area, the area of software development, as well as a planning and control area, i.e. project management (cf. Figure 6.1).

**Figure 6.1 - Protagonists involved in the production of a website**

Source: von Streit, forthcoming
The creative area deals with the conceptual design of the content, as well as with graphic implementation and design. Here, designers and conceptual designers work on the basic idea and the rough outline of the content, as well as its graphic representation. They determine for example what a website is meant to say and how this is to be implemented. As a further module, copy writers often supply the text material. In the area of software development, systems architects, programmers and developers are engaged in the most varied programming, and with the development of databases, as well as of content management systems. This is the largest area, and also a growing one on account of the rapidly changing programming languages, and it is becoming increasingly differentiated. The coordination of these various areas, as well as the distribution, planning and control function, is executed by project management. Project managers also take on customer care. Their role combines customer care with internal organisational tasks (Mayer-Ahuja & Wolf, 2004). As a rule, the large firms included in our study cover all activity profiles with their own staff, and regard it as a great advantage to have all the areas under one roof:

“No client of an agency like ours needs a specific single service provided by just one person. It is all teamwork, and teamwork can only take place round the table, together. Different services have to be brought together. Let us suppose for example that the client would like to have an event organised. He will need the invitation, so he will need a creative person from an advertising agency. He may want to display a poster in front of the location where he is holding the event, so he needs someone from the media agency to obtain a poster site for him. Then he may want to broadcast the event on the internet, so he needs two people from the online area for that. And he needs people from the dialogue agency who send out the invitations and organise everything. For the client, all that comes from a one-stop shop, and then it is perfectly coordinated.” (Internet/games, city centre, big 1)

For specific tasks such as programming or translation, small agencies often bring freelancers into the project teams.

In the project procedure, the self-employed people without employees who were surveyed take on either the project manager role and coordinate additional self-employed programmers or graphic artists who have been drafted in, or else they themselves have been engaged as freelancers for a project, for a specific task area. Towards the client therefore, they act either as an agency that offers complete online services from a one-stop shop, and depending on their own area of activity they either outsource the programming or the design, or else they are themselves ancillary suppliers who are hired by an agency for larger projects.

In the production of an internet site for example, a prototypical project consists of several phases: as a rule, the project begins with a customer inquiry or a request to submit an offer. A briefing then takes place, in which it is clarified what the client has in mind. The next step is a presentation of a rough draft which, if it proves successful following several discussions with the client, will culminate in a contract being concluded. This is followed by the actual design, including the graphic/visual basic idea, the content and the technical framework, as well as the communication strategy. This basic idea in turn is presented to the client, and discussed with him. This is then worked out, and a prototype is constructed. The most extensive phase includes the implementation of the site: text is now drafted, the front end and application programming and the first test runs are carried out, the client is instructed about the site, and
may be given training to enable him to operate the site. These typical project phases can vary, since project work is characterised by recurring repetitions and returns to earlier phases. It is typical for the client to be included in the development process. The further the development of the website advances, the more clients learn about what is possible and what they would like (Girad & Stark, 2002). This means that right at the start of projects, spatial proximity to clients is seen by the firms in our survey as an advantage.

The production of a game is likewise organised in projects. Developer studios, or “developers” for short, design the game. Very few developers have the financial means themselves to develop the game, or to secure funding through a bank loan. They therefore approach a publisher with a concept: the publisher then pre-finances the development of the game and receives the rights to the game in return. The publisher also takes on product management, PR and advertising, quality control, and often the distribution of the game. The developer’s task is to assemble a suitable project team that includes game designers, writers, graphics designers, modellers, animators, interface designers, programmers, level designers, sound designers and/or composers.

6.3 People working in the internet and games sector

Just as in the film and television sector, freelancers are widespread. Firstly, subcontracting is very important in the sector, and secondly agencies have recourse to freelancers in order to deal with larger projects or gluts and in order to save on the costs associated with permanent employment.

However, the companies we surveyed adopt different strategies with regard to the employment of permanent and freelance staff. The two firms with the greatest number of staff work almost exclusively with permanent employees. They regard permanent contact persons and constant teams as indispensable for retaining their clients for their agency over the long term. Furthermore, projects for large clients that run over a longer period of time require direct and constant contact with agency staff, which should be ensured over several years.

The most diverse channels are used to recruit staff: job adverts, posters at universities, internet portals. The search for personnel through existing contacts to firms, agencies and universities is described as being more effective than through advertisements, since there is a dearth of qualified staff in the technical area in particular. For higher positions, the search is widened to cover the whole of Germany, as well as Europe. However, this is the case only for the agencies with the largest numbers of staff. For the rest, the staff originate overwhelmingly from the Munich region. For the agencies it is however not a problem to attract staff to Munich from other German cities:

“People like to come to Munich, there is no question of that. I can even persuade someone from Hamburg to come to Munich, because Munich is the only place that he can consider as an alternative.” (Internet / games, city centre, big 1)

The other two large companies, who employ between seven and 25 staff, work exclusively with freelancers, whom they employ on a project-specific basis only to a certain extent. However, they expect their freelancers to be present at the agency and available to clients
during the so-called “normal working hours”. For particular activities such as programming tasks, orders are outsourced to specialists. Collaborators are recruited above all through existing contacts as well as the firm’s own home page. These freelancers come predominantly from the Munich region.

“Over time of course we have built up a kind of pool. So say for example we need a writer, a photographer or a Flash programmer, we call them up and ask if they are available.” (internet / games, outside city centre, big 3)

In order to minimise risks and uncertainties, the agencies prefer to work with self-employed people whom they already know, so that more stable project networks are formed out of project teams through repeated experience of working together (cf. chapter 6.5).

“Ideally we like to work with the same freelancers with whom we have already completed a project for the same client, because then we have a practised team, and that makes it economic and effective. The less familiar I am with the way a freelancer works, or with the work he produces, the more risky it is for the agency, and that can prove very expensive.” (Internet / games, outside city centre, big 3)

With regard to the requirements made of the qualifications of their staff, there is no difference between the large and small agencies: these days, a university degree or completed vocational training are a prerequisite for new appointments. In addition, the agencies expect a qualifying background that is of direct relevance to the job: business management qualifications for the area of project management, IT diplomas for programming, diplomas in product design or graphic design for the graphics departments. People entering the sector without training in the profession or a degree now represent the exception. Up until the end of the 1990s, the internet sector was an attractive job market for graduates in sciences or humanities, or for those who had not completed their studies, and it was easier for them to gain a foothold in the industry from outside. This is a finding that these days applies more to the games sector. In contrast to the USA, Canada or Great Britain, for this young industry there are not yet any formalised training routes. For this reason, people who did not complete their studies, and people who have worked to achieve a “patchwork qualification” through interests, jobs and experience, are frequently found in this sector. The interview partners criticise the lack of interest, or inadequate interest, on the part of universities in the area of entertainment software: courses that relate to the interface between creativity and computer science barely exist.

“Real interaction between companies and the universities, such as exists in many other sectors, is still completely absent in the games sector.” (Expert, Games)

Munich is however seen as a good location as regards the range of private training establishments for games development and media design (Macromedia, Qantm-Institute). However, these institutions have only a small number of graduates each year, and the course fees are very high.
6.4 Clients

In the internet sector, the client structure varies depending on the size of the agencies surveyed. The large agencies predominantly serve medium-sized and large enterprises, through to groups that operate on an international basis. The agency with the largest number of staff predominantly serves international groups across Germany, and to some extent also world-wide. It does however also act for many large and medium-sized Munich-based companies. Medium-sized firms above all prefer an agency which is local, which knows the regional situation and can be contacted quickly.

About one third of the clients of the other large agencies are based in the Munich region, and two thirds are based in other regions of Germany. Only a small percentage of their clients have their headquarters abroad. In the large agencies, the orders are acquired through contacts with decision makers in the client companies, or else the agencies are recommended by their clients (cf. chapter 6.5). Other strategies that are used to win clients are explained in the next chapter. In all the agencies in our survey, so-called cold acquisition plays only a subordinate role.

As a rule, the small agencies and self-employed people without employees look after small and medium-sized clients whose firms are based mainly in the Munich region, or in the area of southern Bavaria. Formal and informal contacts as well as networks play a decisive role in the acquisition of orders.

Spatial proximity to clients as well as to project partners plays a decisive role in the internet sector, in spite of modern communications. Face-to-face contact is very important, particularly in the initial phase of projects. At the start of a project, the agencies’ activities are characterised by a high proportion of advice, since the clients often do not know what is feasible for internet projects in terms of design or technical capabilities. Similarly, most of those surveyed regard it as indispensable to carry out the first presentation at the client’s premises. This explains why the clients of the smaller agencies and self-employed people are concentrated on the Munich region, since for smaller projects it is not worthwhile to take on long distances to the client. However, if the project participants have already worked together several times, in individual cases projects are also processed entirely by telephone and e-mail, without a single personal meeting taking place. The trust required for this has then already been built up over the course of previous work together.

The strategies employed by lone self-employed people in order to assert themselves in the market is dealt with in the following chapter.

Many publishers of computer games have their headquarters in Munich. The spatial proximity to the publishers certainly represents an advantage for the Munich-based games developers. However, the projects often extend beyond local and even national boundaries, so that the publishers are often based in other European countries, Canada or the USA:

“The computer games business is already an international business. At the moment [...] we are working primarily with German firms. But we frequently have discussions with international firms, who are primarily based in France, the UK, North America.”

(Internet / games, city centre, small 4)
In order to assert themselves on the market, for both large and small agencies as well as the self-employed without employees, belonging to networks plays an important role. Since access to the market in the internet sector is regulated to only a limited extent via certification, contacts to new clients come about mainly through recommendations and previous collaborations. Here we can see points of contact both to the film and television sector and also to a certain extent to the consulting sector, since there too, the access routes are not professionalized, so it is not so much professional titles as reputation, trust and communication that play an important role. Reputation (or status, or name) consequently represents an important resource, for agencies as well as for the lone self-employed. Reputation is essentially based on the reproduced classification and evaluation of work performed in particular contexts (Manning & Sydow, 2005), and more or less reflects the expectations of the capabilities of a protagonist. The origins of the reputation can on the one hand be certified qualifications, and on the other hand recommendations and references. The (re-)production of the reputation of a protagonist depends on how his projects and activities but also his contacts with other protagonists are evaluated.

This important role of trust, reputation and communication can be confirmed for the group in our study. In fact, hardly any of the agencies surveyed, or the freelancers, actively pursue order acquisition, in the sense of placing advertisements or approaching potential clients. This mode of procedure is regarded as not very promising.

Contacts to new clients come about almost exclusively through existing private or professional contacts to decision makers in firms, or through recommendations from clients. In the initial phase, those agencies founded in the 1990s above all used contacts to former fellow students, friends or acquaintances, e.g. from sports clubs, in order to build up a client base, which was initially limited to the Munich region. Over time, the regional network was expanded via contacts to both clients and staff to other cities in Germany:

“It goes via people. A project leader may change firms, and he wants to take the agency that he knows with him to the new firm. All of a sudden, you then have a new foothold in a new city, like we have in Berlin. And then a new client in Berlin that comes across us hears that we already have a client there. That is a kind of assurance that the agency is there on the ground in Berlin, and then a client in Berlin is more prepared to say that they will take a Munich agency.” (Internet / games, city centre, big 2)

The networks of the agencies are thus bound to people, and not necessarily to the Munich region.

The self-employed without employees often also use private contacts to acquire orders (e.g. producing internet sites for accountants, doctors etc.), or obtain orders through agencies who have taken them on for projects, or in whose premises they have rented their office space. So for example one self-employed person in our survey obtains 60% of his orders through the agency where he has his office.
The statements made by both agencies and the self-employed about the benefits of formal, professional networks such as industry meetings that aim to intensify contact with other agencies and freelancers are contradictory. On the one hand, institutionalised exchange between agencies is rejected:

“Associations and meetings – in my opinion they don’t achieve anything. There is some benefit in the sense of meeting colleagues that maybe have the same problems, or else you can get to know freelancers for your pool of colleagues. But in general I don’t think much of them, because the envy and competition between the agencies is too great to allow synergies to really come about.” (Internet / games, outside city centre, big 3)

On the other hand, self-employed people without employees use the industry meetings to exchange information about new developments in the sector, or for example to swap programs. In addition to brokering orders, these contacts are used for passing on information as well as for discussing professional problems. Being present on the ground, showing your face at industry meetings, is mentioned by the survey participants as an important factor for staying in business and maintaining a presence in the fast-changing labour market.

Mailing lists and internet platforms are also used for discussing specialist problems.

The large agencies also use awards in the media area, conferences and trade fairs that take place in Munich in order to keep in touch with their clients. The agency with the largest number of staff uses an international network of agencies in order to drive its own internationalisation forward. Only two agencies engage in institutionalised cooperation with Munich’s universities. They use these contacts in order to obtain work placement trainees and staff for their agencies, and to work towards changing the courses in order to make them closer to current practice and to meet the needs of the labour market.

To sum up, the contacts used by the agencies and lone freelancers can be divided into private and work-related contacts, as well as into formal and informal contacts. Informal work-related contacts to former colleagues in agencies, as well as to clients, are used above all in order to obtain work. Since professional contacts are frequently also made via friends and acquaintances, it is difficult to separate private and professional contacts. Freelance project workers are above all put in contact through recommendations.

Overall, the companies in our study regard the formal contacts such as they make through associations, trade fairs and industry meetings as less important for the acquisition of work than the informal contacts to former colleagues, clients etc.

In the games industry too, informal contacts play an important role. Due to the manageable size of the sector, meetings are arranged or ideas are exchanged spontaneously:

“When it is a matter of pitching for some product or other, they [the publishers] only really talk to well-known firms. And the better they know one another, the greater the chances of being taken on. But that is always a bit of an old boys’ club.” (Internet / games, city centre, small 4)

The informal contacts of the Munich developers are not however limited to the Munich region.
6.6 Why Munich? Location factors in the internet and games sector

In response to the question as to why the agencies were established in Munich, or why the freelancers became self-employed in Munich, all of those surveyed said that they had already lived in Munich, and to some extent had studied here too, and therefore no other city came under consideration for them:

“And then it just came about, doing it here. But certainly not because Munich as a location was so important. If the three of us had all lived up in Düsseldorf, we would have attempted it up there under the same conditions. Munich has nothing to do with it.” (Internet / games, outside city centre, big 3)

It was therefore private rather than commercial reasons that drove the decision for the location of the business. Nevertheless, it is an important factor that the agency founders, above all in the start-up phase, were able to use existing private and professional contacts in Munich, which they had built up whilst they were students, for acquiring orders. The same applies for lone freelancers, who likewise relied on their contact network of former employers and clients in the Munich region at the beginning.

For the games sector too, for the managing directors who were interviewed, biographical factors were decisive in establishing their studios in Munich:

“I was born in Munich, that’s simple. [...] Ultimately it was the only reason.” (Internet / games, city centre, small 4)

The advantages and disadvantages of the location of Munich as an urban region, as well as of the respective micro-location of the firms within the Munich region from the point of view of the firms surveyed, are summarised in Tables 6.1 and 6.2. In the interviews, the subjective perceptions of particular advantages and disadvantages of Munich as a location were collected and summarised for the tables. The sequence of statements according to importance reflects the frequency of nominations of the individual statements to only a limited extent. Due to the limited number of ten interviews, the location factors were instead classified according to how important they are from the point of view of those people who were surveyed.
Table 6.1 - Locational advantages of Munich

<table>
<thead>
<tr>
<th>City region</th>
<th>City-district</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very important location advantages</td>
<td></td>
</tr>
<tr>
<td>- Proximity to clients (internet agencies)</td>
<td>Accessibility for clients and staff with underground network and light urban railway</td>
</tr>
<tr>
<td>- Networks (internet agencies)</td>
<td>Proximity to place of residence</td>
</tr>
<tr>
<td>- Attractiveness / high quality of life for staff in the region</td>
<td>Urban atmosphere / lively districts (new media and games)</td>
</tr>
<tr>
<td>- Availability of freelancers</td>
<td>Attractiveness for staff</td>
</tr>
<tr>
<td></td>
<td>Organisation of work</td>
</tr>
<tr>
<td>Important location advantages</td>
<td></td>
</tr>
<tr>
<td>- Proximity to universities</td>
<td>Prestige / aura / image</td>
</tr>
<tr>
<td>- Proximity to publishers (games)</td>
<td>Architecture / buildings</td>
</tr>
<tr>
<td>- Proximity to private training establishments (games)</td>
<td>Premises</td>
</tr>
<tr>
<td>Further advantages</td>
<td></td>
</tr>
<tr>
<td>Support policies (games)</td>
<td>Outside the city centre / outskirts</td>
</tr>
</tbody>
</table>

Source: Own survey

6.6.1 Location factors at a municipal regional level

Hard location factors such as the availability of qualified staff, and particularly of freelancers and specialists, are above all important for the large agencies. However, in this connection it is a soft location factor, namely the attractiveness and quality of life of the city and the Munich region, that means that the agencies have no problem attracting qualified staff to the Munich location.

The proximity to those who commission work, as well as to potential clients, plays an important role at Munich location for both large and small agencies. The large agencies benefit from the fact that numerous enterprises that operate on an international basis, as well as larger medium-sized firms, are present in Munich. Self-employed people without employees are the most heavily dependent on orders from firms based in the Munich region and southern Bavaria, and benefit from the positive economic situation in the region.

For the games developers, the spatial proximity to numerous publishers, who for them represent the most important sources of finance for their projects, represents an important locational advantage.
The proximity to universities is regarded as positive by the large internet agencies, since they cooperate directly with the universities, and acquire staff direct from the universities. For the games sector on the other hand, the private Munich-based educational establishments which train games developers are more relevant.

Spatial proximity in the city between the self-employed, agencies and clients also plays a role for other reasons. The self-employed without employees emphasise the fact that spatial proximity to other agencies and freelancers is advantageous, since it facilitates face-to-face contact, which can become important where there is time pressure and increased need for consultation in collaborative project work. Whilst it is true that many of those surveyed use the internet in order to find out about new programs or new developments in the industry, actual meetings play at least as important a role. Being on the spot, showing one’s face at industry meetings, is said by those in our survey to be an important factor in staying in business.

6.6.2 Factors for the micro-location within the city region

Of those internet agencies in our study, three of the large agencies are located in the city centre, as are the three games developer studios. Three of the self-employed have their offices in the city centre (see figure 2.5). One large and one small agency are located on the outskirts of Munich, as is the home office of one self-employed person.

Unlike the self-employed, the city centre-based agencies in our survey do not regard proximity to other firms in the sector as playing any significant role in the choice of location. For the firms surveyed, the “look and feel” (Helbrecht, 2001), i.e. how happy one feels at a particular location, plays a more important role. These firms justify their choice of location in a city centre district characterised by late nineteenth century buildings with the argument of urbanity: for them, the lively atmosphere of inner city districts plays an important role for creativity and the development of new ideas.

“Well, we create things that are meant to be very much in tune with the spirit of the times. Out in the sticks, that is pretty abstract. So for us it is clearly important to have an urban environment. (....) Here we are at the heart of Munich, and in the district where we are, there’s a lot going on. You meet a lot of people, and the lads and I can go to a bar in the evenings after work.” (Internet / games, city centre, small 4,5,7)

The large agencies also emphasise that their staff expect a lively, urban environment:

“We believe that we will only get the best staff if we are right in the city centre, and that the clients want this too: to have an agency that is somewhere at the centre of where it’s all at, in a large city, and not somewhere on the outskirts, a bit off the beaten track in an industrial estate. And in the city you can find more interesting premises; we wouldn’t like to be sitting in a new-build, which is somehow boxy and square, but in a building that is somehow alive, and has creativity and inspiration, and not so clinical and office-like.” (Internet / games, city centre, big 1)
City centre locations are also important because the image and spirit of the agency is meant to be expressed through the urban environment as well as the architecture of the building. Image and prestige thus play another important role for city centre locations.

The organisation of work was mentioned as another central reason for the location preferences of these enterprises in the city centre. Long working hours, often extending into the evening or the weekends, are the rule in this sector:

“In this industry, we don’t work to the clock from eight until five or six, but much longer. So if an employee first has to take the light urban railway to get into the city to go shopping, then the end result is that he will somehow do us out of time that he might be working, simply because he has some shopping to do, or he might not come in one Saturday, because it’s too far away for him (...). (Internet / games, city centre, big 1)

A location in the city centre is in the interests of the agency, since here one may expect more flexibility from staff in respect of their working hours, because it is easier to combine paid work and other areas of life, and the total working hours can be increased. On the one hand, it is about the time saved through short journey routes for the staff, which then offer the agency cost advantages.

Furthermore, locations in a media agglomeration outside the city, such as are to be found in Ismaning or Unterföhring, tend to be rejected, in spite of the lower trade taxes and the availability of parking spaces:

“No, the industrial estates outside Munich are not for us, in spite of the lower trade tax. Both our staff and our clients value the atmosphere here too much for that, as well as the fact that we are easy to reach in the city centre. The fact that from here, you can go out for lunch, go shopping etc., and leave in the evening, represents a great advantage for our staff. We take the higher trade tax in our stride. Having to get the car out and drive every morning to Ismaning, and then sit in an industrial estate just with other agencies and creative workers, that’s not for us.” (Internet / games, city centre, big 2)

As a rule, the agencies have young staff who live in the city and get to work by public transport or by bicycle. Managing directors of these agencies or developer studios live nearby, and value the short distances between home and work.

The proximity of the office to the place of residence is also the decisive factor for the self-employed and small agencies, both within the city centre and outside it.

However, for agencies outside the city centre too, “feeling happy” at the location is an important criterion:

“And then it is also very important for us to have premises where we feel happy. (...) And that is important to us, because we are here for 8 to 10 hours, or the staff are here and we like the fact that you can sit outside and read a newspaper, or can hold a discussion outside on the terrace.” (Internet / games, outside city centre, big 3)

Good accessibility for clients and the availability of parking spaces are other important criteria. The cheaper rents for properties outside the city centre also play a role.
6.6.3  *Locational disadvantages of the Munich region*

The high cost of living is seen as a negative location factor by both the internet agencies and the representatives of the games sector:

“One thing that is definitely a great disadvantage of Munich as a location is the salary structures and the high cost of living. That affects the German games industry much more strongly than many other sectors, because the levels of pay are relatively low in terms of international comparison, if you compare it with other sectors such as software development for example. And then this is felt even more keenly if you are based in a city where the cost of living is very high.” (Expert, internet / games)

<table>
<thead>
<tr>
<th>Very great location disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Trade tax</td>
</tr>
<tr>
<td>- High cost of living</td>
</tr>
<tr>
<td>- High rents (commercial and private)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Great location disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Insufficient numbers of well educated personnel (applies to the whole of Germany)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Further disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Infrastructure policy (airport links)</td>
</tr>
<tr>
<td>- Town planning policy (high-rise buildings, railway station)</td>
</tr>
<tr>
<td>- Restrictive approval policy</td>
</tr>
<tr>
<td>- Image of Munich conveyed through municipal policy</td>
</tr>
<tr>
<td>- Hardly any space available for experimentation</td>
</tr>
</tbody>
</table>

*Source: Own survey*

In addition to the high cost of living, the high office rents in the Munich region are felt to be a disadvantage, as well as the fact that in Munich, there is hardly any space available for small firms that are not yet established on the market. The same applies for studio premises: here too, there is not enough space available.

Specifically for the games sector, one important locational disadvantage that is mentioned (which however applies to the whole of Germany) is the poor image of the sector. This image makes the financing of projects by banks more difficult. Currently however, attempts are being made from the political side to counteract this through activities by the cluster for audiovisual media.

The criticism of the municipal policies expressed by the agencies is explained in the following chapter.
6.7 Policies and support measures

In the area of the internet economy, there are no specific support measures provided by the state of Bavaria or the City of Munich.

However, the attitude of internet agencies to state interventions in their activities, whether it is through funding programmes, subsidies or the like, tends to be rather negative, as the following quotation shows:

"I have had nothing whatever to do with the administration or politics so far; all these institutions, whether they are the chamber of commerce or trade associations or whatever, for us they are more likely to represent bureaucratic obstacles than something that would benefit us. We really don’t have anything to do with them, nothing at all."

(Internet / games, city centre, big 2)

One industry expert explains this negative attitude by the fact that as a rule, the largely small and medium-sized firms in the internet sector incur extra bureaucratic work and additional costs when they are involved with government schemes, but these firms would seldom benefit from government measures. Furthermore, the firms do not expect state support: “We are used to the fact that nothing is done on the political side”. (Internet / games, outside city centre, small 8)

Heavy criticism is directed at municipal policy overall by one agency. Compared with Berlin, the municipal approval policy for advertising and events in the public arena is said to be too restrictive – Munich is accused of displaying a certain provinciality here. This conservative attitude is also said to be shown in the architecture of large-scale municipal building projects, with the stadium representing a positive exception here. This underlying political position is said to give Munich a stolid, conservative, lethargic image – an image that is not attractive to young, creative workers.

For all the self-employed people without employees who were included in our survey, state assistance helped them on their path to self-employment: when they were starting up their businesses, they received bridging money from the state, and they emphasise that this support made the move to autonomy possible in the first place. The bridging money is a state subsidy to support start-up businesses, and is paid by the labour agency. The monthly payment was paid for six months, and was higher than unemployment benefit. This type of support expired in 2006, and was replaced by a lower level of support.

From the point of view of the self-employed, it would make sense to offer further training in the area of financing, marketing and distribution for start-up businesses.

By contrast, the interview partners from the games sector have a very positive attitude to state support programmes. Above all, they expect government attention to bring about an improvement in the image of the sector. In particular, the games industry has the reputation of producing products that endanger children and young people. Even though according to the interview partners, fewer than 5% of games are given an 18-plus certificate, games are barely socially acceptable, and are frequently associated with violent crime. This also has a negative effect on the financing of projects by banks, amongst other things. For a long time, Bavarian
policy has paid no attention to the industry. This has now changed, and the games sector has become part of the cluster for audiovisual media. This means that on the one hand the roughly two dozen Bavarian developer studios are incorporated more closely into the media economy, and on the other hand that the reputation of the sector has been generally improved. These image effects are judged by the interview partners to be far more important than for example the financial benefit through awards or subsidies. However, it is also emphasised that other cities in Germany such as Leipzig, Hamburg or Frankfurt recognised the potential of this sector earlier, and provide it with considerably more support than is the case in Munich.
In this study, four sectors have been investigated: from the creative sectors, we have investigated the TV and film production sector as well as the internet and the games industry. From the knowledge-intensive sectors we have investigated management consulting. Due to their different structures, the analysed sectors have different location needs. Furthermore, hard and soft factors have varying significance for firms operating in different sectors. Some of the location factors are relevant for all sectors; some are specific to one sector. For example the TV and film sector depends on a special infrastructure (film laboratories, equipment hire, studios) as well as public funding. This is not the case for the other sectors.

**Table 7.1 - Hard location factors**

<table>
<thead>
<tr>
<th>Factor</th>
<th>TV and film production</th>
<th>Internet / games</th>
<th>Management consulting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local job market</td>
<td>important</td>
<td>important</td>
<td>partly important</td>
</tr>
<tr>
<td>Proximity to customers</td>
<td>important</td>
<td>important</td>
<td>unimportant</td>
</tr>
<tr>
<td>Universities/ educational institutions</td>
<td>important</td>
<td>important (big enterprises)</td>
<td>partly important</td>
</tr>
<tr>
<td>Accessibility</td>
<td>important</td>
<td>important</td>
<td>very important</td>
</tr>
<tr>
<td>Strong economic setting</td>
<td>important</td>
<td>important</td>
<td>important</td>
</tr>
<tr>
<td>Headquarters</td>
<td>unimportant</td>
<td>unimportant</td>
<td>very important</td>
</tr>
<tr>
<td>Funding</td>
<td>very important</td>
<td>important (Games)</td>
<td>unimportant</td>
</tr>
<tr>
<td>Sector-specific events</td>
<td>very important</td>
<td>important</td>
<td>unimportant</td>
</tr>
<tr>
<td>Sector-specific infrastructure</td>
<td>very important</td>
<td>unimportant</td>
<td>unimportant</td>
</tr>
</tbody>
</table>

*Source: own illustration*

**Table 7.2 - Soft location factors**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Audiovisual media</th>
<th>New media / games</th>
<th>Management consulting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of life (city and surrounding countryside)</td>
<td>very important</td>
<td>very important</td>
<td>very important</td>
</tr>
<tr>
<td>Image</td>
<td>important</td>
<td>important</td>
<td>important</td>
</tr>
<tr>
<td>Creative environment/ feel-good-factor</td>
<td>important</td>
<td>important</td>
<td>unimportant</td>
</tr>
<tr>
<td>Prestige of micro-location</td>
<td>unimportant</td>
<td>important</td>
<td>very important</td>
</tr>
</tbody>
</table>

*Source: own illustration*

However, one factor which is neither hard nor soft is mentioned by all small and medium sized younger companies (it does not apply to the big film production firms and to the so-called global players in consultancy): personal and family reasons tipped the balance towards locating to Munich. Either the founders grew up in Munich or they came to Munich to study.
Concerning hard location factors, five factors were of particular importance: the local labour market, the proximity to customers, universities and educational institutions, accessibility and a strong economic setting.

The availability of highly qualified and creative personnel plays an important role for both creative sectors. Due to the organisation of work and the flexible production system in both sectors, the availability of personnel, freelancers and specialists is very important for them.

Big international consultancies judge the proximity to highly qualified workers and universities at the Munich location as being of only limited importance, since they recruit their staff across Germany, and also maintain links with universities throughout Germany. The same applies for the proximity to customers: proximity to clients plays only a subordinate role. For them, the concentration of large economic enterprises and decision makers in the economy represents the most important advantage of Munich as a location. Through the concentration of decision makers, in Munich consultants have easy access to contacts and reputation networks which they need for winning clients.

For both the TV and film production as well as the internet sector, the proximity to clients is of high importance, especially for the small and medium-sized firms. For the TV and film producers the proximity to distributors and broadcasters is very important. The game developers benefit from the high number of publishers in the Munich area. The large internet agencies benefit from the fact that numerous international enterprises as well as larger medium-sized firms are present in Munich. The small firms and the self-employed provide services for small and medium-sized firms which are mainly located in the Munich region and southern Bavaria.

Concerning the labour market as well as the client structure, the TV and film production sector and the internet sector are much more embedded in the region of Munich than the management consultancy sector, because their networks are more local than national or international. However, in the film industry the size and reach of the project network depends on the scale and nature of the production: the network of large production firms extends over Germany as a whole, or internationally, since many films are shot abroad, and there are subsidiaries and branches worldwide.

The proximity to universities and educational institutions is regarded as positive by large internet agencies and the TV and film production sector, since they cooperate directly with the universities. Furthermore, the educational institutions contribute to the creation of personal contacts and networks between the different protagonists in the media industry.

Accessibility is important for the different sectors in different ways. For the management consultancies that operate on an international basis, accessibility of the location represents a central aspect. Due to the mobility requirements of consultants, central positioning of the location and good links to the national transport infrastructure, with well-developed rail, road and air networks, is of great importance.

Also for the internationally active large TV and film companies, the transport connections of Munich, in particular its airport with the status of an air transport hub, is of decisive relevance because personnel frequently have to travel.
The economic strength of the Munich region is another location advantage for the firms of all the sectors we investigated. The firms in all three of the sectors surveyed emphasised the strong economic setting as an important outline condition for their activities.

Important soft location factors for the sectors investigated are: the quality of life of the city and the surrounding countryside, high leisure value, the image of the city, a creative environment or “feel-good-factor”, and prestige of the micro-location. Soft location factors like tolerance or cultural diversity turned out to be quite unimportant for the industries surveyed.

The high quality of life and leisure value of the region of Munich were identified as the most important soft location factors for all sectors. On account of the high quality of life, none of the sectors have problems in bringing qualified staff to the Munich location. Consequently, this soft location advantage becomes harder in that the high quality of life in Munich makes it easy for companies to attract qualified personnel to the location. For the consulting sector, the attractiveness of the location once again plays an important role in the competition for the best consultants.

Another important factor is the positive image of the city of Munich. Munich has a positive image both throughout Germany and internationally, and is associated with the Oktoberfest, beer gardens, lakes or mountains. This positive image is an effective asset for the recruitment of qualified personnel.

On the micro-location level, a creative environment – or the feel-good-factor – for creative industries and its staff is also a relevant location factor. The “look and feel” (Helbrecht, 2001), i.e. how good one feels at particular location, plays an important role. According to our interview partners, this “feel-good factor”, which enables creativity, can be present in the lively atmosphere of inner city districts or somewhere at the city’s edge, in calm, green surroundings. Furthermore, the large agencies also emphasise that their staff expect a lively, urban environment. The organisation of work was mentioned as another central reason for the location preferences of these enterprises in the city centre. A location in the city centre is in the interests of the agency, since here one may expect more flexibility from staff in respect of their working hours, because it is easier to combine paid work and other areas of life, and the total working hours can be increased.

The prestige of the micro-location is another location factor. The prestige of the company location at the micro level is largely unimportant for the film and TV sector, although it plays an important role for the consulting and internet sectors. To the large management consultancies in particular, having the best location is of great importance. The attractiveness of the company location to the staff plays an important role in “the war for talents”. For the internet agencies it is more important that the location and the architecture of the office building represents the creative spirit of the firm.

The location factor of tolerance appeared to be quite unimportant for the industries in our survey. None of them mentioned tolerance or diversity as a relevant location factor.
8 STRENGTHS AND OBSTACLES OF MUNICH AS A COMPETITIVE KNOWLEDGE REGION: CONCLUSIONS

What are the strengths and weaknesses of Munich as a creative knowledge city? Why do knowledge-intensive and creative enterprises establish their businesses in the Munich region or why do they stay here? Which concepts best explain why all three investigated sectors are highly successful in the region of Munich?

In the following chapter, the most important results of the study will be summarised and compared with results from other studies, as well as examined and discussed in the light of existing concepts. The aim of this summary is to present an analysis of the strengths and weaknesses of Munich as a location for knowledge-intensive and creative sectors.

8.1 Concepts: Cluster concept vs. soft location factors

According to Scott (2000), one of the key characteristics of knowledge-intensive and design-intensive production and service activities is that firms and labour tend to cluster together.

We use the term ‘cluster’ to refer to a local or regional concentration of firms and their support infrastructure which are closely related through traded and untraded interdependencies (Bathelt, 2004). Several reasons can be put forward for the cluster formation of enterprises at the urban regional level: according to Marshall’s argumentation, various part-processes encourage the spatial concentration of enterprises (Bathelt & Glückler, 2002). Regional interwoven relationships are then particularly advantageous if there is only minimal standardisation when it comes to materials purchasing, the award of sub-contracts, and exchange of information. This is the case for both the internet sector and TV and film production. Clusters also make access to non-codified knowledge easier, with this transfer of new, non-codified knowledge being seen as a socially embedded process (Storper, 1997). This means that norms, accepted rules, habits and trust are of great importance to enable inter-company communication and collaboration. In this connection, local and regional cluster formation in knowledge-based sectors is justified with concepts of “cultural” or “institutional proximity”, and of “collective learning” in geographically condensed economic relationship networks (Krätke, 2002). The availability of labour also plays an important role. Thus a specialised labour market makes it easier both for the companies to look for workers, and for workers to look for new employers. Because of the organisation of labour in many creative sectors, the existence of a large pool of specialised labour is an important point in their choice of location (Grabher, 2002b).

Cluster theories as well as “classic” theories focus on the location behaviour of firms. Neo-classic theories basically concentrate on hard factors like the extent and quality of infrastructure, the availability of capital and labour, or tax regimes.
Instead of looking at the location factors of creative firms, Florida (2002, 2003) tries to explain why highly qualified and creative people settle in a certain city or region. According to Richard Florida, creative knowledge workers are drawn to places providing a range of lifestyle amenities, and have specific demands in relation to accommodation, the residential environment, and how they can spend their leisure time. Florida (2002, 2003) supplements these factors with factors such as social diversity, openness to minorities, a high level of ethnic-cultural diversity, and the prevalence of a bohemian culture. Thus, soft location factors play an important role in his concept. In his view, cities should not only try to attract firms from the creative knowledge sector, but the people that work for these companies or that might start such companies themselves, because his verdict is: “company follows talent” (Saris & Brouwer, 2005).

In a previous ACRE report (Hafner, von Streit, 2007) as well as in another study (Hafner & von Streit, 2007), we have analysed why highly qualified workers settle in the city and region of Munich. In the case of the creative knowledge workers in Munich, the place of work plays the most important role in the decision to live in Munich for over two thirds of those surveyed. Another important reason is that of personal connections, like family ties or that they are born in the city and have always lived here. Typical soft location factors such as the area surrounding Munich or the diversity of leisure activities take third place in the ranking of importance. In the Munich comparison study, likewise three quarters of the respondents stated that employment opportunities represent a “very important” factor for their quality of life in Munich. The pastoral attractions of the surrounding countryside, the proximity to the Alps, and their opportunities for leisure and relaxation they classed as also important for their quality of life (Hafner & von Streit, 2007).

Which of the concepts applies best to the results of this study? Which hard and soft factors actually influence the location decisions of managers and their firms? In case of the creative sectors (TV and film production, internet and games), the cluster concept offers good explanations for the success of the sectors in the Munich region. However, most of the interviewed managers pointed out that personal and family reasons tipped the balance towards locating to Munich. Thus, residential choices and personal reasons rather than commercial reasons drove the decision for the location of the business, and they regard Munich as an attractive place to live. Furthermore, managers of enterprises belonging to the creative sectors stated that they have chosen inner city locations due to the lively atmosphere of inner city districts as well as the high density of shops, bars and cultural amenities – factors which are very much valued by their staff. Thus, the combination of the cluster concept and soft location factors offers fruitful perspectives for the explanation of the results of this study.

8.2 Strengths and weaknesses: The audiovisual media / TV and film production sector

The TV and film production sector has been investigated as an example of a sector from the area of the creative industries. In the film sector, flexible production as well as project work is the determining element in the organisation of work. The majority of workers are highly skilled. The wages earned in the film business range from very high salaries for some specialists and “stars” to middling and low wages for the majority of workers. Two
characteristic features of the film industry are that the influence of public funding is relatively high, and that the specific infrastructure available at the location, such as studios etc., plays an important role.

The Munich region is considered to be one of the most important media centres in Germany, alongside Cologne, Hamburg, Berlin and Düsseldorf, and Munich enjoys a leading position in Germany’s film industry (Krätke, 2002).

Other studies on the Munich media sector und Munich’s film industry, such as Moßig (2004) or Biehler et al. (2003), regard Munich’s media industry as a strong cluster. Many results of this study support this conclusion. Munich’s TV and film production sector is made up mainly of small and medium-sized companies, with some large-scale enterprises like ARRI or Bavaria Film.

The production of films is organised in projects. This type of work organisation is encouraged by the high flexibility that arises through the splitting of work between companies, the specialisation of individual firms in particular areas of work, as well as the project-related employment terms (Moßig, 2004). In the production phase, smaller firms in particular increase from 10 to 100 employees, through the large numbers of freelancers who are hired on a project-related basis. As a consequence, the firms are highly dependent on the availability of qualified workers which they find on the Munich labour market.

Furthermore, the sector is characterised by unstable employment relations such as part-time, temporary and freelance work. These unstable employment relations lead to intensive social networking activities among skilled creative workers, in order to be up-to-date on current labour market trends and in order to find collaborators, customers and employers. This is a common feature of production work in the cultural industries (Scott, 2000), and is also the case for Munich’s TV and film production industry.

An important factor contributing to the high number of qualified and creative workers is Munich’s educational institutions (above all universities and academies) in the media professions. The broad range of public, private and public/private educational and training establishments represents a decisive location advantage for the film and television sector and related branches of the media economy. These educational institutions, the numerous supporting institutions (e.g. the financial institutions that specialise in financing television and films) and associations, as well as the many media events, contribute to the creation of personal contacts between the different actors of the Munich film industry. According to the interview partners, networks play an important role for both large and small companies in asserting themselves on the market.

As in the internet sector, trust, reputation and communication between the different protagonists play an important role in acquiring new business. An explicit geographical component that leads to contacts and collaboration occurs with production companies that have located together in close proximity to broadcasters and other media enterprises in the media agglomerations in the Munich area.
Clusters develop over time; they are not a phenomenon that just appears overnight. The special feature of the media cluster in Munich lies in the fact that it has grown historically through the early establishment of public and private broadcasters, the founding of important media enterprises in Munich, and the establishment of important key enterprises in the film industry. Due to its attractiveness, Munich developed into a leading location for film production. After the war, many producers settled in Munich, since they found the surrounding countryside, with its mountains and lakes, very attractive, and in Bavaria there was a greater variety of film locations than in any other state in the Federal Republic of Germany (expert interview CAM and FFF). Munich’s strength as a media location results from the existing infrastructure and Munich’s attractiveness to the film industry.

Soft location factors have played a role at the beginnings of the sector in the Munich region and are still important today. The high quality of life in Munich makes it easy for firms to attract qualified personnel to the location. This is helped by the image of Munich, which is described by those surveyed in a consistently positive way. Thus, despite the mentality of native Bavarians, Munich counts as tolerant and liberal, including of other cultures, and it has – not least because of the Oktoberfest and beer gardens – a widely known name and reputation for being a metropolis of vitality and fun. Furthermore, for the big film production firms, Munich and its surrounding countryside offers a multiplicity of attractive settings for shoots (lakes, mountains, nature).

To sum up, the most important reasons why the film industry is concentrated in the Munich region are historical reasons, the availability of networks of big and small companies as well as freelancers, the high number of broadcasters, the big diversified labour market, as well as soft location factors like the high quality of life in the Munich area.

Threats for the TV and film industry in Munich are mainly seen by the interviewed managers as well as the experts as existing in the high production and living costs. Both the leasing rates and the fees of freelance personnel are a quarter more expensive than, for example, in Berlin. One expert sees the danger that more creative personnel could leave Munich and go to Berlin. Furthermore, there was a repeated criticism that due to budgetary cuts, Bavarian film funding has decreased and no longer stands in first place in comparisons across Germany.

Overall, in the case of the TV and film industry the strengths seem to outweigh the disadvantages. But we should keep in mind that we were only able to interview producers who are living and working in the city and region of Munich – we know nothing about the reasons of producers who have turned their backs on the Bavarian capital.

8.3 Strength and weaknesses: The management consultancy sector

The consultancy sector has been investigated as an example of a sector from the area of the knowledge-intensive industries in Munich. Munich is an important location for this sector: it has the highest turnover and the highest concentration of consulting firms in Germany (Glückler, 2004a, 2004b). The majority of employees are highly skilled and highly paid. In contrast to other knowledge-intensive, company-oriented services, the proximity to clients plays only a subordinate role in the consulting sector. Spatial proximity to the client is achieved through high mobility on the part of the consultant and his work at the client’s
CONCLUSIONS

premises. Furthermore, the consulting sector needs no sector-specific infrastructure and is independent of any funding by the state.

Overall, the management consultancies evaluate the location of Munich predominantly positively. The most important location factors are: good accessibility, the concentration of large enterprises and decision makers and a highly qualified job market. Important soft location factors are: the attractiveness of the region of Munich for the personnel and the positive image of the city.

In contrast to the other sectors that were investigated, physical accessibility is the most important location factor for management consultancies. Due to the mobility requirements of consultants, central positioning of the location and good links to the national transport infrastructure, with well-developed rail, road and air networks, are of great importance. Above all, the international airport with numerous national and international direct connections offers clear location advantages compared with other locations in Germany such as Berlin or Düsseldorf.

The availability of highly qualified personnel is another advantage of the Munich region, since a specialised labour market has become a key factor for the sector (Glückler, 2004a).

Munich is a strong economic location within Germany. Through the concentration of economic as well as political decision makers, the Munich consultants have easy access to contacts and reputation networks which they need for winning clients (cf. chapter 4.5).

The results of this study correspond to a large extent with the results of the study by Glückler (2004a, 2004b), who has investigated the management consultancy sector in different European cities. Good accessibility, good infrastructure, a qualified labour market – all these location factors are predominantly found in urban agglomerations or big metropolises. As management consultancies operate independently of their location, the question of the city’s role for this sector arises. Glückler regards business centres as “the locus of business opportunity” for knowledge-intensive services like management consultancies. He found that “the more internationally linked a city (is), the more likely it will transcend local networks and offer business opportunities in other places” (Glückler, 2007). This means that big cities are used by management consultants as reputational nodes: big firms in cities have a higher proportion of distant clients, and distant clients are won more often through recommendations (Glückler, 2007).

With regard to the location factor requirements of the management consulting sector, it is very important for Munich to strengthen and internationalise the local economy in order to achieve better competitiveness within the knowledge-intensive industry.

Hardly any location disadvantages of the city of Munich were named by the big management consultancies; mostly, they are not serious disadvantages. For example, the interview partners mentioned the inadequate airport links and the overburdened traffic situation in some parts of the city. The lack of cosmopolitanism in Munich, and the somewhat conservative Bavarian mentality was another point of criticism. This mentality was described as not particularly open and tolerant; on the one hand with regard to the integration of foreign workers into
society, but on the other hand also with regard to the development of a modern city. The lack of openness and tolerance was not however seen as a serious disadvantage.

For smaller consulting firms and self-employed consultants, the high cost of office space and real estate as well as the high cost of living in Munich are seen as something of a disadvantage. Another disadvantage is represented by the high business taxes in Munich, whereas the global players in the consulting sector are barely touched by the high costs that occur in Munich.

Overall, it can be stated that the economic location of Munich has more location advantages than disadvantages for the management consulting sector.

In the Munich region, there are no support measures specifically tailored to the consulting sector. Since this sector operates on the market in a way that is largely independent of location, policy at the municipal level, or at the level of the federal state, is of little importance. However, for management consultancies, the economic strength of the Munich region as a location factor is significant. Therefore the targeted support policy for cluster formation and sectors with a promising future represents a location advantage in the competition between the regions.

8.4 Internet sector and games

The internet and games sectors have been investigated as examples of sectors from the area of the creative industries. The internet sector and games differ in many respects. In contrast to the internet sector and other segments of the media landscape, Munich is not a prominent location for the games sector within Germany. There are only a few relatively small developers (around 10), which work on in-house productions or conversions. Munich carries greater weight as a location for games publishing. However, the publisher scene is now dominated by big global players, which means that a small number of business get most of the profits. Due to the small number of interviews carried out in the games sector, the following summary will concentrate on the internet sector.

As in the film industry, the organisational structure of the internet sector can be best described with the term ‘cluster’. The internet sector in the Munich region is characterised by small and very small enterprises: around 90% of companies have fewer than 50 staff, and over 60% have at most ten staff. The internet agencies are very much concentrated in the central parts of Munich. Project work is the determining element in the work sequences and the organisation of work. Most of the workers are highly qualified, the wages are middling to low in comparison with other knowledge-intensive sectors. The sector is independent of public funding and has no special location requirements.

One characteristic of the internet sector is the strong horizontal division of labour, which on the one hand encourages the organisation of work in projects, whilst on the other hand it includes the possibility that firms can assign individual task areas to freelancers relatively easily. Therefore, belonging to networks plays an important role. Furthermore, contacts play a decisive role in the acquisition of orders. According to experts, the professional networks between firms, freelancers and customers are very well developed in the Munich region.
Furthermore, the internet sector benefits from the co-location of Munich’s media and IT cluster. Thus, the many awards in the media area, conferences and trade fairs that take place in Munich help internet agencies to keep in touch with their clients.

The availability of qualified staff is above all important for the large agencies, as is the proximity to universities, since they acquire staff direct from the universities.

A very positive location factor for the internet industry is the diversified structure of Munich’s economy, as the client structure varies depending on the size of the agencies: the small agencies and freelancers look after small and medium-sized clients whose firms are mainly in the Munich region. The large agencies serve medium-sized and large enterprises that operate on an international level.

Concerning the disadvantages of the Munich region, the high cost of living is seen as a negative location factor both by the games sector and the internet agencies. Furthermore, the agencies complain about a lack of well-educated personnel especially, for technical activities. However, this is a German and not a Munich specific problem in this sector. Another disadvantage is that there is hardly any space available for small firms that are not yet established on the market.

One expert criticises the fact that there is no support infrastructure for small and medium-sized internet agencies, and argues that other cities like Hamburg or Berlin are much more active in supporting this young sector.

8.5 Conclusions

The aim of this study is to understand the drivers behind the decisions taken by managers of selected knowledge-intensive and creative industries to settle in a certain location in the Munich region. What hard and soft factors do managers regard as important? And finally what concepts are best suited to explain the results of this study?

The analysed sectors have different location needs due to their different structures. Within the sectors, the location factors vary according to the size of the companies and their client structure. One important finding of this study which corresponds with the results of the previous study of creative knowledge workers is that the location of companies is strongly determined by the location of the residence of the company founder (this does not apply to the big film production firms and to the so-called global players in consultancy).

This plays a role at the level of the city region, as well as in the choice of the micro-location within the city. The business founders had already lived or studied in Munich, and in the start-up phase they used existing private and professional contacts in Munich which they had built up whilst they were students. This result emphasises the great importance of universities and educational institutions for cities that want to attract talents: young people who come to Munich to study are also very likely to start their businesses here. In addition, many entrepreneurs in the area of the creative industries said that they had chosen their company location on the basis of proximity to their place of residence.
Five hard location factors were of particular importance for the two creative sectors (TV and film production and internet sector) as well as the knowledge-intensive sector (management consultancy): the local labour market, the proximity to customers, universities and educational institutions, accessibility and a strong economic setting. Important soft location factors for the sectors investigated are: the quality of life of the city and the surrounding countryside, high leisure value, the image of the city, a creative environment or “feel-good factor”, and prestige of the micro-location. On account of the high quality of life, none of the sectors have problems in bringing qualified staff to the Munich location. Consequently, this soft location advantage becomes harder in that the high quality of life in Munich makes it easy for companies to attract qualified personnel to the location. Soft location factors like tolerance or cultural diversity turned out to be quite unimportant for the industries surveyed.

In general, all three sectors that were investigated are highly successful in Munich. Munich is a leading centre for the media industry, the internet sector as well as the management consultancy sector in Germany.

In both creative sectors, this success can be attributed to the existence of clusters. The TV and film production industry as well as the internet industry show strong cluster tendencies and benefit from the co-location with other clusters such as the IT, media and finance cluster in the region of Munich.

In the case of management consultancies, the city does not function as a cluster but as a “reputational node” (Glückler, 2007). According to Glückler (2007), proximity to the decision-making centres of industry is an important criterion in the choice of location by management consulting firms. In that respect, Munich represents a good location for them: eight of the 30 DAX companies [the index of the 30 strongest shares on the German stock exchange] have their headquarters in Munich, and they are among the clients of the international management consulting firms. Furthermore, the government of Bavaria as well as important financial institutions are located in Munich.

Concerning the perceived image of Munich by the different sectors, the results are contradictory. The interview partners distinguish between the positive image of Munich that is connected with beer gardens, the Oktoberfest, lakes and mountains, and the picture of Munich that is conveyed by the municipal policies. According to some interview partners, Munich lacks courageous urban development schemes and architecture, and the municipal policymakers are accused of having missed the boat on decisive trends in cultural and municipal planning. Thus the image of Munich is also “unspectacular, respectable and clean”.

Furthermore, the great economic strength of the region, coupled with the fact that both knowledge-intensive and creative sectors are successful in Munich, also brings with it disadvantages for the further development of the city region. One problem that was mentioned in this study by the companies we surveyed, as well as in the last study, is the high cost of living in Munich. The high cost of living represents a problem above all for the less well paid creative workers in the region, whereas it was not mentioned as a problem once by the managers of management consultancies that we surveyed. It is also mentioned by the creative sector as a location disadvantage for their sector.

There is therefore a need for action here on the part of the municipal authorities:
Firstly, to provide for affordable space in Munich for those founding new businesses in the area of the creative knowledge industries and for those engaged in less well remunerated activities, in which they could realise their projects. There are some small municipal projects that could be extended. Secondly, since not all creative knowledge workers can be counted among those with good to high levels of income, the provision of cheap inner-city accommodation is important.

However, it must be stated that on the whole the location advantages named by the interviewed managers far outweigh the disadvantages.
REFERENCES


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Annex 1  Structure of the topic-centred guided interview (Firms)

1. Short introduction of the interviewer and ACRE (2 Minutes)

2. Warm-up question to start the interview,
   - Position / description of daily work and tasks in the firm

3. Organisation of work/ projects
   - In which business area is your firm working/ specialised?
   - Can you describe a “typical” project sequence, please?

4. Location Factors (soft and hard)
   - Why did the company settle in Munich? Which where the most important decisive factors? Why not in another city in Germany?
   - Which advantages/ disadvantages offers the Munich region?
   - Role of hard factors? (Infrastructure (transport, IT infrastructure), Labour market, City administration, Costs (rent/living/personnel), Policies / support by the city/region government, etc.)
   - Role of soft factors? (quality of life, leisure activities, region, sub cultural scene, tolerance/acceptance of diversity, etc.)
   - Why did you choose this particular micro-location?
   - Why did the company settle in this neighbourhood/quarter/part of the city? (Depending on where the company is located: why in the inner city / urban fringe / suburbia?; Why not in inner city / urban fringe / suburbia? )
   - Which role plays the tolerance or diversity of Munich for your firm? How do you estimate Munich in regard to tolerance and openness?

5. Sector at the location
   - Can you describe the role of (city) for your sector? Is the city an important location for your sector in the national / international context?
   - What advantages or disadvantages does the city offer in comparison to other cities for your sector?
   - Image of the city for this sector

6. Recruitment of highly qualified personnel
   - How do you recruit your employees?
   - Where do you recruit them? (Universities / Fairs, Regional /national / international scale, Problems?
   - How many employees/ freelancer?
   - Where do they come from?
   - Which kind of qualifications do they command?
   - How attractive is Munich for the personnel?
7. Client structure
- Who are your clients (size of firms, sectors, etc.)
- Where are your customers? (rough estimate of the relative share of origin of customers: inner city, region, state/country, abroad; regional, national, international)
- How do you acquire new clients?

8. Networks
- Subcontractors / suppliers: Collaboration with other companies (same sector other sector) in the region of Munich
- Describe the relationship: collaboration / competition
- Collaboration with other actors in the region
  o Universities / research institutions
  o Member of business organisations?
  o Administration / organisations of public authorities
- Quality of the relationships (satisfied with it?)
- How do you generate new knowledge?
- How important are networks for your firm? (with regard to new clients, personnel, new knowledge)
- In which networks do you participate? How are they organised? Are this formal or informal networks?

9. Prospects
- prospects of the company at the location
- prospects of the sector at the locations
- What could be done better by the public authorities? Wishes? What conditions can be improved?

10. Comments
- Did important points concerning your firm and the sector of your firm at the location of Munich not come up? Do you want to add something?
- Any other comments about what the most important local conditions are that led to the attachment of your firm to this place?

11. Questionnaire

<table>
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<tr>
<th>Name und position in the firm</th>
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<td>Name of the firm</td>
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<td>Sector of the firm</td>
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<td>Number of employees</td>
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<td>Location of the firm</td>
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<td>Turnover</td>
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Annex 2   Structure of the expert interview (Business organisations / administration)

1. Short introduction of the interviewer and ACRE (2 Minutes)

2. Warm-up question to start the interview
   - Position / description of daily work and tasks in organisation / institution
   - Institution and sector: What does your institution do for this sector? Is there a need for action at all?
   - Which objectives or policies do you pursue?

3. Sector at the location
   - Can you describe the role of (city) for your sector? Is the city an important location for this sector in the national / international context?
   - What advantages or disadvantages does the city offer in comparison to other cities for your sector?
   - Image of the city for this sector

4. Location factors (soft and hard)
   - What do you think are the most important location factors for this sector in Munich?
   - Role of hard factors like (Infrastructure (transport, IT infrastructure), Labour market, City administration, Costs (rent/living/personnel), Policies / support by the city/region government, etc.)
   - Role of soft factors (quality of life, leisure activities, region, sub cultural scene, tolerance – acceptance of diversity, etc.)

5. Location patterns
   - Is there a special location pattern of firms of this sector observable at …?
   - Is there a move to or a move away of firms into the region or the city of Munich observable?
   - How would you evaluate the number of business start-ups in this sector?
   - What kind of support do business start-ups receive?

6. Labour market
   - Could you please describe the labour market for this sector in Munich? Do the firms find the workers they need? Where do they recruit them?

7. Networks
   - What kinds of networks exist in this sector?
   - Describe the relationship: collaboration / competition
• Collaboration with other actors in the region: Is there an institution which brings different actors in the region together?
  o Universities / research institutions
  o Member of business organisations?
  o Administration / organisations of public authorities
• Quality of the relationships (satisfied with it?)

8. Prospects
• prospects of the sector at the locations
• What could be done better by the public authorities? Wishes? What conditions can be improved?

9. Comments
• Did important points concerning the sector at the location of Munich not come up? Do you want to add something?
Annex 3    Classification of economic activities (NACE and SIC)

Table: Creative knowledge sectors – NACE classification

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<tr>
<th>Sector</th>
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<tr>
<td>1. Creative industries</td>
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<td>744 Advertising</td>
</tr>
<tr>
<td>Architecture</td>
<td>742 Architectural and engineering activities and related technical consultancy</td>
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<tr>
<td>Arts/antiques trade</td>
<td>Portions of the following sectors:</td>
</tr>
<tr>
<td></td>
<td>524 Other retail sale of new goods in specialized stores</td>
</tr>
<tr>
<td></td>
<td>525 Retail sales of second-hand goods in store</td>
</tr>
<tr>
<td>Crafts</td>
<td>No codes</td>
</tr>
<tr>
<td>Design</td>
<td>No codes</td>
</tr>
<tr>
<td>Designer fashion</td>
<td>Portion of the following sectors:</td>
</tr>
<tr>
<td></td>
<td>17 Manufacture of textiles</td>
</tr>
<tr>
<td></td>
<td>171 Preparation and spinning of textile fibres</td>
</tr>
<tr>
<td></td>
<td>172 Textile weaving</td>
</tr>
<tr>
<td></td>
<td>173 Finishing of textiles</td>
</tr>
<tr>
<td></td>
<td>174 Manufacture of made-up textile articles, except apparel</td>
</tr>
<tr>
<td></td>
<td>175 Manufacture of other textiles</td>
</tr>
<tr>
<td></td>
<td>176 Manufacture of knitted and crocheted fabrics</td>
</tr>
<tr>
<td></td>
<td>177 Manufacture of knitted and crocheted articles</td>
</tr>
<tr>
<td></td>
<td>18 Manufacture of wearing apparel, dressing and dyeing of fur</td>
</tr>
<tr>
<td></td>
<td>181 Manufacture of leather clothes</td>
</tr>
<tr>
<td></td>
<td>182 Manufacture of other wearing apparel and accessories</td>
</tr>
<tr>
<td></td>
<td>183 Dressing and dyeing of fur; manufacture of articles of fur</td>
</tr>
<tr>
<td></td>
<td>19 Tanning and dressing of leather, manufacture of luggage, handbags, saddlery, harness and footwear</td>
</tr>
<tr>
<td></td>
<td>191 Tanning and dressing of leather</td>
</tr>
<tr>
<td></td>
<td>192 Manufacture of luggage, handbags and the like, saddlery and harness</td>
</tr>
<tr>
<td></td>
<td>193 Manufacture of footwear</td>
</tr>
<tr>
<td>Video, film, music and</td>
<td>223 Reproduction of recorded media</td>
</tr>
<tr>
<td>photography</td>
<td>921 Motion pictures and video activities</td>
</tr>
<tr>
<td></td>
<td>748 Miscellaneous business activities (*part of it)</td>
</tr>
<tr>
<td>Music and the visual</td>
<td>Portions of the following sectors:</td>
</tr>
<tr>
<td>and performing arts</td>
<td>923 Other entertainment activities</td>
</tr>
<tr>
<td></td>
<td>927 Other recreational activities</td>
</tr>
<tr>
<td>Publishing</td>
<td>221 Publishing</td>
</tr>
<tr>
<td></td>
<td>924 News agency activities</td>
</tr>
<tr>
<td>Computer games, software,</td>
<td>722 Software consultancy and supply</td>
</tr>
<tr>
<td>electronic publishing</td>
<td></td>
</tr>
<tr>
<td>Radio and TV</td>
<td>922 Radio and television activities</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Information</td>
<td>ICT manufacturing:</td>
</tr>
<tr>
<td>Communication Technology</td>
<td>300 Manufacture of office machinery and computers</td>
</tr>
<tr>
<td>(adapted from OECD definition)</td>
<td>313 Manufacture of insulated wire and cable</td>
</tr>
<tr>
<td></td>
<td>321 Manufacture of electronic valves and tubes and other electronic components</td>
</tr>
<tr>
<td></td>
<td>322 Manufacture of television and radio transmitters and apparatus for line telephony and line telegraphy</td>
</tr>
<tr>
<td>323 Manufacture of television and radio receivers, sound or video recording or reproducing apparatus and associated goods</td>
<td></td>
</tr>
<tr>
<td>332 Manufacture of instruments and appliances for measuring, checking, testing, navigating and other purposes except industrial process control equipment</td>
<td></td>
</tr>
<tr>
<td>333 Manufacture of industrial process equipment</td>
<td></td>
</tr>
<tr>
<td>ICT services</td>
<td></td>
</tr>
<tr>
<td>642 Telecommunications</td>
<td></td>
</tr>
<tr>
<td>72 Computer related activities (minus 722 Software)</td>
<td></td>
</tr>
<tr>
<td>72.1: hardware consultancy;</td>
<td></td>
</tr>
<tr>
<td>72.3: data processing;</td>
<td></td>
</tr>
<tr>
<td>72.4: database activities;</td>
<td></td>
</tr>
<tr>
<td>72.5: maintenance and repair of office, accounting and computing machinery;</td>
<td></td>
</tr>
<tr>
<td>72.6: other computer related activities;</td>
<td></td>
</tr>
</tbody>
</table>

| 3. Finances |
| 65 Financial intermediation, except insurance and pension funding |
| 66 Insurance and pension funding except compulsory social security |
| 67 Activities auxiliary to financial intermediation |

| 4. Law and other business services |
| 741 Legal, accounting, book-keeping and auditing activities; tax consultancy, market research and public opinion polling, business and management consultancy. |
| 743 Technical testing and analysis |
| 745 Labour recruitment and provision of personnel |
| 746 Investigation and security activities |

| 5. R&D and higher education |
| 73 Research and development |
| 731 Research and experimental development on natural sciences and engineering |
| 732 Research and experimental development on social sciences and humanities |
| 803 Higher education |
Annex 4  Public and private broadcasters in the Munich region

<table>
<thead>
<tr>
<th>Name</th>
<th>Type</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>ZDF Landesstudio</td>
<td>public service TV</td>
<td>Media Cluster Unterföhring</td>
</tr>
<tr>
<td>Bayerischer Rundfunk</td>
<td>public service TV</td>
<td>City Centre</td>
</tr>
<tr>
<td>Das Vierte</td>
<td>private TV</td>
<td>City Centre</td>
</tr>
<tr>
<td>NBC Universal Global Networks</td>
<td>private TV</td>
<td>Media Cluster Ismaning</td>
</tr>
<tr>
<td>Deutsches SportFernsehen GmbH</td>
<td>private TV</td>
<td>Media Cluster Ismaning</td>
</tr>
<tr>
<td>EuroSport</td>
<td>private TV</td>
<td>City Centre</td>
</tr>
<tr>
<td>HSE 24</td>
<td>private TV</td>
<td>Media Cluster Ismaning</td>
</tr>
<tr>
<td>KABEL 1</td>
<td>private TV</td>
<td>Media Cluster Unterföhring</td>
</tr>
<tr>
<td>RTL II</td>
<td>private TV</td>
<td>Media Cluster Geiselgasteig</td>
</tr>
<tr>
<td>Tele 5</td>
<td>private TV</td>
<td>Media Cluster Geiselgasteig</td>
</tr>
<tr>
<td>9LIVE</td>
<td>private TV</td>
<td>Media Cluster Unterföhring</td>
</tr>
<tr>
<td>DMAX</td>
<td>private TV</td>
<td>City Centre</td>
</tr>
<tr>
<td>Premiere</td>
<td>pay TV</td>
<td>Media Cluster Unterföhring</td>
</tr>
<tr>
<td>Kabel Digital Home</td>
<td>pay TV</td>
<td>Media Cluster Unterföhring</td>
</tr>
<tr>
<td>Arena</td>
<td>pay TV</td>
<td>Media Cluster Unterföhring</td>
</tr>
<tr>
<td>13th Street</td>
<td>pay TV</td>
<td>City Centre</td>
</tr>
<tr>
<td>Discovery Communications Deutschland GmbH</td>
<td>pay TV</td>
<td>City Centre</td>
</tr>
<tr>
<td>Classica</td>
<td>pay TV</td>
<td>City Edge/Suburbia</td>
</tr>
<tr>
<td>DISCOVERY CHANNEL</td>
<td>pay TV</td>
<td>City Centre</td>
</tr>
<tr>
<td>DISCOVERY GESCHICHTE</td>
<td>pay TV</td>
<td>City Centre</td>
</tr>
<tr>
<td>DISNEY CHANNEL</td>
<td>pay TV</td>
<td>Media Cluster Ismaning</td>
</tr>
<tr>
<td>Channel Name</td>
<td>Operator</td>
<td>Category</td>
</tr>
<tr>
<td>---------------------------</td>
<td>-----------------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>FOCUS GESUNDHEIT</td>
<td>Focus TV Produktions GmbH</td>
<td>pay TV City Edge/Suburbia</td>
</tr>
<tr>
<td>GOLDSTAR TV</td>
<td>Mainstream Media AG</td>
<td>pay TV Media Cluster Ismaning</td>
</tr>
<tr>
<td>Heimatkanal</td>
<td>Mainstream Media AG</td>
<td>pay TV Media Cluster Ismaning</td>
</tr>
<tr>
<td>HIT24</td>
<td>Hit24 Television GmbH</td>
<td>pay TV Media Cluster Ismaning</td>
</tr>
<tr>
<td>JETIX</td>
<td>Jetix Europe GmbH</td>
<td>pay TV City Centre</td>
</tr>
<tr>
<td>Junior</td>
<td>Junior.TV GmbH &amp; Co. KG</td>
<td>pay TV Media Cluster Unterföhring</td>
</tr>
<tr>
<td>MGM</td>
<td>MGM Networks (Deutschland) GmbH</td>
<td>pay TV City Centre</td>
</tr>
<tr>
<td>Sci Fi</td>
<td>NBC Universal Global Networks</td>
<td>pay TV City Centre</td>
</tr>
<tr>
<td>Local broadcasters</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ABM - ARBEITSGEMEINSCHAFT BEHINDERUNG UND MEDIEN E.V.</td>
<td>private TV City Centre</td>
<td></td>
</tr>
<tr>
<td>AFK TV</td>
<td>afk-Fernsehverin München e.V.</td>
<td>private TV City Centre</td>
</tr>
<tr>
<td>BAYERN JOURNAL</td>
<td>C.A.M.P. TV Fernsehgesellschaft mbH</td>
<td>private TV Media Cluster Geiselgasteig</td>
</tr>
<tr>
<td>MÜNCHEN.TV</td>
<td>München Live TV Fernsehen GmbH &amp; Co. KG</td>
<td>private TV City Edge/Suburbia</td>
</tr>
</tbody>
</table>

Source: BLM, 2008; Mediaguidebayern.de, 2008