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Urban environments and social networks in Leipzig's knowledge and creative industries

The managers' view

ACRE report 6.6

European Commission

CITIZENS AND GOVERNANCE IN A KNOWLEDGE-BASED SOCIETY

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

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AMIDSt, University of Amsterdam

ACRE

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Executive summary

The ACRE project analyses the competitiveness of European metropolitan regions in the context of global competition. In particular the research focuses qualitatively on creative and knowledge intensive industries. These emerging economic sectors show above-average growth rates, and they are held responsible for the competitiveness of metropolitan regions. The regional economist Richard Florida supposes that creative people do not simply move to regions with wide opportunities in the labour markets, rather the jobs follow this ‘creative class’. This suggests that there might be different driving forces for location of people, businesses, and venture capital than only hard economic factors. Soft factors are supposed to account for a large share of today’s attractiveness of metropolitan regions.

In order to understand the location decisions of creative professionals the ACRE project looks for driving forces of Florida’s ‘creative class’. In a first empirical phase creative and knowledge intensive workers had been interviewed. The current report provides outcomes of a second survey with managers and freelancers working independently in creative and knowledge intensive industries. The central intention was to understand which set of factors influences location decisions of creative and knowledge intensive firms. Is there a predominance of soft factors in these emerging markets? How independent are location decisions of hard economic factors? What kind of influence do private living conditions exert on managers’ location? Is there empirical evidence for the analytical validity of cluster, network, and path dependency concepts?

To analyse these research questions, four sub-sectors of creative and knowledge intensive industries were chosen: (1) business and management consultancy, (2) ‘old’ media – radio, TV, movies, (3) ‘new’ media – web design, e-publishing, PC and video games, and (4) design activities. Explorative interviews with experts provided first insights into the structure and function of these sub-sectors. Then a set of 24 semi-structured qualitative interviews with managers and freelancers within the four different sub-sectors helped to understand the determinants of the location of creative entrepreneurial activity and therefore the competitiveness of Leipzig and its surroundings.

The empirical findings reveal that the different sub-sectors show a heterogeneous set of factors which are important to the creative and knowledge intensive entrepreneurs within each sector. The knowledge intensive business and management consultancy sector is differentiated internally. Large companies operate in global markets and they tend to locate at places where their multinational clients run branches. Smaller start-ups are more bound to the region of origin and orientate their business to a local customer base offering specified niche services. The traditional creative sector of TV, radio, and movie production shows a strong path-dependency in Leipzig. Although this path was ruptured during the post-1989 transition the political decision to locate the public broadcasting station MDR in Leipzig is connected to media tradition especially in press and printing. Today the ‘old’ media sector is split into two parts, one dependent on MDR activities, another one offering services on a national scale, and

independent from the MDR. The emerging markets of creative industries, 'new media' and design, are still unorganised and show weak institutional links. In addition they rely heavily on modern information and communication technologies. For entrepreneurs in these emerging markets specific location is supposedly less relevant, but the interviews show that creative professionals are likely to stay in Leipzig due to private living conditions and social networks.

These findings show that a distinction has to be made across all sectors between established markets and companies and young start-ups in emerging markets. Established businesses are leaning to more classic hard factors, like economic environment, sufficient client base, infrastructure, and accessibility of the region. The many small firms and freelancers in emerging creative industries rather tend to appreciate a good quality of soft factors as much as hard factors. It could be supposed that this is due to a looser connection (less institutional integration, smaller market volume, character of 'new industry', no established career paths, etc.) into their own market. Private life aspects play a stronger role for location decisions as in established industries. Therefore communicative 'third places' as meeting points for business partners and simultaneously friends and family are important. The frontier between private and business life blurs. This leads to a stronger commitment to the home region, even in difficult economic conditions, as those found in Leipzig.

For the competitiveness of the city region of Leipzig, this means that the focus on attracting creative professionals and creative enterprises to Leipzig has to be extended to issues of retention. In addition to efforts for attracting economic and cultural capital to Leipzig, it has to be looked at how to retain the local entrepreneurs. The local base of creative micro-firms and freelancers, and the large potential for start-ups and university spin-offs, should be paid more attention to. Their special requirements should be key issues for public policy. In times of increasing competition between the metropolitan regions in global market, the weak economic base of Leipzig is a major threat to attract foreign investment. By contrast, the high degree of vacant, available and cheap office and production facility space, the image of a liberal and open city, and an open-minded citizenship are some of the major attraction and retention factors. They outweigh economic disadvantages especially for young creative and knowledge intensive entrepreneurs who originate from or came to Leipzig for founding an enterprise. The enhancements of the latter factors are major keys to competitiveness when it comes to developing a durable economic base in Leipzig.

1 INTRODUCTION

1.1 Outline and aim of report

The report gives an account of the work package 6 of the ACRE project. General background information about ACRE will be provided in section 1.2. This section will give a short introduction to the contents of the current work package. After having worked out a general literature review on the subject of creative knowledge industries and their role in making metropolitan regions competitive (WP1), after having described in detail the economic development pathway the city region of Leipzig passed through (WP2), and after having interviewed graduates and employees in creative knowledge industries in the city region of Leipzig (WP5), this work package focused on talking to a second relevant group of actors – managers of companies and self-employed/freelancers in creative knowledge industries.

The general aim of the research was to get insights in the driving forces and motivations of managers/freelancers to operate their creative knowledge businesses in the city region of Leipzig. For collecting this information four branches of the total creative knowledge industries sector had been selected – (1) Business and Management Consultancy Activities, (2) Motion Picture, Video, Radio and Television Activities, (3) Computer Games, Web Design and Electronic Publishing, and (4) Design Activities. In a qualitative research for each of the selected branches one networking expert has been interviewed preliminary in order to get insights into the structure and functioning of the respective branch in the city region of Leipzig. Subsequently in each of the branches 6 managers/freelancers have been interviewed following a guideline of questions.

Different aspects played major roles while interviewing this group of actors. First the unique history of each of the businesses had to be explored. Why did the interviewed managers/freelancers decide to run their businesses in Leipzig? Under which circumstances did they start their businesses in the region? A second focus was the services/products the company/freelancers offer on the market. Different strategies for organising the value added chains and the dynamics in this organisation have been asked for. In addition the networking aspect not related to value adding was analyzed. The central consideration was that for micro-sized companies and freelancers in knowledge intensive and creative industries social networks play a significant role in securing new clients and contracts and also obtaining new organisational and technological knowledge for improving their offered services/products. Another research focus of the present work package was to explain the role of hard and soft location factors for the managers and freelancers. Therefore the interviewees were also asked for their perception of the image and significance of the city region of Leipzig in the German and European level in general and for their business sector in particular. Connected to the topic of soft/hard factors the push and pull factors in private and professional life have been asked for in order to get information about the intention of moving the business to other locations within the city region of Leipzig or moving the business to other regions in

Germany or the European Union. A final point in the interviews was the making use of public direct and indirect financial assistance. Did the interviewees make use of policy programmes to get their business started or to keep it going? How do they evaluate programmes offered by the local and regional government? What kind of improvement potentials do they see?

The report presents the results of this empirical work. Chapter 2 will give background information on the selected branches of knowledge intensive and creative industries in Germany and in the city region of Leipzig. In chapter 3 the empirical methods and the sampling of the interview partners will be described. Furthermore the different steps of interpretation are presented and discussed. The following chapter 4 will display the actual results of the interviews and their interpretation. These results then will be discussed in relation to the theoretical background of the ACRE project in chapter 5. A final summary is provided in chapter 6.

2 SECTORS IN THE CITY REGION

For a better understanding of the situation of the managers and freelancers in the analysed sectors this chapter will give an overview of the current national development of the sectors. This will be followed by a more detailed description of the regional development in the city region of Leipzig, as defined in ACRE report 2.6.

2.1 Short introduction of the sectors at the national level

Within the German urban system the various major cities fulfil different functions. According to this functional differentiation, the concentration rates of economic activities vary between the different urban and metropolitan regions. Traditional links exist for example between Hamburg and the trade and logistics sector, between Stuttgart and the automotive sector, between Frankfurt and the finance and insurance sector, and between Cologne and media activities.

The question to be dealt with for this section is, how important are the chosen sectors of WP 6 in the city region of Leipzig within the German national context? What role does the city region of Leipzig play within the sector's spatial and organisational structure?

2.1.1 Business and management consultancy activities

Business consulting refers to both the industry and the practice of helping organisations to improve their performance, primarily through the thorough analysis of existing business problems and development of plans for improvement. Organisations hire the services of business consultants for a number of reasons, for example to gain external and presumably more objective advice and recommendations, to gain access to the consultants' specialized expertise, or simply as temporary help during a particular project, where the hiring of permanent employees is not required. Because of their exposure to and relationships with numerous organisations, consultancies are also said to be aware of best practices, although the transferability of such practices from one organisation to another is the subject of debate. Consultancies may also provide organisational change management assistance, development of coaching skills, technology implementation, strategy development, or operational improvement services. Business consultants generally bring their own, specific methodologies or frameworks to guide the identification of problems, and to serve as the basis for recommendations for more effective or efficient ways of performing business tasks.

Business consulting refers generally to the provision of business consulting services, but there are numerous specialisations, such as information technology consulting, human resource consulting, and others, many of which overlap, and most of which are offered by the large diversified consultancies listed below. So-called 'boutique' consultancies, however, are smaller organisations specialising in one or a few of such tasks.

The market of German business consulting is constantly growing, achieving a turnover by 16.4 billion € in 2007. Business consultancy is one of the most dynamic service sectors in Germany. Growth rates are not equally distributed among strategy consultancy, organisational consultancy, IT consultancy and human resources. IT-consultancy captures 46 per cent of the total business consulting with a growth rate of 24.1 per cent in 2007. Strategy consulting decreases by 1.8 per cent as well as human resources consulting by 37.1 per cent[1].

New market agents have entered this service field coming from other market fields like high-tech companies such as IBM or Cap Gemini, but also design companies, marketing agencies, and human resource companies and others. The major players can be ranked as follows:

- Management consultancy such as Andersen Consulting, PWC Unternehmensberatung GmbH, consultancy in accounting firms),
- IT-firms (such as IBM),
- US-consultancy companies such as McKinsey, Boston Consulting Group,
- numerous SME consultancies,
- individual consultants with scientific background,
- small consultancy firms,
- individual consultants.

In Germany, according to the BDU, there are 14.300 consultancy companies, with 64.500 registered consultants. Major centres are Frankfurt/M., Munich, Hamburg and Cologne. Only few if none headquarters are based in East Germany.

2.1.2 Old media – Motion picture, video, radio and television activities

IT and Media industries show a very positive development since 1998. The dot.com area employment in IT and Media industries increased, from 2000 to 2001, the number of employed agents decreased to the level from 1998. The boom until 2000 occurred only on few regions, such as Cologne, Hamburg, Stuttgart and Berlin. It is very obvious, that urban agglomerations provide the necessary socio-cultural environment and the technical infrastructure for the improvement of IT and Media industries.

Since 10 years not only ups and downs can be detected but also the internal structure of this segment changed significantly. Especially small firms and independent agents gained in this flexible and project-oriented sector.

In 2003, Leipzig's media sector ranked ninth in Germany in terms of the number of employees (see Schönert, 2004, p. 3). Between the crisis and the bubble of the New Economy hype in 1999 and 2001, Leipzig improved its position on a national scale: 2.5 per cent more

[1] All statistical data provided by BDU (Federal association of German consultancies). See:
http://www.bdu.de/docs/downloads/BDU_Online/Branche/FF_Home.jpg , and:
http://www.bdu.de/Marktdaten.html, visited on the 26th of May, 2008

employees led to Leipzig ranking fourth in the development of the media sector in Germany. In sub-segments such as advertising, radio/TV, and signal services, Leipzig even managed to stabilise and improve its position, ranking eighth, second and first (see Schönert, 2004, pp. 7–8). Schönert (see Schönert, 2004, p. 9) points out that Leipzig bucked the national trend by expanding its role in the field of publishing, radio, TV and film. Then again, this was an area where Leipzig had plenty of catching-up to do and had therefore started from a much lower base in the 1990s.

2.1.3 New media – Computer games, web design and electronic publishing

Entertainment economy has changed dramatically within the last decade. Classic media such as film, music and TV are constantly loosing market shares to the interactive entertainment software. The German computer and video games industry grew out of its niche and achieved a turnover of 1.6 billion € in 2001. The revenue of the national games industry increased since 2001 at a growth rate of 11.4 per cent to a level of 2.0 billion $ in 2006. It is estimated to grow to 3.3 billion $ by 2010.

Technological changes and innovations have allowed for almost each person to have access to computer and video games, influencing other business sector as well. They made it possible to change the way movies are produced, such as "Troja" or other Hollywood movies.

The core activities of games development are operated by 200 development studios in Germany, employing about 3,300 people in 2006. Games industry becomes a still more important segment when related activities are taken into consideration, altogether providing more than 15,000 jobs in the fields of research and development, e-publishing and trading games. The number of jobs is estimated to increase to a volume of about 22,500 by 2010. Apart from economic growth of this sector, it has to be acknowledged that the sector is still not fully accepted in Germany. Other countries, like Canada, France, South Corea are pushing this sector with huge state-funded R&D. E.g. China promotes this industry with 1 billion US$ until 2008[2].

Fairs are of major importance in these emerging markets. Since 1995 the “Electronic Entertainment Expo – E3” in Los Angeles represented the biggest meeting point for the upcoming games sector in the world. Also the “Tokyo Game Show” was installed in 1996, but it remained important only for the Asian market. For Europe the global industry identified a lack of meeting points. In Germany, for example, the games industry only played a subordinate role on the big IT-events as the Hannover based CEBIT or the Berlin based *Internationale Funkausstellung* – IFA. Therefore in the late 1990s the German industrial federation of games producers (*Bundesverband Interaktive Unterhaltungssoftware – BIU*) invented the concept of a European convention to be held in Germany.

[2] All statistical data provided by Stephan Reichart, Managing Director of G.A.M.E. (Federal association of video and pc game developers), 2008

2.1.4 Design

According to the German creative industries expert Michael Söndermann, the design sector plays an important role in the German creative industries[3]. Its interface function links the design related activities with all other sectors of the creative industries and with all economic activities in general. Actually, a process of re-inventing the service and product 'design' takes place, by which the classical packing of content into attractive design is complemented by a shift towards active content development. The production of symbols and images becomes more and more important within the sector.

In 2004, it is estimated that the design sector in Germany is made up of about 35,000 design firms with an average of 330,000 € turnover per firm and year. The overall turnover of the sector reaches 11.6 billion € (see Land Sachsen-Anhalt, 2006). While from the year 2000 the service sector declined after the displosion of the new economy bubble, the design market stabilized. Nonetheless, it has to be pointed out that the employment and the total stock of firms operating on the market steadily grew fast than other sectors of the creative industries.

The location patterns of the design sector realigns with the general economic structure of Germany. The central, prosperous regions also host the biggest design clusters. Significant focal points of design are situated in the *Bundesländer* North Rhine-Westphalia, Bavaria, and Baden-Württemberg. Hesse (Frankfurt/Main), Hamburg and the city region of Düsseldorf host the most successful design companies with comparable high turnovers per firm. These latter companies mostly belong to the branch of communication design, which makes it necessary to locate close to principal customers. The locations of Hamburg, Düsseldorf and Frankfurt host a large portion of the biggest German financial, insurance and trade groups (Metro Group, ThyssenKrupp, E-Plus, Henkel, Deutsche Bank, Commerzbank, Dresdner Bank, Beiersdorf, Axel Springer Publishers, etc.). Therefore the location of communication designers is orientated towards the domiciles of big corporations and economic decision making locations. In this hierarchy of established business relations in the design sector, Leipzig does not play an important German role.

The segment of communication design represents the economically dominant field in all design activities. In 2004, communication designers reached turnover amounts of 9.6 billion €, which accounts for more than 80 per cent of the total German market. In addition turnover per firm is much higher than in the other design fields.

By contrast, industrial design ranks last in Germany. With a design market share of 484 million € gained by 2,800 companies, this segment of the design sector is relatively small. Between communication and industrial design, the segment of product design represents the middle range. 12,000 firms design products, achieving a turnover of 1.5 billion € in 2004. Including the parts accounted to the other economic classification in the official statistics, it could be estimated that the actual turnover of the design market even reaches about 17 billion € in 2004, and nearly 60,500 firms engage in design activities (see Land Sachsen-Anhalt, 2006, pp. 76-79).

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[3] See interview with Michael Söndermann: http://www.agd.de/337.html, visited on the 26th of May, 2008

Actually a structural difficulty becomes apparent: the design market stagnated in terms of turnover, but grew regarding the number of companies. It could be argued that this indicates the entrepreneurial potential of the design sector. On the other hand, this causes strong competition in the national market, forcing the design companies to innovate and to implement niche products and services.

Within this national structure of the design sector the West German locations tend to be performing above average, while the East German economic centres do not show significant clustering of design companies. Therefore Leipzig could be supposed to host only a segment of the national design sector, which consists of young and small firms without particular stable business relations to big client corporations.

2.2 Description of the sectors in the city region

After describing the sector specific situations in the German context, the situation of each of the sectors in the city region of Leipzig has to be illustrated. In a first step the locational patterns of the sectors will be pointed out. Then their development concerning the number of firms and employees is to be analyzed. Finally some aspects of relevant political programmes will be presented. In order to find useful information in each sector at least one networking actor (e.g. representatives of business associations or lobbies, the regional administration, and the chamber of commerce) was contacted.

2.2.1 Business and management consultancy activities

Thinking about how to enter into the business consultancy sector opened up some basic questions before starting to look for companies to be interviewed. The general problem is to understand how business consultancy as a product works. What is business consultancy? Who offers it? The NACE related German *Wirtschaftszweigklassifikation*[4] gives a loose definition: business consultancy is all kinds of consultant, guiding and supporting activity. But it is not tax consultancy, it is not technological consultancy, it is not advertisement, it is not employment services, insurance consultancy, or investment counselling. From this definition it still seems to be quite diffuse, how exactly to understand the product business consultancy.

In order to get a better insight into what this product is about, and how the Leipzig market works, three experts were interviewed. The first expert works as a project manager in the City of Leipzig’s Department of Economic Affairs and Labour; the second expert works as a consultant for a business consultancy company owned by the City of Leipzig; and the third expert works as the Head of Career Service / Corporate Relations of the HHL – Leipzig Graduate School of Management.

[4] http://www.destatis.de/jetspeed/portal/cms/Sites/destatis/Internet/DE/Content/Klassifikationen/Gueter Wirtschaft klassifikationen/Content75/KlassifikationWZ2003,templateId=renderPrint.psml, visited on the 26th of May, 2008

One hint from the experts was given in relation to the 'product' business consultancy. It should well be paid attention to, what the true profile of a business consultancy company is about. The expert's experience proved that 'wannabe' business consultants show up everywhere and are involved in everything. One expert explained that, for example, location decisions of big, multinational companies are only to a minor part taken by the company itself. The majority of the decision making process is done by contracted service providers such as business and legal consultants. So the activity field of business consultants is very broad, and their markets, products and spatial structures therefore vary strongly. Glückler stated that in business consultancy '*products miss clear standards. Often the same product label may relate to very different services, a confusion nicely documented by contradictory market reports*' (see Glückler, 2005, p. 1728).

One expert gave the advice to understand the business consultancy sector as a derivative activity evolved from the accounting business. Big companies such as PWC and KPMG have long-time experience in accounting for different industrial sectors and clients. Consequentially they have a broad overview about which business and organisation models worked efficiently, and which did not. Originated from this knowledge about business models and organisational structures the consultancy market evolved. More detailed information could be gathered from the *Bundesverband Deutscher Unternehmensberater* (BDU[5]), the national business consultancy federation.

The situation of business and management consultancy activities in the city region of Leipzig has to be rated as critical. Leipzig was expected to become one of the leading service sector sites in East Germany. According to the post-reunification economic development strategy for the City of Leipzig the structural change from a former site of industrial production towards a modern city of service activities should have been enhanced by an attraction of service sector companies to Leipzig. Within this political ambition business consultancy, as a part of the service sector, played an important role. Today each of the "Big 4" of global consultancy business – KPMG, PriceWaterhouseCoopers, Deloitte, and Ernst&Young – is running a branch in the City of Leipzig. In addition a large population of small and micro-sized firms developed. According to the IHK (Chamber of Industry and Commerce) statistics the total amount of registered companies in business consultancy activities in the City of Leipzig increased between end of 2000 and spring 2008 from 620 to 985. Likewise the number of companies also rose in the surrounding *Landkreise* of the city region of Leipzig. Whilst in 2000 only 219 companies offered business consultancy in the region outside the City of Leipzig, in 2008 already 360 companies actively participated in the market. The figures seem to show a story of ongoing success in this sector of knowledge-intensive service activities.

According to the experts' opinions, the development of business consultancy is not as positive as one could imagine from looking at the statistics. The volume of the market is relatively small. The population of market participants is divided in the branches of the "Big 4", which offer the whole set of consultancy products, and a large amount of small and micro-sized companies. The "Big 4" branches are able to rely on their national and international expertise in order to acquire new clients. Even if they do not offer a certain consultancy service with

[5] http://www.bdu.de/, visited on the 26th of May, 2008

their Leipzig based staff, they still offer the service via their national partners and head offices at other locations. They primarily use the Leipzig location in order to be present and visible, to represent their name and market themselves as a label. Therefore the Leipzig based branches of the bigger companies could not be seen as stable companies. If the achievable turnover at the Leipzig branches becomes too small, the companies downsize the Leipzig branches and serve the local market needs for consultancy activities from other spots – predominantly Berlin or Dresden, where they also run branches. Some of the offices only fulfil the purpose to secure deals and market shares, which are later handled from the bigger Berlin based sections. So sometimes no value is added in Leipzig though the contract is part of the local market.

The other group of market participants consists of the multitude of small, independent business consultancy firms. Their particular difficulty is that they are so small, that in order to survive they have to offer a broad range of services to be handled in their portfolio. It is quite problematic to distinguish, if they are still a business consultancy company in the sense of the NACE definition or not. Secondly, due to their size these companies tend to be orientated towards the regional market. Two problems exist in this market. The industrial base and SME population to consume business consultancy services is very small. In addition this small population of service consumers is not able and/or willing to pay high prices for services. So within the group of small and micro-sized consultants – when focusing on this small regional market – an intensive competition arises and leads to cutting prices. Nonetheless one of the experts advised to put the focus of the research onto the small, local companies and freelancing consultants. Mostly their founders with roots in Leipzig have better insights into market structures and problems than managers of the branches of the big companies. In a stagnating/slowly growing general economic climate the business consultancy activities are a difficult product to sell regionally. In general, the proximity to the German capital Berlin seems to be a negative location factor in the case of business related, knowledge intensive services. Leipzig based companies seem to be orientated towards a local, regional market. In contrast global player companies, such as finance, insurance, legal, tax and investment service providers, but also the business consultants, either close their Leipzig bases and offer service for Leipzig from Berlin or downsize their Leipzig offices.

2.2.2 Old media – Motion picture, video, radio and television activities

The sector of old media in Leipzig has been the focus of several studies (see Bentele, 1997, see Bentele et al., 2006, see Bathelt, 2002, see Bathelt & Boggs, 2003,see Grunau et al., 2000). The IHK lists the following data on the total amount of companies in motion picture, video, radio and television activities: while the film and television activities nearly doubled in the period of 2000 until 2008 from 107 to 207 companies present in the city of Leipzig, and 10 to 18 companies in the region around the city, the sector of radio activities shrunk from 47 to 43 companies involved in the city of Leipzig, and from 6 to 4 companies in the surrounding city region.

Certainly these data give a positive impression of Leipzig as a media location. As in the business consultancy sector, the research team consulted an expert before starting to look for interview partners. A lawyer specialized in media law gave useful information on the situation of Leipzig's media economy. His statements go along with the findings of numerous studies. First of all Leipzig's old media are often related to the MDR – the public broadcasting station of the three *Bundesländer* Saxony, Saxony-Anhalt and Thuringia. As specified in the founding treaties in 1991 for this broadcasting station the production facilities – and therefore the media market developing around MDR – had to be distributed equally among the cities of the three *Bundesländer*. The head-office was located to Leipzig. Also the central units for the production of the television programme were installed in the city. The main facilities for the production of the radio programme are situated in the 30 km distant city of Halle in the *Bundesland* Saxony-Anhalt. Both cities lie in the centre of the three involved *Bundesländer*. The decision to locate the MDR to Leipzig is one of the crucial steps that established a post-reunification pathway in media sector in the city region of Leipzig (see Bathelt, 2002). Therefore today, a good portion of the regional media companies is dependent on the subcontracting market evolving from MDR activities. Furthermore a big share of them can not be considered as Leipzig based companies, as they only form more or less integrated branches from media companies based in Germany's traditional media hot-spots (e.g. Hamburg, Munich, Cologne, Berlin). The achievement of the original aim of developing a media cluster, thus, has to be seen critically.

The Media City Leipzig, in immediate vicinity to the MDR headquarter, hosts offices for media companies, several shooting studios, facilities for requisite and set construction, and post-production workstations. With its inauguration in 2000 it was supposed to strengthen the City's cluster strategy. Today the facilities are operated by a subsidiary company of the MDR, which charges relatively high rents for the offices and rooms. So the aim of using the Media City Leipzig as an instrument to foster a cluster, which is not dependent on one big company, did not work out. Especially in the TV/film related activities firms remain small within a small regional market. *'Most firms are quite small with only few employees and modest sales. In many cases, firms do not earn a reasonable profit which, in turn, would stimulate further investments. A reason for this can be found in the strong orientation towards local customers and the focus on small, often local market segments'* (see Bathelt, 2002, p. 606)

What happens in the media sector apart from the MDR environment? There are a lot of small companies trying to develop in the city. Especially a lively scene of independent film and documentary producers evolved around the city's universities, which offer curricula in journalism, communication and media studies, photography, graphic design and media technologies. Also the private media college MML – *Masterprogramm Medien Leipzig*, the venture capital and funding provided by *Mitteldeutsche Medienförderung* (a company financed by the *Bundesländer* Saxony, Saxony-Anhalt, Thuringia, by the MDR and by the ZDF – 2nd national broadcasting station) and *Medienstiftung Leipzig* (a foundation from Leipzig mutual savings bank) help to develop media activities, that are not directly dependent on the contracting of the MDR. During its 50 years of operation, the renowned *Internationales Leipziger Festival für Dokumentar- und Animationsfilm* – DOK Leipzig, with its competition for young film makers and its business convention DOK industry, became an international platform for regional young film makers. In addition, a large amount of regional start-ups is actively trying to capture markets outside the region and to develop innovative products and services by combining old and new media (see Bentele et al., 2006).

To conclude, Leipzig's media sector plays a subordinated role in the national context. The potential for growth and upcoming importance is evaluated as small. Due to the strong orientation towards the MDR, Leipzig will remain a "secondary media industry centre" (see Bathelt, 2002, p. 592) and the development of a media cluster in Leipzig stagnates. Still Leipzig has developed into the most important concentration of media industry in Eastern Germany (except from Berlin), and the media sector played and still plays a significant role in stabilising the labour market in times of structural re-orientation of Leipzig's economic base.

2.2.3 New media – Computer games, web design and electronic publishing

The economic sector of games production/e-publishing/web design in the city region of Leipzig is primarily known for its trade fair "Games Convention – GC". This large scale consumer show takes place annually and attracted about 185.000 visitors in 2007. Within the framework of the consumer show one of the most important conventions of the global games industry takes place in Leipzig. As a special business platform the "Games Convention Developers Conference – GCDC[6]" welcomes more than 900 attendees from the games production industry from over 35 countries. It is the biggest market meeting in Europe and the 2nd worldwide[7]. Therefore the organisation team of the GCDC was chosen to be asked some questions about the sector and the location Leipzig. An interview with the project director of the GCDC was organised in order to get a closer insight into the functioning of the global market and the local site Leipzig.

First of all, it seemed to be a bit astonishing that such a big event of the games production sector is held in Leipzig, as Leipzig's economy normally is known for automotive production, logistics, a bit of media (television/radio) and biotechnology – branches which are also featured in the City's cluster policy – whereas no one in the city is aware of local game developers. So the first question asked was: why did the Games Convention settle in Leipzig? According to our interview partner one has to take into account the historical development of the games industry worldwide in order to understand why Leipzig hosts the Games Convention. When video/pc gaming became popular, and therefore a market in general, the industry was still split into two distinct functional parts – the developers and the sales/distribution units. Both of these groups held their own conventions and fairs. While the sales/distribution part already organized quite professional big fairs, the developers seemed to stick to their small, more "underground", unorganized meetings which had the character of reunions of hackers. At that time in the end of the 1980s/early 1990s these developer meetings often were combined with contests of hacking the developer colleagues games in order to exchange knowledge about programming, hacking and developing. Out of this the big LAN-parties developed in the mid-1990s, especially in the Scandinavian region. In contrast the

[6] http://www.gcdc.eu/index.php?page=160, visited on the 26th of May, 2008
[7] Recently the German Federal Ministry of Economics and Technology rated the Games Convention as one of the leading conventions for the games industry. Therefore the Ministry will officially grant young German firms in the sector to present themselves in the convention. (see press release of Leipziger Messe, 25th of April, 2008: http://www.leipziger-messe.de/LeMMon/PRESSE.NSF/html_newstickerger/8A1B207D4B596400C1257435003A0A77?OpenDocument, visited on the 26th of May, 2008)

sales/distribution companies in the early games industry already showed bigger company sizes and therefore a more professional degree of industrial organisation. They already showed interest in large scale trade fairs. Since 1995 the "Electronic Entertainment Expo – E3" in Los Angeles became the biggest meeting point for the upcoming games sector in the world. Also the "Tokyo Game Show" was installed in 1996, but it remained important only for the Asian market. For Europe the global industry identified a lack of meeting points. In Germany, for example, the games industry only played a subordinate role on the big IT-events as the Hanover based *CEBIT* or the Berlin based *Internationale Funkausstellung – IFA*. Therefore in the late 1990s the German industrial federation of games producers (*Bundesverband Interaktive Unterhaltungssoftware – BIU*) invented the concept of a European convention to be held in Germany. After an invitation to tender, the *Leipziger Messe GmbH* could prevail against other established trade fair locations such as Frankfurt, Munich, Hamburg and Cologne. So the location decision has kind of a political character. The industry (in the *BIU* the German parts of big companies such as Electronic Arts, Eidos, Atari, Konami, Microsoft, Nintendo, Activision, etc. are organized) itself decided to locate the convention in Leipzig with a first draft for 6 years. Finally in 2002 the "Games Convention" took place for the first time. With a rise of up to 70,000 visitors in 2005, the US-American E3 convention reached its limits in the Los Angeles facilities and the industry turned to boycott this event due to its high exhibition costs. The upcoming "Games Convention" in Leipzig profited with its low cost fair fees. In 2002 already 80,000 visitors came to see the first event. In 2005, with a number of 134,000, nearly twice as many visitors as in the E3 wanted to see the latest products of the games industry.

So the location of this big industrial event is not based on existing companies in the region. It is more or less a decision of the global industry, defined by low exhibition costs in the facilities of *Neue Messe Leipzig*. How fragile such a location factor is, could be observed in the recent media debate. As the first draft for the Games Convention was limited until 2008, the *BIU* is thinking about relocating the Games Convention to Cologne. Although the event is a true success story at its Leipzig location, there seem to be several reasons for relocation. The reasons circulating in the media are quite trivial: missing international links from Leipzig airport, missing capacities in the upper class hotels segment and a too small regional market of kids to buy the products. However the more convincing reason is outlined by the project manager: he doesn't know any game producer to be located in Leipzig. Taken into consideration that one of the biggest member companies and part of the advisory board of *BIU* – Electronic Arts – has its German head office in Cologne, it's not that astonishing that the Games Convention leaves Leipzig. This fair represents an innovative exhibition concept, which is one of the cash cows of *Leipziger Messe GmbH* besides the *Leipziger Buchmesse* (book fair) and the *AMI* (car show). Accordingly there have always been attempts by other trade fair locations – especially Berlin, Munich and Frankfurt – to woo the Games Convention. The only security Leipzig still retains is the copyright on the name and concept of the event. Actually it is negotiated between *BIU* and *Leipziger Messe GmbH*, where to hold the Games Convention from 2009, and under which conditions. Probably the convention will take place in Cologne with the same name and concept. This would bring some money to the Leipziger Messe GmbH (royalties of approximately 450,000 €), but in addition to the loss of fair visitors and business people the city of Leipzig would loose one of its best indirect "city marketing" events.

The project manager, when asked to list games producing companies in Leipzig or the city region could not name any, although he might be the most central network actor in the region. He hinted to a regulars' table called *Games-Stammtisch*, which is held by a local games journalist, who is organized in the *Schreibfabrik*[8] writing about video/pc games. According to the project manager, the journalist would have a more detailed overview over the Leipzig games industry as in his regulars' table both Leipzig based and international actors meet once a month to talk about current topics of the sector.

Leipzig hosts a number of prospering IT companies, but primarily dealing with soft- and hardware or e-commerce. Nonetheless, the project manager named some companies, who are more or less involved in games producing. The first company is the G.Labs GmbH, a Cologne based company whose business it is to import and distribute online games from Asia. So this company is not a developer. But its CEO and founder is born in Leipzig and is, according to the project manager, thinking about relocating G.Labs to Leipzig. Other companies named by the project manager are Radon Labs GmbH (a leading European game developer headquartered in Berlin), maintaining a big office in Halle/Saale, and the FX 3D Studios also situated in Halle/Saale. The problem with these companies is that they are not located in the city region of Leipzig, although only 35 km away.

The project manager named one particular professor from the University of Leipzig, who does research on e-business; software technology; information, knowledge and service management. Furthermore this professor is member in the *Leipziger Informatik Verbund* (*LIV*). This federation co-hosts the *Leipziger Informatik-Tage* (*LIT*), which represents a conference of the entire IT sector in Leipzig.

The project manager then explained further how the games industry works, in order to understand the current lack of companies in Leipzig. According to his demonstration with the growing influence of the internet the distribution channels of the games industry changed radically and locations became more and more irrelevant. Therefore today one cannot really spot certain clusters or concentrations of games industry in the world. The classical, pre-internet sites were the Silicon Valley and San Francisco in the Unites States and Japan. While these traditional sites with their distribution channels still remain important, a new group of global areas appears today: Vancouver and Montréal in America, China and South Corea in Asia and Sweden and France in Europe. These new areas are home of game developers and producers, who could only come up into the global market by the more facile ways of distribution through the internet. The product segment of online games shows a quickly rising importance in the games industry. Today games do not necessarily need to be produced as a "hardware copy". It suffices to engineer and program a game, then sell it online as a downloadable copy, or even only sell a license to enter into a browser based games world. The only necessary physical structure is the network of servers and fibre optic cables. Latest examples for such interactive online games are World of Warcraft and the even more sophisticated Second Life.

Another technological innovation changed the market substantially. As the internet changed from an information consuming world to the Web 2.0, in which everyone could also produce

[8] http://www.schreibfabrik.de, visited on the 26th of May, 2008

information and upload it into the worldwide web, also the games industry developed software tools with whom it is more easy to produce own games. Today using this software it is not necessary anymore to know difficult programming languages. It suffices to know how to use certain software to produce and upload a certain online game. Hence a re-birth of the casual games segment took place. Casual games are those ones which are very simple to play – similar to a traditional board game – and which do not necessarily take much time to enter into the game and achieve something in the game. Examples are online chess, poker, pool, car racing and simple jump'n'run games. Casual games are the typical "in between" games, which are not time and thinking intensive.

Then there exists a still more professionalized sector of games, which need to have a more sophisticated production and distribution infrastructure. Games as Age of Empire (about 70 million €) or Tomb Raider have development costs exceeding the budgets of big Hollywood movie productions. So they are organized in a more strictly way containing a big machinery of marketing programs.

Finally the structure of the games industry changed as well. The classical triangle of games developer, games publisher and games retailer evolved. Today the chain developer produces the game, then gives it to the publisher, who organizes the copyrights protection, the marketing and the distribution to the retailers, and finally the retailers, who sell to the end customer became superfluous. While smaller productions like casual and simple online games are produced and distributed without big effort, the new triangle for more expensive and complex games consists of producer, publisher and service provider. Especially big game productions depend heavily on the integrated services provided by specialists. One of the biggest service providers in Europe are the Streamline Studios in Amsterdam offering the whole super-ordinated steering of big productions (accountancy, milestones management, subcontracting, legal services, etc.). Subcontracting in this field concerns all parts of a game: the music, movie sequences, background investigation for the story telling, 3D animation. These parts of the product game are often produced by small, specialized companies depending on the big market dominators as Nintendo, Microsoft, EA, Arcade etc. So the product video/pc game itself often is not produced only in one house, but by different companies. Worth to mention for the ACRE project, the project manager explains that only the smallest percentage of the whole production process of a game consists of true "creative" work. The majority of work is programming, software engineering and finally business related work. Only the conception of the game, the idea, the writing of the story, the sketching of rough images has a creative character.

So for the case of Leipzig one can state, that it will be hard to identify a company which deals with games development, especially the creative part of concept of the games. Germany in general played an underdeveloped role in the global games industry. If there are mentionable places in Germany, where some small developers or German offices of global players are situated, it will rather be Frankfurt (publishers, big developers), Munich (IT soft- and hardware), Berlin (independent developer scene of small developers), the Ruhr area with Cologne and Essen (a lot of consumers on small area, therefore offices of global players) and Hamburg (where the city ran an intensive marketing strategy to develop this field).

The future prospects for Leipzig have to be seen polarized. On the one hand with the rumours about the “leaving” Game Convention the sector of game production seems to die out in this city region. On the other hand personalities as the project manager, the journalist and one of the administrative managers of the Business Development Department, City of Leipzig, seem to cooperate in developing an industrial base for the Games Convention in the city. They are engaged in promoting the GC as a location factor for the industry. Additionally to hosting the 2nd important industry meeting of the world Leipzig has high potential in the field of well educated university graduates in the IT sector. According to the project manager, Leipzig has to install a specialized post-graduation education, such as the Games Academy in Berlin, where graduates could specialise their general IT knowledge towards the games industry. A first step is already done by the local HTWK Leipzig (university of applied sciences) with the installation of the Games Master Class program[9]. These post-graduate studies will impart games specific knowledge, especially in the field of games designing. The Berlin case of the Games Academy shows that the industry waits for specialized graduates. According to The project manager, more than 90 per cent of Berlin graduates are drafted directly by the industry.

What else could be done for the Leipzig location? In cooperation with the Business Development Department the project manager of GCDC was developing first strategies to bring game producers to Leipzig. One way could be to attract a big global player, which has a huge financial power to support local supplier companies. But this strategy has already proven wrong in other sectors. In the automotive “cluster” of Leipzig with the settling of BMW and Porsche facilities a lot of expectations were connected for a local and regional supplier industry. It cannot be denied, that some suppliers came, but the traditional logistics and supplier chain of Porsche and BMW still remains stable. The most parts for the final assembly of the cars still come from outside city region or even Saxony. The same is true for the media sector, where the public broadcasting company MDR supports a few local suppliers, who failed to market their products also to customers outside the city region. In addition, this strategy of using one big company to install the industry in Leipzig would cost a lot of money and other resources as the big companies are already settled at specific sites. And these sites have a special interest to retain the business where it is.

So the second approach to install the games production chain in Leipzig is to use its endogenous potentials. Besides the large number of IT students in the Leipzig universities one should specify the education towards the game topic. This specification could create the base of a distinct representation of Leipzig. Especially, the educational and pedagogical sector within the video/pc gaming is seen to be a future market with growth potential. This could be one field to be occupied by Leipzig. In combination to this specialisation of Leipzig the Games Convention – if could be held in Leipzig – has to offer more specialized business conventions and conferences during the year, but under the label of the worldwide known GC.

[9]http://www.fit-leipzig.de/GMC/index.php?option=com_content&view=article&catid=36:games-master-class&id=50:pressemitteilung-der-htwk-leipzig-vom-20-august-2007&Itemid=56, visited on the 26th of May, 2008

2.2.4 Design

Thinking about design in Leipzig leads quickly to thinking about the local design convention called Designers Open. The organizers of this regional platform for designers of all kinds of design fields (fashion, industrial, graphic, photography, etc.) gave useful information about the situation of the design market in the city region of Leipzig. Their design fair Designers Open transferred the idea of the *Kölner Designmesse* (Cologne Design Fair) to the city region of Leipzig. With the Designers Open a platform is initialized to exchange design knowledge, to connect designers, and to offer a market place for local designers. Furthermore the fair intends to promote Leipzig in Europe as a location of design. International designers increasingly visit the fair in order to look for new talented people and ideas from within the city region of Leipzig. Moreover, a possibility is offered to the local designers to promote themselves internationally. The 10,000 visitors in 2007[10], in addition to business and knowledge exchange, profited from the festival-like cultural event with concerts and performing arts at different spots in the city. The concept of the Designers Open re-interprets the structural problem of vacancies in the urban landscape of Leipzig. By occupying vacant industrial or commercial buildings as exhibition halls, the problems of the city are re-framed as possibilities.

Yet, as described above (see section 2.1.4), the local design market is a small one. It is constituted by two different groups of designers. On the one hand, *Autorendesigner* ('author designers') create and develop own ideas and design on their own risk before having contracts for sale. They live and work in structural flexibility and economic insecurity, as they always bring up new products and services, which later have to be sold to someone in order to return on investment. On the other hand, a group of *Direktivdesigner* ('directed designers') produce designs commissioned by customers. They operate in an economically more secure, though not stable, environment. According to the expertise of the organizers of the Designers Open, in Leipzig the group of *Autorendesigner* is predominant. Unlike Dresden, with its more solid sector of industrial production and therefore a bigger share of *Direktivdesigner*, the Leipzig economic environment misses headquarters of rich, potential customers, who could afford and are willing to invest in design services and products. Hence Leipzig's designers have difficulties in selling regularly.

This leads to a structure with small firms. Often designers work freelance and are not necessarily organised in design firms, but rather in project based temporary forms of organisation. Stable, informal networks and mouth-to-mouth reputation are important channels for getting into business and receive new jobs. Yet the market in Leipzig is small, local companies are said to be not willing to invest in design, or simply they cannot afford to do so.

The Hochschule für Grafik und Buchkunst (Academy of Visual Arts Leipzig), the HTWK's architecture and media classes (University of Applied Sciences Leipzig) and the Burg Giebichenstein (University of Arts and Design) in Halle (30 kms from Leipzig) every year release talented graduates, who try to work in the design market in the city region of Leipzig.

[10] http://www.designersopen.de/, visited on the 26th of May, 2008

This ongoing output of upcoming new designers in the region causes intensified concurrence and out-migration. While some leave the region to economically more attractive regions, others stay within the region even in situations of economical difficulties. It could be supposed that those staying in the region and trying to find niches to survive operate their business strategies with more passion and quality. Some of the designers still keep in touch with their former universities and tutors, which provides them with an extra income (e.g. by lecturing) and new, market relevant knowledge and information about upcoming talents in the region. Although the few established design companies in Leipzig find fault with the education offered by the universities, they appreciate the big pool of people to pick the most appropriate from.

Furthermore Leipzig's designers, to be economically successful, have to look for customers outside the region. Remembering the predominance of *Autorendesigner* in Leipzig, it becomes obvious that the distribution of this type of design could best be distributed on design fairs. Therefore the Designers Open demonstrates a helpful tool for local designers to get in touch with potential customers. Still the Designers Open is, in its fourth year, too small to gain remarkable international attention (though the Designers Open organisers realised the importance to attract more attention). The strategy of internationalisation is regarded as essential for penetrating larger markets and overcome the structural deficiencies of Leipzig's economy. A possible orientation towards the East European countries is thought about by Leipzig's design networkers. Other relations already exist to Helsinki and Milan designers, with whom the Designers Open organisers already exchange frequently.

Also the design market in Leipzig is a relatively young economic activity. Therefore classical business lobbying and representation structures do not fit to the needs of the design sector. According to the Designers Open organisers, e.g. the classification of the IHK (Chamber of Commerce and Industry) does not have appropriate categories to represent the designers in all their variety. Hence initialising cooperation between designers and traditional actors in the economy is challenging from the designers' point of view. Often the people, working in the regional administration and associations, do not have an appropriate knowledge and awareness about the potential of the regional design market. Therefore a first design report is called for by the designers, which could quantify and qualify the regional design sector. Such a report could serve as a basis for argumentation when trying to network with design external regional actors.

2.2.5 The situation of the sectors in Leipzig

Summarising the considerations about the situation of the chosen focused sectors, one can state that all of them represent economic activities, which are more or less new in the portfolio of the city region of Leipzig. This is due to two waves of transition in the city region of Leipzig. Firstly, the reunification and the shut-down of socialist planned economy disrupted Leipzig's continuous development path as a site of heavy industrial production. Secondly, the challenges caused by global competition and a knowledge intensifying world economy forced the city region of Leipzig to re-structure its economic base. While Western German metropolitan regions had time advantages of nearly 40 years in the first wave of transition from an industrial towards a service society within the context of a market economy, the Eastern German regions had to undergo this transition abruptly. The rupture of GDR development paths and the re-orientation of the early 1990s were accompanied by the reinforcing global requirements in the late 1990s.

Whereas the sector new media is a relatively new one also in the Western German context, the sector of business consultancy already started developing in the post-war period in West Germany[11]. In East Germany no market of business consultancy developed under the GDR socialism until 1989. After 40 years of planned economy the product 'business consultancy' in the context of a market economy was totally new and unknown. Design activities already existed in the GDR, but have not been freely traded on markets. Therefore design as an offered service is similar to the situation of business consultancy. The sector of the old media (radio, TV, film) clearly existed in GDR context but Leipzig was not as important as it is today in the Eastern German context.

Therefore all the sectors in consideration could be described as new economic activities in the city region of Leipzig. The situation of "newness" of the sectors explains partly the present problems with these sectors in comparison to traditional locations. A general problem is the relatively small size – in terms of employees, turnover, growth rates and profits – of the companies in question. Apart from the old media sector with the MDR, one could state a dramatic lack of head-offices from bigger companies. Those companies showing bigger sizes in these sectors frequently turn out to be only branches and affiliates of head-offices and companies in other cities in West Germany. The small and micro-sized companies still show difficulties to penetrate Western European markets, though this expanding towards external markets is crucial to their growth in Leipzig. Especially the design market suffers from the quasi absence of business experienced companies. With its slow overall economic growth and small production sector, the city region of Leipzig presents a difficult context for the four studied service sectors.

Nonetheless the city of Leipzig with its high proportion of students and positive in-migration rates attracts a lot of talent. Several small business start-ups evolve from this human capital and try to stabilize and grow. People in the four sectors rely on themselves. They are not waiting until economic policy "might" succeed and big companies provide jobs; they start their own businesses to be not unemployed.

[11] For example, the BDU – *Bund Deutscher Unternehmensberater* –, the central German lobby of consultants, was already founded in 1954 (see: http://www.bdu.de/geschichte.html, visited on the 26th of May, 2008).

3 RESEARCH DESIGN AND METHODOLOGY

3.1 Description of methodology: Qualitative research

In WP 6 the Project-team interviewed managers within three different branches: games industry/ electronic publishing; business/ management consultancy activities and motion picture, video, radio, television activities. A fourth branch was to be added – either out of the creative or the knowledge intensive sector. The Project-team chose within the creative sector the design branch.

The interviews were conceptualized as semi-structured guided expert interviews. Semi-structured interviews have no given order of questions; the openness means that every focus area starts with a general open question. The selection of the interview partners was done by theoretical sampling, which means that the selection is based on certain and formalized criteria (see Lamnek, 2005, p. 266).

After interviewing the management of different companies the recorded interviews were transferred into summarized reports. Afterwards they were analyzed with the help of a qualitative content analysis, based on Mayring (see Mayring, 1995). The general aim of a qualitative content analysis is to draw conclusions on certain aspects of communication (see Mayring, 1995, p. 13). This method is suitable for a reductive and summarising analysis of texts (see Flick, 1999, p. 215). The emerging formalisation makes it possible to compare different interviews. The general conception of a qualitative content analysis is the following: At the beginning you have to select the material you wish to interpret, which interview or which part of it. Then you define the general questions of the analysis. For WP 6 the focus lay on the role of the city of Leipzig for founding a business. Therefore, the personal opinion about Leipzig was a major target to collect. Afterwards you have to define the general method of analysis – you can choose between an explaining, summarising and a structuring qualitative content analysis, due to your aim of research. Within the Project-team, we chose a summarising qualitative content analysis.

Then you define the units of analysis, which means that you have to define what will be the smallest and what will be the biggest unit you will consider during analysis. Then you can start analysing the material. At the end you should be able to interpret the results, based on the focus of your research (see Flick, 1999, pp. 212-213).

3.2 Selecting cases and sampling

As mentioned in section 3.1 the selection was done based on specific criteria. The ACRE researchers decided to quantify the sample to 24 qualitative interviewees. These 24 interviews had to be done in the same way in four economic sectors of creative and knowledge intensive industries. As defined by the coordinators of ACRE the three branches 'old media' (NACE codes 921/922), 'new media' (NACE code 722) and business consultancy (NACE code 74.14) had to be part of the sample. A fourth sector could freely be chosen by each of the local ACRE teams. The Leipzig team put the focus on the design sector, which is not explicitly listed in the NACE categories but represents the case of an 'emerging market' in the city region of Leipzig.

Within the four sectors the proportion of six interviews had to be spread equally into 3 interviews in the core city of the city region and in the surrounding districts of the city region of Leipzig. Then these 3 interviews in each of the sectoral and structural proportions had to be divided following different sizes of companies – varying from self-employed/freelancer, 2-5 employees (micro firms), and more than 5 employees (bigger companies).

3.3 Semi-structured interview

Based on the provided interview guidelines by the Munich and Milan team the interviews took place with the help of a semi-structured questionnaire. Several themes were covered by the structure of the interview guidelines.

In the first step the focus was on the development of the enterprise and the career of the manager of the firm. In most interviews this was the warm-up question for getting an introduction to the activities of the manager before founding the existing enterprise. Mostly the question concerning daily main activities/tasks was followed up for getting an overview of the working process. If the interviewee did not mention the type of the firm while reporting about the founding process, which happened in the most cases, this was the connection question to get some information about the employees, who are involved in the production process. The interest was centred on the kind of employees, this means if the firm works with permanent contracts, subcontracts or freelancers. Another topic was the kind how and where (local/regional/national/international) the employees are recruited and what skills are necessary to work for the enterprise. Following the questions about the labour and recruitment process the interest was focused on the customers – who they are and where they are located. Sometimes the question about the customers was preceded by the question about the employees. In summary the first part covered the issues origin of the firm, core activities, business models and markets as well as the labour process and recruitment of employees.

The second step was focused on the type of networks the firm is involved in and how important they are for competitiveness and innovation. Another question was what kinds of networks do exist in the city/region and what kind of information is exchanged. In this case the interest also lies on the concrete partners and the issue if they are from the same branch or from other branches.

For getting an evaluation of the experts how they experience the climate of the city the third part focused on the location factors and the introductory question why the firm was founded or why the firm moved to this location was asked firstly. Consequentially the demand on location-specific advantages or disadvantages followed and the centre of attention lied on both hard and soft factors. In addition the question why the firm especially settled in this part of the city was significant too. Also the role of the city for the sector and its position in a national/international context was a subject matter. Afterwards the importance of public support and the types of support, if there were any used, took centre stage. As well the question what else could be done by the public authorities to improve the situation of the branch was queried. The interest in this part was concentrated on the location factors and the role of public support.

Finally the focus was on the prospect of the firm at this location. By asking if they can give an appraisal where they see their firm in five years and if they plan to move away or to stay at this location. In addition the interviewees were called upon adding specific points which were not mention during the interview.

3.4 Data analysis: Steps of interpretation

Before analysing, the empirical material needs to be qualified: In this case this included the transcription of important sequences within the material into normal written language (see Mayring, 1999, p. 70).

> *‘In projects of qualitative social research the quotation of passages of an interview (…) which are defined as typical or exemplary by the researcher are an important and mostly the only way documenting important messages or opinions.’ (see Bühler-Niedersberger, 1985, p. 475)*

The rest of the material was transferred into summarized reports by listening to the recorded interviews. As a guideline for the summary we developed a draft, which included the main aspects of the interview guideline. This procedure made sure that the most relevant aspects of the interview were detected in the phases of analysing the material.

Summarised reports are recommended if the researcher is especially interested in the main issues of a topic as well as when there is a lot of material and time is short (see Mayring, 1999, p. 74).

After transferring the interviews into summarized reports, they were analyzed with the help of the summarising qualitative content analysis, referring to Mayring. The Project-team altered the method a bit and analysed the material within the group. With this procedure we wanted to make sure, that we would get a more objective view about the opinions of the interview partners.

The aim of a summarising qualitative content analysis is to reduce and standardize the material so that it can be compared more easily. Furthermore the most relevant and important messages can be extracted (see Mayring, 1995, p. 70). The main principle of this method is to define the level of how abstract the material should be analyzed, yet before you start looking at the material (see Mayring, 1995, p. 55).

The general procedure of a summarising qualitative content analysis and the main rules of interpretation are the following: First you have to be sure about the level of abstractness you want to reach at the end of the analysis. Then you start paraphrasing the material, which means that you leave out all parts of the material which don't fit into the questionnaire, all repeated and digressed parts. Passages which are important have to be put on one language level and transferred into a grammatical short form. Then you have to generalize the paraphrases on the level of abstractness you have chosen before analysing the material. Paraphrases which are already above the aimed level of abstractness are kept like they are. The next step is a first reduction. You should leave out paraphrases with the same content or paraphrases with no content on the level of abstractness. You select the paraphrases with useful content for your questions. The last step is a second reduction: Now you should unite similar paraphrases to one paraphrase on the abstract level (see Mayring, 1995, p. 58).

After analysing all the interviews with the summarising qualitative content analysis you are able to compare the main aspects of the material and of the questionnaire. Therefore you should be able to answer relevant aspects of the WP 6 for every branch and for the city of Leipzig as well as for the outer region of Leipzig.

3.5 Problems and limitations

The city region of Leipzig – as defined for the ACRE project – consists of the City of Leipzig and the three surrounding districts (*Landkreise*) Muldentalkreis, Delitzsch and Leipziger Land. Within this city region a major part of the resident population and economic activity is concentrated in the City of Leipzig (about 56 per cent of population[1] and about 65 per cent of GDP[2]). While the City of Leipzig shows a resident population of 506,578 inhabitants in 2006 the surrounding *Landkreise* in the city region only could account for relatively small cities. Only three of these cities have more than 20,000 inhabitants – Delitzsch, Borna and Markkleeberg. In addition Markkleeberg could be considered as a suburb of Leipzig assuming residential function for commuters working in the City of Leipzig. Especially creative knowledge intensive industries seem to only play a significant role in the City of Leipzig. The surrounding *Landkreise* in the city region with their very small rural towns do not show significant concentrations of the branches in focus of this work package.

Therefore, after confirmation of these assumptions by the networking experts of the branches in consideration, the sampling focused on finding interview partners in the City of Leipzig. The objective to differentiate statements from managers and freelancers according to their locational patterns within the city region of Leipzig (core of the city vs. suburban fringes) was not possible. Even when finding interview partners in the surrounding rural parts of the city

[1] Population data by Landesamt für Statistik Sachsen, see: http://www.statistik.sachsen.de/Index/22kreis/unterseite22.htm, visited on the 26th of May, 2008

[2] http://www.vgrdl.de/Arbeitskreis_VGR/ergebnisse.asp#BIP_K, visited on the 26th of May, 2008

region of Leipzig it was assumed that their statements would be too particular to give a general overview over the needs and activity patterns of the relevant branch.

Another problem arises from the relatively low significance of Leipzig in the four selected branches in a national and international context. The general economic output of the City of Leipzig is comparable weak. While the Leipzig with its about 500,000 inhabitants earns a GDP of € 12,190 million, other cities of an equivalent size have a much larger local GDP. The traditional West German economic centres Bremen (€ 21,151 million) and Nuremberg (€ 21,288 million), the old-industrialized, Ruhr area city of Duisburg (€ 13,717 million) and even the East German city of Dresden (€ 14,531 million) exceed Leipzig's economic performance in 2005. The total population of the city region of Leipzig (905,695 in 2006) is only slightly less than the population of the City of Cologne (989,766 in 2006), but the GDP of the City of Cologne surpasses the city region of Leipzig one at a level more than twice as high.

The same accounts for the service sector activities of the City of Leipzig in 2005. Looking at the GVA data Leipzig could manage the structural change from an old-industrialized towards a service sector city better than the West German old-industrialized City of Duisburg. Nonetheless the City of Dresden performed better in the East German context. Furthermore the City of Leipzig achieves weaker outputs in service sector activities than other cities of comparable size in Germany. In contrast, traditional hotspots of service sector activities in Germany achieve GVA levels of 3 to 7 times as high as the Leipzig GVA[3].

In consideration of these facts it has to be said, that the population of companies and freelancers in the four selected branches of creative knowledge industries is relatively small. The second criteria of sampling the interview partners – a differentiation by size of the company – could better be followed than the location criteria. Still it was difficult to find interview partners of the required company sizes for each of the branches.

The Leipzig sample therefore is probably not as representative as desirable for ACRE purpose. However the problems experienced in finding proper interview partners give insights into the current situation of Leipzig's creative knowledge industries. The city still lacks a large population and concentration of companies in these branches. In addition the existing firms and companies tend to be small. Bigger companies are rare. Especially big companies founded and based in Leipzig are difficult to find in the four branches. Traditional service sector sites in Germany seem to be steps ahead in their development.

3.6 Final sample

After theorising the sampling method and defining the categories by which the cases should be selected (see sections 3.1 & 3.2), the actual choosing of, contacting and meeting with the interview partners produced a lot of problems who limited the final outcomes in regard to the

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[3] All presented data by *Arbeitskreis Volkswirtschaftliche Gesamtrechnung*, see: http://www.vgrdl.de/Arbeitskreis_VGR/ergebnisse.asp#BIP_K, visited on the 26th of May, 2008

requested structure. In table 3.1 the finally realized sample is characterized. The table delivers structural background information in order to better understand the analyses in chapter 4.

Table 3.1 - Structure of the sample

Sector and number of interview	Gender / age / position	Founding process	Type of firm / main products & services	Number of employees
Business and management consultancy				
I	Female / 30-40 years old / Freelancer	In 2007 as university spin-off	Freelancing educator *offering*: coaching for university graduates	-
II	Male / 50-60 years old / Managing Director	In 1990 as branch of Big-4 consultant	Dependent branch of multinational corporation *offering*: audit, tax and advisory services for big companies	130-150 employees
III	Male / 50-60 years old / Managing Director	In 1990 as start up	Independent company *offering*: business consultancy to regional SMEs	2 employees. 5 freelancers
IV	Male / 50-60 years old / Freelancer	In 1991 as start-up company, since 1998 commercial partnership, since 2004 freelance	Freelancing economist *offering*: business consultancy to regional SMEs in crafts sector	-
V	Female / 30-40 years old / Freelancer	In 2004 as start-up	Freelancing economist *offering*: sales and distribution advisory to car dealers	Networking with 11 other freelancers (marketing their services using one brand name)
VI	Male / 30-40 years old / Managing Director	In 2004 as university spin-off	Independent company *offering*: feedback systems and quality management in human resources	6 employees, 1 'perpetual' freelancer
'Old Media' – Motion picture, video, radio and television activities				
I	Female / 50-60 years old / Office Manager	In 1997 as branch of Hamburg-based company	Dependent branch, only office for representative purpose *offering*: complete production of TV movies and series	2 employees (Managing Director & Office Manager), flexible pool of freelancers for productions
II	Male / 50-60 years old / Managing Director	In 2000 as branch of Berlin-based company	Independent branch *offering*: complete production of TV movies and series, including all technological equipment	4 employees, 15 'perpetual' freelancers, up to 20 more freelancers according to demand

III	Male / 30-40 years old / Freelancer	In 2001, when moving to Leipzig after apprenticeship elsewhere	Freelancing cameraman *offering*: camera operation and supervision	-
IV	Male / 30-40 years old / Freelancer	In 2001 as side job, since 2004 as freelancer	Freelancing producer and operator *offering*: documentaries, image films, live sports coverage	-
V	Male / 30-40 years old / Managing Director	In 1995, start-up as 1st private, local broadcasting station	Independent company *offering*: local news, air time for external productions, selling advertisement airtime	25 employees, 50 'perpetual' freelancers, 10 interns
VI	Male / 20-30 years old / Commercial Partners	In 2005, university spin-off	Independent commercial partnership *offering*: complete production of own documentary projects and movies for private clients (wedding, family celebrations, etc.)	-
'New Media' – Computer games, electronic publishing, web design				
I	Male / 40-50 years old / Managing Director	In 2004 as start-up, Managing Director worked as journalist before	Independent company *offering*: e-publishing (focus: regional news), selling advertisement web space	1 employee (Managing Director), 5 'perpetual' freelancers, 4 more freelancers according to demand
II	Male / 30-40 years old / Managing Director	In 2000 as university spin-off from University for Applied Sciences Mittweida, settled to Leipzig in 2002	Independent company *offering*: simple game applications related to advertisement purposes, web design	5 employees, 5 freelancers
III	Male / 30-40 years old / Managing Director	In 2000 as university spin-off	Independent commercial partnership *offering:* computer games, smart phone applications, animated graphics for sports live coverage	5 employees, 13 freelancers
IV	Male / 20-30 years old / Freelancer	In 2006 as university spin-off	Freelancing software engineer (still student) *offering*: 3D animation, flash animation	-
V	Female / 30-40 years old / Managing Director	In 2001 as university spin-off	Independent commercial partnership *offering*: web design, content management systems, web-based marketing	4 employees, 4 freelancers
VI	Male / 30-40 years old / Freelancer	In 2003 as start-up	Freelancing software engineer *offering*: mobile phone applications (focus: games)	4 freelancers

Design				
I	Male / 20-30 years old / Freelancer	In 2004 as start-up	Freelancing cabinet maker and object designer *offering*: individually designed cabinets	-
II	Male / 50-60 years old / Managing Director	In 1988 as university spin-off in Brunswick, since 1991 branch office in Leipzig, since 1994 as Leipzig-based company	Independent company *offering*: product design and graphic design, layout for books and software	3 employees, 3 freelancers
III	Male / 30-40 years old / Freelancer	In 2004 as start-up	Freelancing photographer *offering*: industrial, object and product photography, photo design, advertisement imagery	1 apprentice
IV	Female / 40-50 years old / Freelancer	In 2000 as start-up in Halle, since 2004 based in Leipzig	Freelancing fashion designer *offering*: small collections and unique items for women	Irregularly interns
V	Female / 20-30 years old / Freelancer	In 2007 as start-up	Freelancing fashion designer *offering*: design shop as sales platform for local designers	-
VI	Female / 30-40 years old / Freelancer	In 1998 as start-up	Freelancing fashion designer *offering*: special outfits and uniforms for firms and associations, also collections and unique items	Irregularly interns

Obviously not all the criteria could have been fulfilled while running the empirical phase of the work package. Nonetheless, the qualitative design of the research is not expected to be representative. In addition, a certain degree of openness concerning the structure of the sample was agreed on by all the participating ACRE metropolitan regions.

4 RESULTS

The following chapter presents results from the 24 interviews, which had been done within the empirical phase of the current work package. In sections 4.1, 4.2, 4.3, and 4.4, respectively, the four chosen branches of creative knowledge industries (1) business and management consultancy, (2) old media (motion picture, TV and radio production), (3) new media (games development, web design), and (4) design are analysed. Section 4.5 will provide general conclusions across the branches. The subsequent section 4.6 points out questions and themes for discussion that arose from the empirical material of the interviews.

The interpretation of the interviews within their distinct branches (see section 4.1-4.4) was orientated along 5 thematic categories, which align with the guidelines for the interviews (see Appendix):

1) clients, markets, business models,
2) human resources (regional education system, recruitment, mobility, contractual situation),
3) networks,
4) location patterns,
5) public policy

The first category seeks to understand the business model of the interviewee within its context in the branch in Leipzig. In the interviews the respective questions asked for the types of hierarchy between market participants, for the types of organisation of business relations, for the perceived size of the market and the feeling of concurrence. The second focal point concerned the availability of qualified manpower within the city region of Leipzig. It was asked for the channels of recruitment, for the evaluation of the education system and possible business connections to the universities. In the third thematic bloc, then the focus shifted from employees to business contacts and the role of networking.

- How do the interviewees frequent and use networks for what purpose?
- What kind of networks do they use?
- Are the networks informal or formal; are they temporary or long-term relational?
- How important did virtual networks become yet?

The fourth part relates to concrete location patterns. In this part it was intended to compare and probably link private and business life. From the point of view of the managers and freelancers, what is more important for them: Leipzig as a city to live in, or Leipzig as a city to work in? How do they estimate Leipzig as a place for living/working? Is there any overlapping between private and business estimation? If so, what does that mean for the understanding of Leipzig as a city to act within as creative knowledge manager / freelancer?

Consequently, the topic shifted towards public policy. The central question is, did the interviewees use potentially available subsidies and public funding in any stage of developing their businesses? If so, how do they estimate the programs? If not, why did they not make us of it? Did they, probably, profit from any form of indirect public support? Of what kinds of public support are they aware (direct/indirect)?

The subsequent sections 4.1-4.4 do not strictly follow these categories as the interference between the categories varies strongly between the different branches and each branch's sample of interviewees. Nonetheless it was tried to find appropriate themes within each branch, which resemble these 5 topics.

4.1 Business and management consultancy activities

4.1.1 Clients, markets, business models

The pool of companies, in which the interviewed managers and freelancers work, varies strongly in size and origin. Therefore the business models, the kind of market integration and the relational systems show varying characters. As seen in chapter 2, the market for business consultancy services is well developing in Germany. The consulting market in the city region of Leipzig the consulting market does not develop with the same dynamics.

The lack of headquarters from big companies leads to a small local demand for consultancy. Therefore the interviewed companies develop specialized profiles for consultant activities. The one interviewed branch of a 'Big-4' company, settled in Leipzig in the aftermath of the reunification, clearly seeks to aim at clients among the few big industrial companies in the city region of Leipzig, which themselves often represent branches of multi-location companies, headquartered in other cities. Only for these bigger companies (more than 50 employees) the German tax law demands an external auditing and only these bigger companies demand and can afford the all-inclusive competencies of the 'Big-4'. The branch of this Big-4 player of consultancy plays only a subordinated role within the corporate structure:

> "*Wir machen (…) mehr Mittelstandsgeschäft als andere (FIRMENNAME)-Niederlassungen.*" (interview CONSULTANCY II, 4:15)[1]

This citation points out the structural weakness of Leipzig's economy. The main function of the interviewed Big-4 branch is to serve the regional market in a wider range around the city region of Leipzig, extending from Thuringia, southern parts of Saxony-Anhalt to western parts of Saxony. Within this wider region of the three *Bundesländer* the inner city region of Leipzig seems to be too much glorified by its inhabitants. In addition to mentioning the small relevance of his branch within his Big-4 corporation, the managing director puts it:

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[1] 'We do a bigger share of our business in the SME sector than other branch offices of our corporation.' (translated citation of interview CONSULTANCY II)

> *"Leipziger neigen dazu (…), die Situation besser zu reden, als sie ist (…) und sich für die Größten zu halten, während die Leute in Chemnitz im Auftreten bescheidener (…) sind als hier, aber erfolgreicher."* (interview CONSULTANCY II, 18:38)[2]

The interviewed managing director, who stated this, moved to the city when the branch was founded. Still he represents a distanced view on Leipzig and its people, which reflects a critical position. Besides this pattern of personal identification with Leipzig, this statement makes clear that Leipzig is not yet the centre of tertiary sector as politicians wanted it to become after reunification.

So, somehow it is also necessary for big consultancy corporations to settle into regional markets, foreign to their home base, by a following-the-client model (see Glückler, 2006). As Glückler (2006) observed for internationalisation strategies of consultancies, the aim of locating into markets, which are not economically attractive or rather risky, is to ensure ongoing relations with clients operating in these regions. The same accounts for the presence of Big-4 companies in the city region of Leipzig.

Within this region the branch competes with the branches of the other international Big-4 corporations. According to the corporate business model, the three products 'audit', 'tax', and 'advisory' are offered with about 150 Leipzig based employees. Only the field of advisory corresponds to what is defined as business consultancy in the ACRE project. The advisory field, within the corporation, is organized in specialized teams, which are put together from qualified employees from the different German branches, according to what competencies a certain advisory project needs. In contrast, audit and tax consultancy is offered only in a distinct, regional corporate sales area which equals the three *Bundesländer* Saxony, Saxony-Anhalt, and Thuringia. Therefore tele-working and recurrent work stays at the clients' location is applied routine in daily business performance. In general, branches of the Big-4 like the interviewed one, do not give a good insight into the market of business consultancy in the city region of Leipzig. They are not strongly bound to the city.

A better insight into the regional market may be gained from interviews with smaller, local companies. They offer services focused on the special needs of their equally small, regional client firms. Business consultancy is a communicative process, and needs mutual understanding and a similar culture and language, which is reinforced by a same spatial origin. Therefore the business models of Leipzig's consultancies are designed to target specific needs of other small, local firms.

Therein two different development pathways have to be distinguished. On the one hand there are companies, which were founded by elderly people. These founders have lived through the socialist time of GDR. They obviously have a large pool of local contacts and long time of business experience from several years of working in GDR times. After reunification, in the early 1990s, they immediately founded their businesses, and represented pioneer entrepreneurs in Eastern Germany. The moment of restructuring the Eastern German

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[2] 'Leipzig people tend to talk the situation better than it actually is, and they reckon themselves to be the greatest, while people living in Chemnitz are more decent in their appearance, but more successful.' (translated citation of interview CONSULTANCY II)

economy from a state planned system to a market economy let arise a large market for consultancy. Liberal, capitalist knowledge was rare, and Eastern German managers of newly founded Eastern German companies were looking for guidance in the phase of foundation.

At this moment, former GDR managers, who possessed Western knowledge of business administration due to their business occupations already in GDR, had an advantage in trust over Western German consultants within their circle of Eastern German acquaintances. They consulted old friends and colleagues, who founded companies in the aftermath of the fall of the Wall, in questions of business administration, tax, audit, and business modelling. Social networks and trust seem to work as a crucial resource for founding their consultancies and social competencies still constitute an important sales tool:

> *"Wir beraten in der Regel (…) Step-by-Step die Projekte, weil (…) man muss sich zunächst kennenlernen und (…) beraten kann man nur, wenn die Chemie zwischen den Beteiligten stimmt."* (interview CONSULTANCY III, 8:20)[3]

This declaration does not only account for that certain group of consultants in Leipzig. Rather it is a general principle of business consulting. But this certain group of consultants developed a specific awareness towards this consultancy business' 'guideline'. Until today, nearly 20 years after reunification, these consultants managed to adjust their services to the changing needs of small regional companies. Still their biggest value is their regional reputation and long-time experience in the sector of consultancy, especially of each of the particularities of Eastern German economic market restructuring phases. With these two qualities they manage to always regain new clients, or new contracts from long-time clients. The importance of 'trust' and 'reputation' in knowledge intensive industries was also studied by Glückler. His findings align well with the above described developments (see Glückler, 2005).

On the other hand, another group of small Leipzig based companies developed from a quite different background. The founders of these companies represent a younger generation of entrepreneurs, who gained their professional knowledge in the reunified Germany. This younger generation still passed its childhood in GDR times, and therefore is accustomed to Eastern German mentalities, behaviour and culture, especially those of elder managers in the city region of Leipzig. But they are as well familiar with Western ways of doing business. Their strength lies in this mixture of these two spheres of knowledge. Therefore they developed consultant strategies, who deal with the specific assets of Eastern German markets. Important to mention, for the interviewed 'young blood' founders of business consultancies the family background played an important role. For the interviewees the occupation and business knowledge of their parents constituted a significant informational background for starting their own businesses. 'Like father, like son' – in the sample, the young founders oriented the thematic specialisation of their consultant activities according to the sectors of occupation of their parents.

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[3] 'Normally we consult step by step within the projects, because one has to get to know each other, and consulting only works when there is good chemistry between the parties.' (translated citation of interview CONSULTANCY III)

The both, elder and younger Leipzig-based founders are confronted with a similar problem of the Eastern German mentality. One of the younger founders point out:

> *"Hier ist so eine Mentalität, dass jeder immer irgendwie denkt, entweder kriege ich es kostenlos oder es bezahlt mir jemand."* (interview CONSULTANCY V, 6:42)[4], and:
>
> *„Die Geistesarbeit wird hier nicht wert geschätzt."* (interview CONSULTANCY V, 9:30)[5]

These two citations demonstrate a general problem in the context of post-unified East German creative knowledge markets. Many of the today elder managers of local companies were socialised under GDR regime, which meant within the philosophy of the *Arbeiter- und Bauernstaat* (workers' and farmers' state), exaggerated, action speaks louder than words, and content counts more than the packing. An external service sector was only underdeveloped and managers did not have to negotiate about prices for services to buy. More than 15 years after reunification, it still seems to be difficult to convince local clients of the use and worth of consultant services (as all other creative knowledge services), which legitimises decent prices.

To conclude, the smaller companies, the both from elder ex-GDR managers and 'young blood' East Germans, could offer a specialized consultancy expertise, which consists of the combination of a detailed knowledge of Eastern German, and especially city region of Leipzig contexts, and of Western economic attitude. With this mixture they achieve a good reputation among clients in the city region of Leipzig.

4.1.2 Human resources

In order to understand Florida's intention (see Florida, 2002) of talent in relation to the city region of Leipzig, the interviewees had been asked about where they get their staff from, and how they evaluate the local supply with human resources? Especially the demographic transition, often discussed, is supposed to cause a lack of qualified employees in the coming years in Eastern Germany. Do the local consultancies share this view? If so, how do they react in order to gain good professionals?

Again it has to be distinguished between the 'Big-4' branch and the other firms interviewed. Only the 'Big-4' branch regularly recruits new employees. According to the CEO's statements the company hires graduates from all universities in the sales region – so not only from Leipzig universities, but also Jena, Halle, Chemnitz and Freiberg. Still this recruitment not necessarily leads to moving to Leipzig. The Big-4 company tends to apply flexible working structures:

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[4] 'Here, there is such a mentality, that everyone somehow always thinks, whether I get this for free or someone else pays for me.' (translated citation of interview CONSULTANCY V)
[5] 'Here, brainwork is not valued.' (translated citation of interview CONSULTANCY V)

> *"Es ist mir auch lieb, wenn ich Leute habe, die in Jena wohnen und dort ihr kleines Büro haben."* (interview CONSULTANCY II, 11:30)[6]

Tele-working seems to play a central role in business consultancy. As it is not necessary to be present in the location of the employer but in the location of the client, this type of working day's organisation is welcomed. In addition for the Big-4 company it makes it easier to recruit people from the wider region, as potential employees do not have to move to Leipzig, if they are not willing to do so for the job.

Another big pool of graduates regularly joining this company are those originating from the city region of Leipzig, but having studied outside the region. Those 'returners' play a significant role. By contrast, unlike 15 years ago, the graduates, originating from Western Germany and having studied in West Germany, show decreasing willingness to move to the Eastern German city region of Leipzig. According to the interviewees, this problem is related to negative images and prejudices about the *Neue Bundesländer*, and the better subjective career chances in Western German corporate headquarters. Therefore a certain problem could, possibly, arise in the future for big companies to attract new employees. But this problem is not yet perceived by the company[7]. Interestingly, the Leipzig based HTWK (university of applied sciences) is rated poorly concerning the education. Graduates from this university do not get a chance to join the companies' staff. Due to the international orientation of the 'Big-4', the graduates hired for this company have to have profound competencies in international auditing and in spoken and written English.

The small Leipzig based consultancies show different patterns of recruitment. While those who represent their company alone do not care about the situation on the labour market, the one small company having 7 employees still does not practice active recruiting. After a shrinking from formerly 16 employees to 7 employees the current economic situation does not make it necessary nor possible to employ more people. Nonetheless the company keeps contacts to professors in the city region of Leipzig universities in order to realize Diploma theses (*Diplomarbeiten*) with graduates from business administration. In addition, speculative applications are paid attention to, when certain projects require staff expansion. In these cases employment is provided temporary for certain projects.

For the freelancing and self-employed consultants, in their 'one-(wo-)man'-agencies, taking care of additional staff overburdens their capacities. In addition, the difficult market situation in Leipzig does not foster a climate of economic growth and, resulting, of recruitment in business consultancy. The freelancers are glad, if they, themselves, are able to survive economically from the clients, they could acquire in the city region of Leipzig. The management of growth by looking for foreign markets, or the cooperation with others in order to acquire bigger projects seems to be a 'hurdle' which seldom is tackled. Therefore the

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[6] 'I appreciate it, if I have got people from Jena, who are living in Jena and run their small offices over there.' (translated citation of interview CONSULTANCY II)

[7] Only a theoretical discourse developed so far, and the Chamber of Industry and Commerce points this out to its industrial members, not yet to the service sector members.

human resources situation of the city region of Leipzig is not important for their current business opportunities.

4.1.3 Networking

Among theories of regional development it is repeatedly stressed, that regional networks play a significant role for economic development pathways and clustering processes. Therefore the interviews also focused on networking behaviour and interaction patterns of the companies in consideration.

This field of interest also shows a variation according to the companies' size. The Leipzig based branch of the 'Big-4' deals – resulting from the business model and size of staff – with much bigger and more complex business consultancy projects than the smaller firms and freelancers interviewed. Hence, the networking behaviour differs significantly. The 'Big-4' companies seem to observe each other closely. Besides the strong global competition between them, they irregularly cooperate for certain large scale projects, e.g. the restructuring and organisational re-design of global corporations. Within this cooperation each of the participating 'Big-4' companies carries out one part of the task. So the cooperation gets a temporary and complementary character.

More stable cooperation is exerted in a different situation. The 'Big-4' branch occasionally needs help from experts in business law. As the company mostly employs business economists, and only few lawyers are hired, for big projects with high intensity of juridical problems, the juridical expertise is missing in-house. On that account, a pool of local lawyers is kept contact with in order to subcontract them when necessary. All things considered, it would be exaggerated to name these described cooperation a 'network' in the way networks are conceptualized in economic geography (see Powell, 1991, see Grabher, 1993, see Bradach & Eccles, 1991)[8]. Also the interviewee himself does not use the term 'network' to describe cooperation.

The smaller companies show a different behaviour. According to their highly specific business models they cooperate seldom. And if they cooperate, they do it in order to succeed economically. Due to their small size and their knowledge intensity, informal networks are perceived as potentially dangerous. Other market participants are primarily seen as competitors, only exceptionally as potential cooperation partners.

[8] The conception of a ‚network', following Powell (1991), Grabher (1993), Bradach & Eccles (1991), is characterized by 4 categories: reciprocity (by mutual trust stimulated voluntariness to cooperate over a long period, even when single projects are disadvantageous for one party); interdependency (in the long-term economically sensitive knowledge is exchanged, and the parties become dependent on the discretion of the other); asymmetric power relations (possibly more powerful partners do not profit from their power surplus to the disadvantage of the others); and loose linkages (partners keep their autonomy and decide freely, whether to leave the network and its shared knowledge and information, or not).

> *"Aber das [die Kooperation] macht man eben nur, wenn man sich an größeren Projekten mit einer öffentlichen Ausschreibung beteiligt, wo man sieht, das kann man alleine nicht leisten. Ansonsten ist es eben bei kleinen Beratungsunternehmen eher unüblich, die sind eher Einzelkämpfer. Die arbeiten sehr abgeschottet."* (interview CONSULTANCY III, 11:44)[9]

So the small firms in the business consultancy sector tend to only cooperate in order to market themselves and acquire new clients. A distinction has to be made between the reunification related start-ups and the later start-ups from younger graduates. The elderly founders already dispose of a large pool of long-lasting contacts, which facilitates trust and reputation among each other. Therefore they tend to use cooperation more quickly than the younger people, who do not know so many business relevant persons, for such a long time.

Summing up, it can be said that in business consultancy networking does not seem to be a central element amongst the Leipzig based interviewees. For certain projects the firms use their business contacts in temporary projects. But these contacts are only sporadically used for cooperation. In the self-description of the managers and freelancers the term 'network' does not play a significant role. Only one freelancing consultant indicated to have entered the market forming a brand name, which actually does not represent a company, but a network of freelancing experts – not only consultants – who cooperate in different constellations. This brand label increases clients' trust in the competencies of the single participants as it seems to work like a company. Still, it could be supposed, that networking happens subconsciously and unintended. All the entrepreneurs indicate to exchange information about business aspects with others both in private and professional circle of social contacts. Still this information does not represent the main source for obtaining new business knowledge. Other channels such as professional journals, internet, and professional seminars on certain consultancy related topics represent additional knowledge resources.

4.1.4 Appraisal of the city region of Leipzig – business vs private life

Another focal point of the interviews picked out the appraisal of the city region of Leipzig and the city of Leipzig as locations of working and living. The central questions were: how do managers evaluate Leipzig as a market place for their consultancy services? How do they evaluate the city as a place for living? Finally, which are the more important aspects for settling their businesses in Leipzig? The traditional notions of hard and soft location factors are connected to these issues.

[9] 'But you only do this [cooperation], when you want to participate in bigger projects with a public tender, where you realize, you cannot handle this on your own. Otherwise it is rather unusual amongst small consultancies; they are more or less 'lone fighters'. They work very separated.' (translated citation of interview CONSULTANCY III)

Leipzig as a business location

The economic problems of Leipzig, which were sketched above, are reflected in the answers of the interviewees. The economic environment of Leipzig lets managers and freelancers state that Leipzig is, objectively speaking, not a worthwhile location for starting a profitable firm. Only the Big-4 branch indicates to acknowledge the location of Leipzig in the centre of the three central German *Bundesländer* of Saxony-Anhalt, Saxony and Thuringia as a positive location factor for the accessibility of regional clients.

Specific hard factors are evaluated as inadequate. For example the flight connections are regarded as not competitive compared to other metropolitan regions. This indicates that the ‘hub function’ of the city region of Leipzig is lacking full functionality. For multinational corporations it is very important to be able to move quickly from one branch to the other. So, as the manager of the Big-4 branch explained, this location disadvantage impedes the settlement of multinational decision makers to the city region of Leipzig – not only in business consultancy. In addition, the road infrastructure is found fault by him. Yet one has to mention that the latter statement seems to be biased by the personal sentiment of the interviewee, and probably does not correspond to objective conditions of the infrastructure.

On the other hand, soft location factors do not seem to play a direct role for starting and keeping the business in Leipzig. Corporate historical reasons seem to have been more decisive for opening a branch in Leipzig after reunification. Rather Leipzig as a location, in its often negatively connoted Eastern German context, constrains the multinationals branch to attract young and talented personnel to the Leipzig branch. In addition he misses a university specialized on technological careers in the city of Leipzig. The neighbouring cities of Chemnitz and Dresden offer higher education in technological fields, which gives them an advantage in the manufacturing sector.

A different point of view is reflected by the small firms, who launched their business in Leipzig. A strong personal linkage between the founders and the city of Leipzig is obvious. Their perception that Leipzig is economically weak, and the business consultancy market is small, corresponds to the statements of the Big-4 branch manager. Still these founders trade off better economic standings at other locations against better Leipzig specific market knowledge and social network integration. In the case of the elder founders these networks consist of well known business as well as private acquaintances and friends. The younger founders profit from contacts from their years of study that they still keep in touch with for business as well as private reasons. For both of them hard location factors play a rather subordinated role. Their evaluation of these factors also shows a higher degree of satisfaction. This could be due to the lack of knowledge of the infrastructure mixes offered at other location, or the difference in demands in comparison to the Big-4 multinationals.

Astonishingly none of the interviewees in business consultancy mentioned directly Florida’s T of tolerance (open-mindedness of inhabitants) as an important soft location factor for settling the business to Leipzig.

Leipzig as a living place

According to the patterns shown concerning the business aspects of the city region of Leipzig, also concerning Leipzig as a location of private life a distinction can be made between the Big-4 branch manager and the local founders. The personal attentions and interests of the Big-4 manager circulate primarily around business issues. Therefore he did not indicate any appraisal of Leipzig as a living place. Rather the Big-4 business uses a high spatial mobility of its personnel in order to exchange knowledge and expertise among the single branches spread all over the world.

> *"Dort, wo das Geschäft ist, wäre auch [FIRMENNAME]. Auch wenn es hier weniger Theater und Oper gäbe, dann wären wir trotzdem hier."* (interview CONSULTANCY II, 10:33)[10]

Therefore the living and everyday atmosphere of a city appears to be of little importance to people working in global corporations. People working in the Big-4 have to change living places frequently, and tele-working is common use in these multinational companies.

By contrast the private living conditions and the business sphere are not that clearly distinguished among the group of the Leipzig founders. Their spatial perception is scaled on a more local to regional level. They regularly reflect themselves and their businesses within the city region of Leipzig context, being aware of their economic disadvantage but appreciating the nice atmosphere of the city and the social networks. Soft location factors such as cultural diversity, a feeling of freedom in the context of a city in transformation, and green spaces represent factors related to a feeling of satisfaction with the life in Leipzig. This satisfaction with living, as a pull factor, outweighs the economic difficulties, as a push factor. Leipzig as a business location, and even more for Leipzig as a place for living the social networks play a significant role for local founders.

Micro scale location

Asked for the significance of the concrete site, at which the firms located within the city region, a broad variety of reasons was given. The Big-4 branch could secure a representative location on its own in order to show its corporate historical linkage with Leipzig. The building is situated in the city centre, which had been a criterion when looking for a business location. Also the other firms are situated close to the city centre, on sites within the inner city fringes. The founders demonstrated a high degree of indifference concerning their micro scale location within Leipzig city. The city is still small enough to let quarter-specific locations be less important. In addition small start-ups are not yet fixed to a certain location, as their organisational structure is not yet stable. New office space demand lets them change their locations within the city. Another important fact for small start-ups is the price level of the office rent. As the interviewed managers and freelancers produce a knowledge product, which

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[10] 'Where there is business, there would be our corporation. Even if there would be less theatres or opera, we would be operating here.' (translated citation of interview CONSULTANCY II)

is often carried out at the clients location, business consultancies do not necessarily install own office infrastructure from the beginning of their business activities. While one of the interviewees outside the city of Leipzig runs a small bureau in his home, another rented a work station in a shared office. These spatial types of organisation seem to have as well temporary as premature character, it seems somehow to be not professional. But it could be argued, that up to a certain size of the company distinct office space is not necessary for producing and offering the service ‘business consultancy’.

Since business-related locational behaviour did not seem relevant for the sector, the deduced question could interrogate for the private settling patterns. The statements of the interviewees – excluding the manager of the Big-4 – do not show any significant preference for a special quarter within Leipzig. It could be supposed that in the knowledge intensive sector of business consultancy the proximity to cultural and subcultural hotspots within the city are not the most important criteria. Rather the locations only show a similarity concerning the building structure of the residential zones –the young professionals mostly live in the *Gründerzeit* quarters in the inner city fringes, while the elder founders live in suburban one-family houses. The private location decision seems to be related rather to biographical circumstances than to soft location factors (such as nightlife and culture facilities).

Public funding and economic policies

For public intervention in regional economic development, especially in the field of start up promotion, an evaluation is quite useful in order to improve programmes and allocation of resources. Therefore the interviewees were asked for their use of public support for installing their businesses. The Big-4 branch profited from indirect support, using depreciation on taxes for building the office space, other direct incentives were not mentioned. Only one of the founders indicated to have profited from a start-up support. In general public support by direct and indirect programmes seems to be unimportant for the business consultant. They show high competencies in business administration and therefore know better than start-ups in other sectors how to calculate.

Nonetheless it could be stated, that business consultants in the city region of Leipzig discovered the public sector as a market, which subsidizes for the weak private market in the city region of Leipzig. It could be argued that small consultants as well as the Big-4 branch use these public sector clients to survive in the Leipzig context.

When it comes to ideas for improving public policy, Leipzig consultants indicate that the cutting down of financial resources within existing policy programmes is the biggest threat to their success. Additionally the amount of different existing programmes on different scales (City of Leipzig, Saxony, Federal Government of Germany, etc.) is not clearly arranged. Finding a fitting programme on the own business model is related to high costs (programme research, application, etc.).

Not only the improvement of direct promotion tools of the local and regional government is regarded as important for local economic development by the Leipzig-based consultancies, but also indirect measures are regarded as potential field of activity for political actors. The business surroundings and institutional settings should also be focussed on. As the consultants are aware of why the economic situation is comparably difficult in Leipzig, they evaluate measures to increase the general economic climate as useful – though they are not proposing specific instruments. Rather the interviewees' statements highlight certain parts of the whole economy as important fields of public intervention and promotion.

> *"Die Ansiedlungspolitik für die großen Unternehmen ist nicht schlecht, aber sie können für die Mittelstandsunternehmen und die kleinen (…) noch wesentlich mehr tun."* (interview CONSULTANCY III, 16:50)[11]

This statement from one of the small Leipzig-based consultancy start-ups indicates what could be helpful to generate endogenous and slow economic growth, apart from the 'big-player' policies. The small consultancies' pool of clients in the city region of Leipzig, as described earlier, is constituted by small and medium sized local enterprises. So promoting them, instead of focussing on settling branches of big multinationals, probably could generate synergetic effects for the creative knowledge industries, especially the consultancy sector.

4.1.5 Firm prospects in the city region of Leipzig

The economic situation is described as difficult in the city region of Leipzig. However none of the interviewed companies or freelancers tends to relocate their business to other, more prosperous and central regions in Germany. The Big-4 branch, on the one hand, is not deciding autonomously about the future of the Leipzig branch. On the other hand the corporation will stick to this location, after strong commitment into a representative building on a historically important site for the corporation within the city, even if this branch is economically not very profitable.

The Leipzig founders have different motivations to stay in Leipzig than the big multinational firms. As mentioned above, the interviewees show a strong personal connection to the city of Leipzig. This is their home. They do not intend to leave this region to profit from better economic conditions in other regions. All of them show a strong will to try to develop their businesses in Leipzig. Even if the development will last, and failure or stagnation are calculated with, the Leipzig founders want to stay close to old friends and family and within their small-scale cultural background, which facilitates them doing consultancy in an economically challenging atmosphere. According to Glückler consultancy is a 'people business' (see Glückler, 2005). This means the service of consulting is as well related to interpersonal trust and reputation as to personal competency and expertise. This person specificity of consultancy quality makes it easy to raise the amount of contracts and projects handled in a company. Therefore the Leipzig founders' growth prospects are restrained. This also means, if they want to grow, then it is concerning the amount of projects and turnover, sometimes also the degree of publicity. But none of the founders indicated to be expecting to hire new people. Even if the consultancy market in the city region of Leipzig would grow

[11] 'The settlement policy for big corporations is not bad, but they could do much more for the small and medium sized enterprises.' (translated citation of interview CONSULTANCY III)

faster than other economic sectors, a strong employment effect will not be expected from this sector of knowledge intensive industries.

4.2 Motion picture, video, radio and television activities

In the sub-segment 'TV and film' of the branch of the media industry in Leipzig six establishments were interviewed. Unfortunately the Top Player of the branch – the MDR (Middle German Television and Broadcasting Service) – was not willing to join the survey.

Following our definition of big establishments, which have to have at least five regular employees, only one of the interviewed firms can be labelled as a big establishment with 25 permanent employees. Another two establishments engage two and four regular employees. By definition they fall in the category "small firms" although they are ones of the bigger players on the market because of possessing a relative big permanent staff of freelancers. One of the interviewed firms consists of two directors, but does not have any regular employees. The remaining two asked establishments are single freelancers.

4.2.1 Business models (activities, markets, clients)

Except for one single freelancer, who indeed is as a cameraman integrated in the production process itself, but cannot be labelled as a real producer, the remaining interviewed establishments operate as production firms of televised reports and series, films, and commercials as well as image-films for regional industry firms. Two firms primarily produce for the MDR or the ARD. One of these establishments can be qualified as a so called 'allrounder'. It possesses its own studio, which is not common for production firms in Leipzig except of the MDR, and an online-office. It offers the development of ideas and concepts, the production and postproduction, and the casting. As we have seen, it is more usual in the media branch of Leipzig to give subcontracts to other firms because of missing capacities or technological infrastructure. The three other establishments produce documentaries and own projects or operate by order of private TV-Channels and production firms. It is noticeable that the establishments, especially the bigger ones[12], which operate with a lot of freelancers, are tending to finance themselves, besides their production activities, by offering other services.

As the survey showed the firms of the branch are divided into two factions. One is organised around the MDR as the Top Player of the region, the other one operates independently. Two of the interviewed establishments are clearly allocated to the faction around the MDR. Obviously these firms were established as subsidiaries of existing firms, located in other media cities in Germany. Following Bathelt, who classified six types of start-up firms in the media industry in Leipzig, these firms can be identified as type 5: MDR-related establishments (see Bathelt, 2002). They were founded in 1998 and 2000. Their decision to start-up in Leipzig is clearly related to the MDR and the connected facility 'Media City Leipzig'. Hence the offices of the two production firms are located in the Media City. Their concern consisted in profiting from the development of the MDR. In this context they referred

[12] Here we do not refer to our ACRE sample definition, rather in their relevance for the local branch.

also to big establishments of the national wide media branch, which primarily operate in other important locations of the branch, founding subsidiary companies in Leipzig in order to cash in on the progress of the MDR and its associated regional media branch.

The remaining interview partners, small firms and freelancers, are barely or not at all directed to the MDR and constitute the second – MDR independent – faction. They operate by order of private TV-Channels or produce and sell own ideas/products. This group is especially characterised by a recognisable openness and flexibility, because of not having developed too strong ties so far to the established MDR. Two firms of that group, established in 2004 and 2005, can be defined as „university spin-offs" (see Bathelt, 2002). Originally, the founders went to Leipzig in order to study, so – concerning the start-up – it was an indirect choice of location. One single freelancer intentionally decided to start-up in Leipzig in 2001 because of the already existing media branch and the gained insight during his professional education. These last three mentioned firms made their decision of founding a company by themselves in order to realise own ideas, to enjoy the liberty of autonomy, to take part in the still not completed post-1989 development of Leipzig and because of their assumption that it was not too difficult to get into the market in Leipzig. One player of the media branch settled in Leipzig in 1995 in order to broadcast as a private regional TV-Channel. It sees itself as an antagonist to the MDR. In opposition to the other interviewees – MDR-related as well as the autonomously operating ones – the duties of this establishment are directly linked to Leipzig, hence there is a local connection. A removal of this TV-Channel to other media branch locations is not imaginable.

As seen, all of the interviewed establishments are quite young. This fact is linked to the reunification and the, thereafter, initiated development of the media branch in Leipzig. The settlement of the MDR seems to be the catalyst of the development of the media branch in Leipzig. Even though the market in Leipzig is divided into two factions, the opposed group probably would not exist without the MDR. That means that the MDR not only generated a market around itself, but also a second independent one.

Nonetheless the divided market is not permeable. The faction around the MDR is established and seems to have strong ties, which makes it hard for newcomers or already established firms of the opposed group to get into this faction. On the other hand the MDR-related firms do not appear to be interested to operate in the MDR-opposed faction. They primarily focus on the activities of the MDR and the ARD. When they operate for other German private TV-Channels they seem to act without connections to the opposed faction. To sum up, normally the two existing factions of the media branch in Leipzig do not work together. However one of the interviewed freelancers seems to operate at the interface between the MDR-related group and the opposed one. Since his costumers are subcontractors of the MDR or of private TV-Channels, he cannot be clearly classified to only one of the factions. It can be supposed that there are more small firms and single freelancers in the branch operating at the interface between the factions, especially the ones who offer highly specialised services to the production firms and in consequence are affiliated to different projects.

The TV and film market in Leipzig appears to be not that stable. There seems to be a great fluctuation.

„… das ist ein Kommen und Gehen." (interview MEDIA I, 23:40).[13]

Just a few firms succeed in the business and keep going. The production firms – big and small ones – and freelancers often tend to ensure their businesses by broadening their "normal" production services, e.g. by renting techniques or airtime, offering internet services, providing other media firms with moving images (e. g. local events, concerts), operating by order of private individuals (e. g. shootings of marriages and other private events) and operating programs and the appropriate techniques. But all this secondary services remain related to the production activity. The actors did not mention this explicitly, but it seems to be reasonable, that the market does not convey a feeling of security. Possibly this insecurity causes creativity, innovation and flexibility. Another interpretation of the existing secondary businesses implies that the market is too small to provide all the firms continuously with jobs. So the actors have to broaden their services to make money.

The TV and film market in Leipzig is more or less a regional one. It covers primarily Saxony and secondarily Saxony-Anhalt and Thuringia, which is equivalent to the area in which the MDR operates. The customers of the interviewed firms normally are located in the city region of Leipzig. The companies operate by order of other local production firms besides the MDR. Also they offer their services to local and regional manufacturing companies (producing image films and commercials), a local newspaper and regional radio stations. In this context the spatial proximity to the customer is very important as the actors mentioned. Thus Leipzig is an ideal starting point, because of its central position within Central Germany. There are also orders of German private TV-Channels which are located in other media cities. Here the spatial proximity to the customer is not that important. It is more a matter of the proximity to the film locations. One actor of the MDR-related group with offices in other media cities explained, that in each case those offices will do the job which are the nearest to the film location. Nevertheless the Leipzig market does not seem to gain shares of the national media market.

As the interviews show, most of them are acting as small businesses or single freelancers, who operate for different production firms and other freelancers. The company's internal structure strongly depends on the size of the establishments. One MDR-related establishment mentioned that its organisation structure is extremely orientated towards the MDR, thus they have a studio in Thuringia besides their office in Leipzig and cooperate with schools in Saxony-Anhalt. The four regular employees and 15 constantly engaged freelancers are assisted by other freelancers, if required. Thus there is no fixed number of employees. The mentioned freelancers come from Leipzig, Halle, Dresden and Berlin. This establishment also employs a specific number of apprentices, who will be staying in the company after apprenticeship. The interviewed person declared that they have an expenditure related to the apprenticeship, but in return they barely have costs concerning the recruitment of qualified employees. Additionally they work with trainees, who come from the University of Leipzig or other colleges in the region. Surprisingly the establishment does not profit by the knowledge of the students/graduates, as the interviewee claimed. The other establishment of this faction

[13] '... there is a coming and going.' (translated citation of interview MEDIA I).

defines itself just as subsidiary, which is responsible for the organisation and performance of film shootings in the nearer region of Leipzig. Therefore they only have two regular employees (only one is fixed in Leipzig, the other one often works in the linked offices), and call for the personnel of the linked offices when needed (e. g. producers) or engage freelancers directly at the film location. They neither educate apprentices nor are interested in the offers of apprenticeship training positions. As the interviewee stated there are enough professionals in the surrounding of the MDR, who can be engaged when required.

The big company in the MDR-opposed faction (25 regular employees) hires a staff of 50 constantly engaged freelancers. It is hierarchically structured, with an executive director at the top. It additionally engages ten trainees. The interviewee expressed that there is no effort or expenditure to recruit employees, because the individuals approach the company by themselves. The establishment profits from the existing pool of students, apprentices and graduates and frequently makes use of it. The interviewed one-person-business engages other freelancers if required. The other two firms are too small to engage people, but expect further employment if their businesses would grow.

Surprisingly none of the interviewees stated or implied any brain drain or any lack of specialised workforce. This may be linked to the university and other colleges or apprenticeship positions, and the already existing pool of practicing professionals.

In general a trend arises in the branch to engage more and more freelancers instead of employing regular personnel, as some actors mentioned. Permanent employment does not seem to make sense because of the strongly variable sales situation. To deal with big projects requires a lot of personnel, but between the big productions there is not enough work to justify a big staff of regular employees. Therefore four interviewed companies operate regularly with freelancers. The number increases by the extension of the projects. Reduced costs might play the central role for these practices.

On the other hand there is a general emergence of an increasing specialisation and division of labour in terms of cooperation, which seems to lower the perceived competition between the several actors. A process of niche formation can be registered. There are firms and freelancers, who only post-produce or only produce single production steps, there are casting agencies and rentals of technical equipment. They function as subcontractors and suppliers of specific services. It does not seem to be profitable for the firms to do everything on their own. The effort is too high and the required techniques are too expensive. Therefore the interviewed 'allrounder' can be marked as an exception. Even the broadcasting stations tend to outsource the complete production process to other firms while, due to financial reasons, concentrating on broadcasting.

Hence salient features of TV and film market in Leipzig are the great willingness to cooperate, the very flexible working structures, and the mobility of the workers. Regular employees might have to work overtime and at weekends during the process of productions while there might be more leisure between the several productions. Furthermore they have to seek out the customers in order to arrange and coordinate the productions. In this context spatial proximity is advantageous. One MDR-related actor expressed, that he appreciates the Media City because of having all necessary firms in one facility. Although a lot of communication, like first contracts, can be done by telephone or email, it seems as if – concerning the important issues – the actors prefer to communicate face-to-face, because it facilitates agreement and avoids misunderstanding. Freelancers, per se, have to act flexibly and to be mobile. They have to arrange with the several projects concerning working time and mobility.

Especially smaller firms and freelancers have to collaborate in order to enlarge their capacity and to deal with bigger projects. The form of the cooperation and the shape of the network depend on the affiliation to the different factions and of the size of the establishments.

4.2.2 Networks

The MDR-related establishments prefer to cooperate with firms of their own faction. That means first of all firms which are located in the MDR-related Media City. From this perspective the concept of the Media City, as a host facility for a Leipzig based, networked media sector, seems to work. The existing networks are more or less formal. The structures here are established and tied, the hierarchies are clear. Informal networks appear to be redundant for the two interviewed establishments of this faction. One interviewee stated that the firms, who are located in the Media City, line themselves up in a way they are needed. Here it becomes obvious how strong ties possibly confine market structures and hence innovation processes as well. Of course it seems to be reasonable to conform to the conditions, but in this context it might restrict innovation and openness. Normally, the bigger establishments secure the lucrative projects and give subtasks to the smaller ones. In this case the cooperating firms do not act as competitors, but simply function as suppliers of executive services. The responsibility and authority rests on the contractor. Within the MDR-related faction the hierarchies are clear: from the very top the MDR contracts big firms, which then subcontract small suppliers at the basis, which compete with each other. In summary the faction around the MDR appears considerably institutionalised and characterised by formal competition. Even though one actor mentioned that the feeling of rivalry becomes smaller when the firms accomplish a good cooperation.

> *„Man geht nett miteinander um. ...Wenn man sich helfen kann und das auch funktioniert, dann ist die Konkurrenz wieder kleiner.“* (interview MEDIA II, 23:20).[14]

To sustain their position in the market the establishments count on the established structures.

That is different in the MDR-opposed faction. Here the structures still seem to be flexible and open. The hierarchy is flat. There exist formal networks concerning cooperation with the University of Leipzig and academies, as one interviewee stated, and cooperation with other firms of the branch. Even though there might be hierarchies in this cooperation, because of the responsibility for the projects, in practice the actors seem to have an equitable relation towards each other. Projects often appear to be done by team work. Either the concepts are

[14] ‘There is a good treatment among each other. … If you can help each other and it really works, the rivalry becomes less.’ (translated citation of interview MEDIA II).

developed by all participants or formal suppliers can bring in own proposals and ideas in the creative process. The actors did not mention it explicitly, but it can be supposed that there is no payment for contributed ideas. In fact it seems to be an unwritten law, that bringing in ideas is not a matter of payment but of interest in the project or act of friendship. Possibly, this 'norm' results from the relevance of informal networks and private social relations. Maybe because of knowing each other often not only in business relations (there hardly is a separation between business and private life). Being aware of how important it is to build social relations and to care for it, the actors do not seem to aim at a fixed formal hierarchy and determined practices. Inter-personal relations and flexibility appear to have more relevance than in the institutionalised MDR-related fraction. However some relations between the actors are closer than other ones and there is the supposition that these close relations might lead to strong ties and institutionalisation. But at present there are just loose ties. The firms have to act flexibly and often have to incur financial risks (payment in advance without any stipulation). Furthermore it is important to take care for existing informal contacts and for broadening them. Especially the actors of the MDR-opposed faction mentioned that informal as well as formal networks are very crucial for their business: word-of-mouth recommendations are experienced as essential.

> *„Ganz wichtig ist es, Leute zu kennen, woher auch immer.“* (interview MEDIA III, 1:00).[15]

Those personal contacts involve less competition but cooperation and the principle 'one hand washes the other'. At this the manageable size of the city of Leipzig in comparison to other media cities like Berlin plays a decisive role. But as one actor argued, it is not only an advantage if people of the branch know each other personally, it could also produce problems. If establishments blunder, soon everybody will know and it might cause a decrease in the amount of jobs offered in the future.

In the TV and film market of Leipzig knowledge is generated by formal and informal networks. Networks function as sources of knowledge. Besides professional training courses and professional journals the actors use virtual networks like internet forums to acquire new skills. Especially the web forums of industry firms, which produce techniques, are helpful to the actors of the branch: latest technological products and problems are discussed and support is provided. Also in informal and formal personal networks information about efficient problem solving and approaches circulates. There is the supposition that this support is performed in the MDR-opposed group, because of less sensed competition and the existing type of relations.

4.2.3 Location aspects

As already mentioned the interviewed establishments stated different reasons concerning their decision to settle in Leipzig. All actors expressed that they experience Leipzig more or less as a media city. While big establishments tend to dispute the label 'media city' for Leipzig and

[15] 'It is essential to know people, wherever from.' (translated citation of interview MEDIA III).

state, that Leipzig is not relevant for the national media branch, smaller firms and freelancers clearly define Leipzig as a media city. This difference could be linked to different criterions.

Big establishments may compare themselves to other big establishments and media locations. Hence they see Leipzig as less important and as too small. In fact, Leipzig's media branch is not as big as those in Munich or Berlin. Smaller firms, and single freelancers, evaluate Leipzig's media branch and its relevance favourably. Obviously they think in a more local and regional context than the bigger MDR-related players, who might be orientated towards national or international contexts. The difference concerning the criterions affects the perception and the estimation of Leipzig as a media city. Furthermore there is the supposition that smaller firms and freelancers are content with less regarding the branch, because they also appreciate the city as a good place to live. It seems that there is not a distinctive interest in developing Leipzig into a top player of the German media branch.

For MDR-related firms the MDR is definitely a location factor, while soft factors like quality of living and leisure time facilities are seen as comfortable appendages. In addition one actor mentioned that the attractiveness of the city is helpful to keep employees at the location. The creative milieu of the city appears to be less relevant to them as supposed; it is just appreciated when the firms recruit employees. By contrast the non-MDR-related actors of the opposed group make a point of the openness of the people in Leipzig, the creative milieu, and the cultural living, shortly: its flair.

> *„[Ich schätze] das Lebensgefühl hier ... die Gesamtheit der Menschen ..., was die auf mich ausstrahlen ... die architektonische Gestaltung der Stadt ... das Kulturangebot finde ich einfach toll ... der absolute Vorteil ist, dass man ... jeden Punkt zu Fuß oder mit dem Fahrrad erreichen kann"* (interview MEDIA III, 8:20).[16]

They esteem Leipzig because of low living costs, its manageable size and some kind of liberty, because there is still the possibility to develop oneself.

> *„ ... hier ist noch vieles am Wachsen, am Werden, also hier ist es noch nicht so wie in Köln."* (interview MEDIA VI, 9:40)[17]

Free producers cherish the relatively strong short film scene and DOK-Leipzig (documentary festival) as a platform, which leads to networking and getting together. The MDR, for them, is only of secondary importance. It is only indirectly relevant as the first catalyst for the development of the media branch of Leipzig. Furthermore all interviewees appreciate the central location of Leipzig, its good transport links, and its cultural and industrial hinterland, which prevents long travels for good sceneries and shooting locations.

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[16] '[I appreciate] the attitude to life here … the people …, and what they give to me … the architectural design of the city … I really like the cultural facilities … an great advantage is, that you can reach every point [in the city] within walking distance or by bicycle.' (translated citation of interview MEDIA III).

[17] '… still a lot is growing, is in the process of development, well here it is not like in Cologne.' (translated citation of interview MEDIA VI).

Both groups see the danger in the monopoly position of the MDR. The latter makes the actors operate in fixed norms. The MDR is the one, which gives rules, fixes the prises and defines possible topics. This restricts creativity and causes a great factual competition which contrasts with the perceived small competition. Hence there is a trend of wage dumping, which is intensified by the subsidiaries of big establishments of great media cities, as interviewees claimed. In this context we can speak of so called over-embeddedness. The faction of Leipzig's media firms focussing on MDR-related activities get stuck in the oligopoly structure of the MDR-faction of the regional media market.

Concerning the Media City, the establishments which are located there appreciate the spatial proximity to customers and other firms, but they experience the high rent as disadvantageous. One actor of the MDR-related group mentioned that the firm would accept longer distances to customers and cooperating firms in return for lower rent. Another actor of the opposed group argued that they decided to settle in another location of Leipzig, because of the high rent in the Media City. This establishment attracted other media firms as studios, radio stations or other production firms to their location and built up something like a counter concept to the Media City around the MDR.

In general the actors expressed that in the last few years the conditions for the branch have worsened. Indeed, there are more assignments, but they are paid less. On the one hand this is caused by the monopoly position of the MDR and on the other hand by the already satiated market (at least in the MDR-related group). One actor stated that nowadays there are too many people offering their services to the market. For example there is a glut of digital media designers, what makes the graduation from university less worthwhile. As the actor argued, people have to have strong networks to get into the market these days. The entry in the market is not as easy as some years ago. Furthermore, nowadays, it is indispensable to operate on a high level of quality concerning the handling of technical and practical knowledge. There is no time left for trial and error.

4.2.4 Public support

The interviewees also were asked whether they used any public promotion. Only two benefited from it; one by money of the German employment office, the other one by a promotional bank. The remaining businesses financed their start-up by themselves. Concerning projects, one actor used an EU support program; another one considers looking for private sponsors to be more successful and less time-consuming. In general public promotion is experienced as too complicated and bureaucratic. One actor even complained that it seems to be indispensable to have own in-house departments, which are only engaged with applying for public funding.

The actors mentioned that from the political side there are not enough impulses for the branch. Hereby the actors do not mainly refer to financial promotion but to indirect support. No practical success of the development objective 'media cluster' of the City of Leipzig is noticed by the interviewed establishments. Instead the actors have their own proposals what could be helpful. There is the idea to settle a big private TV-channel in order to encourage a new development in addition to the MDR. It was recommended to establish an information centre, where founders of a new business may receive all required information, how to start-up a business. Such a central contact point is needed, where entrepreneurs can enquire about promotion possibilities. A communal pool of the firms of the media branch, build by the City of Leipzig, is also regarded as desirable. There firms could communicate and possibly contact establishments of the industry. Finally one independent producer proposed to establish a big culture foundation and a competition in order to attract young entrepreneurs.

But nevertheless all interviewed establishments and freelancers want to stay in Leipzig because of feeling home or having built up a well working network. They aspire to enlarge their businesses without new regular employees but freelancers. One freelancer is thinking about founding a so-called *GbR* (particular legal form of company) together with other freelancers, because it makes it easier to market products to customers. In summary the interviewees see their future and their development in Leipzig.

4.2.5 Conclusions 'Old' media

As seen the TV and film market in Leipzig is characterised by specialisation, flexible work structures and the trend to engage more and more freelancers. There are more small companies than bigger ones. The market is spanned into two groups, which barely interact.

Especially the MDR-opposed faction is characterised by small firms and single freelancers, which cooperate a lot and develop informal networks, while the MDR-related faction is characterised by formal networks. In general networks have a very relevance for the actors. Especially concerning start-ups they are essential. The MDR-related faction shows a relatively strong hierarchy and strong ties. It is more or less institutionalised and could be seen as partly over-embedded. By contrast the opposed group is characterised by loose, informal ties, flexibility and willingness to cooperate. There is barely a separation of business and private life.

The media branch is a regional one, which is not paid much attention to by bigger media branches of other cities. In its representation outside the region it seems that the media branch in Leipzig – although divided into two groups – is reduced on the MDR. In general the regional market is experienced as small, faltering and saturated.

The city of Leipzig is appreciated as a local media location, for its central location and its good transport connections. Besides this, the flair of the city, its culture and creative milieu, the low living costs and the liberty to work independently are very important to the actors of the MDR-opposed group. Those soft location factors hardly carry weight to the actors of the MDR-related faction. They primarily are focussed on the MDR as location factor. In general the creative milieu is not that fundamental for them as supposed, but nevertheless the actors appreciate the creative potential of the city.

The monopoly position of the MDR is seen as disadvantageous, because of its determining effects. In general the actors experience a decline within the branch. The products are less paid, the access into the market becomes more difficult, and too many people offer their products and services (the last statement primarily concerns the MDR-related group). A significant brain drain cannot be confirmed.

In summary the expectations of Leipzig as the ‚boomtown' of East Germany have only been partially fulfilled. It is obvious, that they were too high and inappropriate in regard to the circumstances of Leipzig and its region. It became obvious that the market is characterized by a structural blockade. There is barely any interaction between established firms around the MDR and new independent firms. The separation into two acting groups avoids the development of the whole branch. The actors operate with different criterions concerning the relevance of Leipzig as a media location and its desired development. More crucial is the fact that the Top Player MDR, although once having functioned as a catalyst for the branch, actually can be seen as an obstacle for the development of the media sector of Leipzig.

4.3 Computer games and electronic publishing

The research for the branch games- and software industry has showed that there are several big firms of the software branch in Leipzig like PC Ware or LinTec. But the games industry is not relevant at all in the city region of Leipzig. This was one of the reasons why the ACRE-Team Leipzig added the E-Publishing segment to the games- and software industry. The firms which were included in the research focus on different economic fields. Apart from the E-Publishing with research on certain themes, writing articles and dossiers and online publications, they include the development of software, the production of advertising media like online games and online advertisement; others develop corporate websites for products or firms. Others focus on the development of computer games or the development of games for mobiles or mobile software.

The lack of games developer in the city region of Leipzig seems paradox because at the beginning of the millennium, the Leipzig fair was selected to host the Games Convention (GC) – Leipzig came out on top against Frankfurt, Munich and Cologne. The BIU[18] which represents the twelve most important firms of the branch, in the late 1990s invented the concept for a European convention to be held in Germany. So the decision to give Leipzig the chance to host the GC was obviously a political decision of the global industry. The relative moderate costs for exhibition at the fair might have been one major argument.

The GC helped the city region of Leipzig to make a name for the branch. Now, after the expiration of the sixth-year contract, the BIU decided to move on to Cologne – the city of Cologne wants to continue the successful story of the GC under the name Gamescom (see Raabe, 2008, p.14). The BIU mentioned the following reasons for changing the site of the GC: stagnating number of guests, missing capacities in hotels, especially in the luxury segment and a relative poor international traffic connection. In addition there are plans to transfer the date of the GC into September to reach more guests from southern Europe. That means on the other hand that the Gamescom will not be held during the summer vacation and has to gain more one-day guests. The federal state of North Rhine-Westphalia, where Cologne is located, is one of the most populated areas in Europe; therefore it will be much easier to gain many one-day guests in the region than in Leipzig (see Raabe, 2008, p.14).

[18] German Industrial Federation of Games Producers (Bundesverband Interaktive Unterhaltungssoftware).

The GC as a protected brand will stay in Leipzig, the concept of the GC will be overtaken by the Gamescom in Cologne. Leipzig wants to develop a new concept for the brand GC. But there could be one problem: the missing support of the BIU might lead to the absence of major exhibitors, which bring the biggest turnover for the GC – more than the entry fees do (see Raabe, 2008, p.15).

The leaving of the GC is evaluated differently in the city region of Leipzig: For the restaurant and hotel trade the absence of the GC will mean losses of millions of Euros annually (see Raabe, 2008, p.14). For the branch itself the situation is different. In the city region of Leipzig the branch is typically organized in small companies with between one and five employees. For them the GC has never been attractive because the exhibition costs were too high. In addition the GC didn’t function as a platform which led to business contacts or contract conclusions. The research on the branch in the city region of Leipzig also led to opinions of managers who understand the leaving of the GC, although they aren’t happy about the loss of the GC:

> *„Ich kann es auch verstehen, dass sie [GC] nach Köln gegangen ist, weil da die Rahmenbedingungen besser sind.“* (interview NEW MEDIA III, ca. 25:28.)[19].

Like already mentioned the firms of the branch are mostly located in Leipzig. Even though the branch is rather independent of its location it relies on modern IT-structure. The standards in urban regions are in most cases more up to date. Additionally the infrastructure of a city is important for the branch to reach the customers. Both conditions are given in the city of Leipzig, more than in the surrounding districts/ suburban region of Leipzig. This is the reason why the city of Leipzig is seen as a gate to the western part of Germany, because the majority of the customers for the researched branch are located there. While analysing the interviews it became clear that all interviewees have settled there business in the city of Leipzig due to their personal and familiar connection to the city; although this might mean disadvantages for takeover, networking or linking up with customers on the spot.

Different networks, festivals and fairs of the software- and games industry have been established in the city of Leipzig. Among others one can find the *Leipziger Informatik Verbund* (LIV). This federation co-hosts the *Leipziger Informatik-Tage* (LIT), which represents a conference of the entire IT sector in Leipzig, a regular meeting for games developers and the Games Network LE. Formal and informal networks are very important for the members of the branch, above all the informal ones. Especially in the phase of establishing a business they are important for acquiring customers and jobs. Even if the firms are more established and successful they still use their informal network contacts. Formal networks, like mentioned, do exist and are partially used by the managers but the expectations on these contacts are higher and often lead to disappointment when there is no tangible outcome. Additionally the stabilisation of business contacts within formal networks in many cases is difficult because different competitors of one branch come together.

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[19] „On the other side I can understand the leaving of the GC to Cologne because there the general conditions are better.” (translated citation of interview NEW MEDIA III).

The organisation structure of the software- and games industry has experienced great changes within the last few years. On the one hand the distribution of products via the internet becomes more important. At the same time the significance of local agglomerations, like the Silicon Valley, lost importance. With the stabilisation of the web 2.0 there has been taken place a 'democratisation' of the web. Today almost everybody can participate in the development of games and software – with a fast access to the internet one has basically unlimited access to the tools which are necessary for creating software.

On the other hand the structures within the games industry have experienced a change: the formal trade structure between games development, publishing and distribution has been substituted by a specialised and small structure. Today single elements like the development of music for games or the process of finding new creative ideas are outsourced and shared between different participants. That means that especially small companies have to find a niche in the market to survive economically – on of the interviewed firms for example is specialised in developing downloads for the US-market.

Because the branch is quite independent from its location, the access to the market for the protagonists is in Leipzig the same as for the competitors in the cities of West-Germany like Hamburg or Frankfurt on the Main. Even if the customers are not located in Leipzig, business contacts can be realised through the internet. The city of Leipzig benefits from the expansion and modernisation of the IT-structure by the Telekom.

Most of the customers of the branch in Leipzig are situated on the national or the international level. At the same time gaining new customers is not that difficult for the protagonists in Leipzig because in many cases they find them with the help of informal networks or research in the internet.

The aspect of finding new employees and the level of education is quite positive for the city of Leipzig. The firms state that in general it's quite easy to find employees in Leipzig who are trained well and sufficient. For the branch a degree is as important as the technical know-how. At the Leipzig University of Applied Sciences (HTWK) the human resource managers of the software and games industry can find potential employees. In many cases they have been studying at the institution themselves and still have loose and informal contacts. In some cases they are working as part-time lecturers at the HTWK and bring new knowledge to the institution.

As a conclusion one can state that the software- and games industry in the city region of Leipzig benefits from the fact that the branch functions relatively independent of its location. Local agglomerations lose significance. At the same time the availability of modern IT-technology gets more important than ever. In this case the city of Leipzig offers good conditions for the software- and games industry. Even though Leipzig will not host the GC anymore the city gained importance and attention within the branch on a national and an international level. Now it is up to the protagonists of the branch to use their chance and develop a new concept for the brand GC; at the end they might establish a new hotspot in Saxony with the brand GC. In the long term this might lead to the localisation of games developer in the city region of Leipzig; and this might stop the brain-drain of the branch. First steps have been made – the city, protagonists of the branch and the HTWK have formed a

Games Master Class. The city of Leipzig benefits from the commitment of some protagonists of the branch. Only the protagonists themselves can initiate changes and improvements for the branch in Leipzig. In a second step they might be supported by the city and the political institutions.

But all these positive aspects cannot deny the problems of the software and games branch in the city region of Leipzig. Due to the transformation processes after 1989 the branch was established late here when in the western part of Germany the structures of the branch where already quite well developed.

For analysing the software- and games industry, six companies were selected. All six are located in the city of Leipzig. In the surrounding districts the ACRE-team Leipzig was not able to find companies which fit into the branch. For the city of Leipzig the problem of finding companies was similar; the ACRE-team Leipzig expanded the branch by the segment e-publishing because the team could not identify a single game developer.

4.3.1 Business activities (customers, markets)

The first category refers to the general business activities and includes customers and markets. The corresponding questions were asked to see whether the branch is organised hierarchically or flat; whether the markets are very divided or not and to see how the structure of the businesses look liken - are there mostly small companies with maximum five employees or are the companies bigger organised.

The results show that the business activities in the e-publishing segment include the research and writing of articles and dossiers and the online publishing. The examined company focuses on the city of Leipzig and wants to pick up relevant local themes and present them suitably for their customers. The target group is not limited to a certain age.

The companies of the software- and games industry are quite heterogeneous: One can differentiate between two general organisation forms – either the companies develop their own products and seek for customers themselves. Or they gain jobs from customers and realise them, sometimes with the help of other protagonists who are specialised technically on certain aspects of a product for example. In this case informal networks play a major role in finding and forwarding jobs.

The examined software- and games companies have different specialisations: these include the development of software, the production of advertising media like online games and online advertisement; the development of corporate websites for products or firms. Others develop computer games or games for mobiles or mobile software. One firm is specialised in flash; others realise campaigns for companies and print communication.

The aspect of the customers showed for the e-publishing and the software- and games industry different results. The firm of the e-publishing has got its focus on the city of Leipzig, therefore approximately 80 per cent of their customers are located in the city region of Leipzig, and approximately 20 per cent are non-local customers. This can be traced by the domains used by the customers. For the software- and games industry the analysis has showed that the more established and successful a company is the more likely is that they have almost only non-local customers.

> *„…ja da würde ich sagen 90 % [der Kunden sind nicht-regional angesiedelt]…“* (interview NEW MEDIA II, 9:13)[20].

Only one interviewed firm has several local customers. The reason could be the development of advertising material like posters and flyers which need to be touched by the customers to examine them – in this case the general independency of the branch does not function.

In general there are not many customers in the city region of Leipzig and even if there are, the volume of a job or an order is not big enough for the companies. The customers are either located on the national level, over all in the big cities like Munich, Frankfurt or Hamburg; or on the international level in Austria, Switzerland, Denmark, Bahrain or USA.

To conclude, the interviews showed that the branch is organised in a flat hierarchy in Leipzig. There aren't any top players which would push the small firms, although companies like PC Ware or LinTec are located in Leipzig. But they serve another segment than the examined firms. The e-publishing and software- and games companies are mainly organised in small companies and have between one and five employees and several free lancers.

4.3.2 Employees and education

The second category refers to the employees and the aspect of education. The focus lays on the recruitment of potential employees – where do the managers look for new employees, what they expect from them, how high are the financial costs for the recruitment and how much time do the managers have to spend for searching. Is there a lack of well educated employees, how many employees do the companies have and how are they organised, how about the mobility of the employees within the labour market and geographically.

The e-publishing firm looks for employees who have a journalistic degree and who can work independently and are dedicated. They prefer employees who have already made different labour experiences and do not have a typical straight journalistic biography because they would not fit into the profile of the firm. At the moment the company consists of nine free lancers – if the financial situation is good some of the free lancers could become employees. The costs for the recruitment of potential employees is quite low for the company because there is only one competitor in the city of Leipzig which means that they are considered quite often by students or graduates for working possibilities, so that they can choose between several candidates.

The firms of the software- and games industry look for employees who have a degree with a focus on IT. But the managers state that a lot of the universities, polytechnics and private schools do not work with modern IT-programmes and tools and the practical experience is not

[20] '…yes I would say 90 per cent [of the customers are non-local]…' (translated citation of interview NEW MEDIA II).

extended enough. Therefore potential employees need to show initiative and qualify themselves; additionally the managers are looking for creative and independently working employees. The interviewed firms employ between one and five people; in many cases the managers can draw on several free lancers if necessary. This structure allows the companies to keep their fix costs low and realise more jobs. The costs for the recruitment of employees are also relative low because of the good education situation for the software- and games industry in Leipzig. The chances for the companies to find talented employees are good. In many cases the managers have informal contacts to the universities and polytechnics because they have been studying there or they are working part-time as lecturers – this means that they have good access to potential employees.

Sometimes the managers also use online networks for recruiting employees to keep the costs low. Only when looking for employees with special knowledge like flash, the time spent on finding suitable people takes quite long due to the lack of education within this segment in Leipzig. In general many people are educated in Leipzig for the examined branch, but in some cases the level of education does not correspond to the expectations of the companies. Especially private media design schools lack a certain standard as mentioned by the managers.

Within the branch it is likely to have between one and five employees. If the companies need new employees they are using informal networks like their contacts to universities, private schools, former trainees or online networks to keep the costs for the recruitment low and rely on the level of qualification. The employees do not need to be very mobile because the branch functions independently from localisation. They only need a well established IT-infrastructure and traffic system to reach their customers who in most cases are located on the national or international level.

4.3.3 Networks

The third category refers to the aspect of networks. The results can be divided into several aspects like the general understanding of networks by the managers, how are they used and how about virtual networks, do they play a major role or not.

The analysis shows that social networks are a central category for the managers – concerning customers, jobs, recruitment of new employees, location and finding information about possible public support programmes. Especially informal social networks play a key role for the managers for developing their business successfully.

The interviewees have a comprehensive understanding of networks – they include formal as well as informal networks. Especially the informal networks are very important for the managers, like already mentioned. They use them for the recruitment of employees, co operations, and interdisciplinary projects.

> *„… und dann kommen von außen noch ganz andere Vorschläge dass (…) ein Graphiker sagt das kann man doch so oder so machen.“* (interview NEW MEDIA VI, 7:50)[21].

Additionally they are important for finding new customers, giving jobs to firms which co operate with the business, developing new ideas and testing developed products. In some cases the informal contacts go beyond the branch and are important for gaining employees for interdisciplinary projects. Informal networks are also used for making social contacts. Virtual networks are additionally used by the interviewees, for example Open BC (Xing). The internet in general is important for finding new customers, using their homepages and search machines. The use of formal networks, which are relevant for the branch, are also mentioned by the managers[22]. In general they are used less than informal ones. One reason is that the interviewees have high expectations on formal networks. They expect new jobs and customers but they are disappointed in many cases because within formal networks the organisation of competitors is high and everybody expects the same thing. And the organisation form of formal networks with stable localisation and fixed meeting times does not fit to the labour routine of the branch which is pretty independent and less fixed.

The interviews show that the managers' benefit from the size of Leipzig and the high number of graduates – it is easy for them to recruit new workers on the basis of existing informal networks.

4.3.4 Location Leipzig

The fourth category refers to the location Leipzig and its meaning for the managers of the software- and games industry and the e-publishing – referring to the economical situation of the city, the personal view on the location. One thing do all interviews have in common: the personal involvement with the city has led to the decision to establish the business in Leipzig. The e-publishing firm adds that they also saw a gap in the market for e-publishing in Leipzig. The companies of the software- and games industry benefit from the 'foot-loose' character of the branch and were quite free in choosing the location for their business.

> *„Ich hab jetzt nicht den Eindruck, dass das was wir machen so stand (…) standortabhängig ist…*“ (interview NEW MEDIA II, 61:00)[23].

But the freedom of location of the branch is only given if the location offers good access to modern IT-infrastructure and a traffic system for reaching the non-local customers –Leipzig is offering them. The mentioned aspects might explain the lack of companies of the software and games industry in Leipzig. There the conditions are not as good as in the city of Leipzig.

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[21] '…and then there are absolutely new aspects coming from outside; a media designer has different ideas and says we could do it like that.' (translated citation of interview NEW MEDIA VI).

[22] OMD (Online Marketing Duesseldorf – Europe's leading congress fair for digital marketing, Kundenmanager.de (annual meeting in the Hotel Westin Leipzig), Meeting to content management, Games-Network LE.

[23] 'I don't have the impression that we depend much on the location of our business.' (translated citation of interview NEW MEDIA II).

The aspect of public support did not play a role for establishing a business in Leipzig. Either the examined firms did not receive them or they did not want to spend their time on finding information and applying for public support. All of the interviewees want to keep their business location in Leipzig – expect one who needs to leave Leipzig for personal reasons. But the location Leipzig is also seen critical by the interviewees. The protagonists do not notice much of the cluster "media city" developed by the city or they do not consider it to be important for their business. The interviewees of the media branch consider this aspect similar[24]. The cancelling of direct flights from the airport Leipzig/Halle is also seen negatively by the managers. Additionally the interviewees mention the difficult economical conditions due to the political transformation after 1989. The branch had to develop in Eastern Germany while it was already established in western Germany. This is one of the reasons why there are not many customers in Leipzig. The leaving of the GC is seen differently by the mangers. Some of them mention the positive effect the GC had on Leipzig and that the city now is known within this growing branch.

> *„Na ja gut Leipzig ist (1) sag ich mal jetzt in der Branche durch die GC bißchen bekannt, die wird ja nun weiter ziehen…es wird ja auch viel erzählt hier mit Medienstadt Leipzig oder so (1) davon kriege ich jetzt eher wenig mit."* (interview NEW MEDIA III, 10:33)[25].

> *„Leipzig ist noch lange nicht Medienstadt (1) so wie das immer gesagt wird."* (interview NEW MEDIA V, 11:00, 01)[26].

Some of the interviewees express their understanding that the GC is leaving Leipzig or they think that the GC was not relevant for the small companies.

> *„Ich kann es auch verstehen, dass sie [GC] nach Köln gegangen ist, weil da die Rahmenbedingungen besser sind."* (interview NEW MEDIA III, 25:28)[27]

Another aspect which is criticised by the interviewees is the fact that the city in some cases does not invite tenders for jobs which are relevant for the software- and games industry. The city has got its own sub-companies for these jobs. At this point the managers do not see that they actually criticise an often used system within the branch – many jobs they receive by informal contacts. The call for the help of political authorities one can find in several interviews and might reflect a typical eastern German mentality which was established in the political system before 1989.

On the personal level the managers mention their personal and familiar connections with Leipzig. All of the interviewees were born here or have been living in the city for many years

[24] See analysis of the interviews Old Media.

[25] 'Ok I would say that because of the GC Leipzig now is known in the branch…the GC will leave now…people also often speak about Leipzig as a media city well I don't notice much of it.' (translated citation of interview NEW MEDIA V).

[26] 'Leipzig isn't by far a media city like always said.' (translated citation of interview NEW MEDIA V).

[27] 'I can understand the leaving of the GC to Cologne because the conditions there are better.' (translated citation of interview NEW MEDIA III).

and all of them are happy with the location. Their personal and familiar connections are that important to them that they even would accept economical disadvantages or negative aspects of the location like missing customers or few businesses linked to the software- and games industry (see interview V). In general the managers consider the location with its architecture and parks positively as well as infrastructure and a general openness of the locals. Social problems like poverty or unemployment are seen negatively but at the same time the interviewees point out that these problems can be find in any German city.

Finally the interviewees mention positive aspects of the location which connect the business and the personal aspects of Leipzig.

> *„…die Kreativität ist hier [in Leipzig].“* (interview NEW MEDIA II, 64:20)[28]

As already mentioned the managers can use their informal contacts to the universities and polytechnics and former fellow students for gaining customers, jobs and new employees. Finally the relative low costs for living and culture are mentioned by the managers positively for the location Leipzig.

4.3.5 Public support

The fifth category refers to the aspect of public support. The main aspects are the understanding of public support by the interviewees – do they refer to it as direct, financial support or/and as indirect, structural support; the usage of public support – which programmes were suitable or were not there any for the firm; the problems which occurred while applying for support programmes and suggestions for improving the support structures.

The majority of the questioned managers equate direct support with the term public support. Most of the interviewees did not receive any public support because either suitable programmes did not exist (e-publishing) or the search for information was to difficult and time intensive or the chances for receiving public support were small.

> *„Wir hätten sie [öffentliche Förderung] gern gehabt (…), aber das (…) das war für uns ein äußerst frustrierender Prozess…“*(interview NEW MEDIA II, 47:00)[29]

One manager was able to use support from the local jobcentre because before finding his business he had been unemployed. Generally it turned out that the software- and games industry does not depend that much on public support like other branches do. They are economically orientated and are quite successful. But still the call for direct and indirect measures can be heard in basically every interview. Like already mentioned this might be a legacy of the former political system in Eastern Germany.

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[28] 'The creativity is here [in Leipzig].' (translated citation of interview NEW MEDIA II).
[29] 'We would have been happy to receive any [public support] but the whole process was really frustrating for us.' (translated citation of interview NEW MEDIA II).

The mangers in general criticise a non-innovative support policy applied by the city – new branches or segments are not considered; a time intensive applying process for support programmes; insufficient information.

Their suggestions for improving the whole supporting system refer to a clearer information situation and an easy access to support programmes.

> *„…aber das größte Problem ist glaube ich immer an die Informationen [für die Förderung] ran zu kommen…“* (interview NEW MEDIA II, 47:30)[30]

Additionally the interviewees suggest that the city should lower the taxes for companies, establish platforms for the branch and new support programmes for graduates and fairs, offer cheap office rooms. One manager points out that the protagonists themselves should be active and change the situation. At the same time one manager calls for less regulation by the city so that the managers are freer in leading their business.

> *„Für die Unternehmen müsste es echt einfacher sein.“* (11:55, 02), *„Es wäre vieles einfacher wenn der Staat nicht so viel regulieren würde.“* (both interview NEW MEDIA V, 6:10, 02)[31]

This section made clear that the managers still mention many aspects which have to be improved for the branch in Leipzig. Often they've got the feeling that the city is over-regulating and placing efforts at the wrong aspects. They complain that there is a certain lack of knowledge on the side of the politicians, especially in terms of the function of the branch. One can see that the branch is segmented quite strongly; in many cases the questioned mangers do not speak with one voice.

4.4 Design

The following section on design is firstly selected due to the business activities within the predominant business models and the available customers for getting evidence how the market situation is structured in the city of Leipzig. Secondly the composition of the employees and their recruitment are focused on for getting an insight into the working process and the organisation within the design firms. Thirdly the kind of networking activities and their meaning and utilisation for the firm will be highlighted in order to get a deeper understanding of the organisation mechanisms. Subsequently the reasons for being at the location are explored to get an impression of how the entrepreneurs appreciate the situation of the sector in the city of Leipzig. Finally the availability of public support and how to make use of it are examined.

[30] '…but the biggest problem seems to be receiving information about possible support programmes…' (translated citation of interview NEW MEDIA II).
[31] 'For the firms it should be easier." "It would be much easier if the state wouldn't regulate that much.' (translated citation of interview NEW MEDIA V).

4.4.1 Activities (Customers, markets, business models)

The following pattern of working activities and existing markets emerged in course of the analysis of the interviews in the design sector. In the investigated firms the business model is characterised by independent contractors - a key pattern for a market that is divided into small and highly specialised sub-sections. Regarding the time of establishment of the firms two different trends could be determined. On the one hand founding took place in the early 1990s. At this time East Germany was marked by the climax of deindustrialisation and reduction of production as a consequence of the reunification (see Tzschaschel & Hanewinkel, 2007). The actors who founded their business during this period state that the atmosphere was very special, experimental and open-minded. The beginning transformation and radical change in the former GDR afforded special conditions like low costs, open spaces but also the need of goods. On the other hand the firm founding in the design sector occurred in the last years. The main reason is the possibility to "make your own thing/start your own business" without having a lot of capital, because of for instance low rental costs.

> *"Hier passiert halt einfach viel, (…), also dass hängt ja zusammen, (…), also es kann ja hier viel passieren, weil halt zum Beispiel die Mieten für Gewerbeflächen oder so noch nicht so weit oben sind und weil es hier genug ‚off-space' sozusagen gibt, den man nutzen kann…also wenn man selbst etwas machen will, dann gibt es die Möglichkeit."* (interview DESIGN V, 11:30)[32]

In comparison to other well-established design locations in Germany this issue is a great advantage of Leipzig from the point of view of the entrepreneurs.

Because of the heterogeneous structure of the design sector which follows from the specialisation of the designers the working process is constituted in different ways. In the branch of industrial design (i.e. product design, fashion design, interior design) the creation of the first idea and the resultant concept is an internal service whereas the production process happens in an external unrelated industry. In the branch of communication design (i.e. graphic design, photo design) the conception is partly predetermined by the client and the accomplishment is done by the designer. In some cases the designer develops a concept and sells it to the customer, particularly in fashion design.

Most of the interviewed designers have their customers in the region of Leipzig or Saxony. Only the early founded firms offer a national or in part international client base. An explanation is the fact that the interviewed sample consists mainly of small and "new-created" firms which seem to have their clients on a regional scale because they lack of supra-regional reputation. Nevertheless the limited market in the region is a problem because of the generally weak economy in East Germany.

[32] „A lot of things are going on here (…), I mean everything is interdependent, (…) I mean lots of things can happen here because, for example, the rental costs for commercial premises are not that high and there is enough off-space, which can be used…in the case you would like to do your own thing, then you have the possibility here." (translated citation of interview DESIGN V)

Unlike other important centres for design like Munich, Stuttgart or Berlin, the city of Leipzig does not shelter any major, European oriented companies having a significant effect on the branch, so there have to be other reasons which make the location interesting. In summary the organisation structure of the design sector is characterised by following attributes: The composition of the sector is identified by micro firms and a flat hierarchy in organisation process (see also in section networks). Because of the vertical specialisation of the designers there exists a spanned market structure which strongly emerges in the last years. Another characteristic is the strong networked and widely ramified sphere of action.

4.4.2 Employees and recruitment

In order to highlight the company structure it is necessary to have a closer look at the employees. Only one of the interviewed firms has – apart from the manager – other permanent employees working for the firm. The other firms are all sole traders who work additionally with temporary staff like trainees or freelancers for example. All of the managers call freelancers particularly for projects that the firm could not manage alone or for keeping the costs within the boundaries of economic possibility. This represents the situation which is common in the design sector. Contracts of employment are temporarily and are solely for the duration of a project. This fact implicates unstable and precarious conditions of living for most of the people working in this sector. But it is also important to notice that the working situation is due to the fact that the designers are firstly interested in realising their own ideas.

According to the respondents the recruitment of employees is not needed because the interested people come up to the company via placement or informal networks.

> *“Die besten Arbeitskräfte habe ich über mündliche Kontakte (…) gefunden.”* (interview DESIGN IV/1, 25:11)[33]

Nevertheless the education situation is estimated as inadequate, especially a lack of business knowledge is noted which is also needed in this sector because of the function as bridge between creativity and industry. As a matter of principle an educational achievement is considered appropriate. For recruiting in general an academically environment is useful for resorting to skilled employees but also to participate in a lively exchange of knowledge.

Due to the fact that the market structure is characterised by individual enterprises another phenomenon is rising up. The actors mainly work alone but they tend to align with other designers in shared offices.

[33] ‚The best manpower I found over mouth-to-mouth contacts.’ (translated citation of interview DESIGN IV/1)

4.4.3 Networks

First of all the design sector is characterised by a strong cooperation with other sub-segments. Especially in the branch of industrial design work orders are linked with external originators or the production process is sourced out whereas the creation of the preproduction model occurs within the firms. The reason in the most cases is to increase the capacity and reduce the costs within the firm. The interconnectedness results from the scope of duties of the designer and depends on the main focus. Business interfaces emerge particularly with the sub-segments of architecture, publishing business, software or manufacturing industry in general. In this case the cooperation takes mainly place on a formal base like contracts. In general the interviewees point out that a formal or institutional network does not exist and that every entrepreneur has to establish his own network because everyone is working on his own.

Another more important issue is the degree of their social embeddedness in exisiting social and economic structures. This fact plays an important role in the design sector. Not only for recruiting employees and customers in particular for establishing ties with other designer. All the respondents place emphasis on the relevance of informal contacts for having a rapid exchange of information.

> *"Wir arbeiten ja nur vernetzt (…), aber eben das sind halt graue Netzwerke, das sind (…) keine offiziellen Netzwerke."* (interview DESIGN II, 36:55)[34]

Communication is very fast and easy due to a constant exchange per modern telecommunication technologies, like internet, email, or mobile phone. Because of that possibility the firms are not permanently bound to the location. The informal network often consists of private contacts and sometimes the boundary between business and social environment becomes blurred. Another significant aspect is the project-oriented working process. Because of the small size of the firms it is often not possible to cope with major orders. Thereby "temporary enterprises" are formed existing for the duration of a project and in which every actor has his function due to his specialisation. Such working situations are typical for the design sector and only possible because of the flexible reaction anytime based on informal networks. In this case the employment is characterised by factors like confidence and interdependency between the involved actors.

Yet another aspect to forge considerable links for enlarging the existing networks is to visit or even exhibit at relevant fairs. Furthermore such events are also necessary to retrieve the trend of the market and to be up to date.

All in all the informal networks predominate in the design sector and the market is based on communication. Here, different forms of communication are used to gain relevant information and exchange news. Both modern ICT – with its possibilities of exchanging information in web-based blogs, forums, communities, platforms, and own websites, and communicating via chats, messengers, email, and mobile phones – and 'real world' social networks with their traditional mouth-to-mouth talks and circulating news about latest trends and designs function

[34] ‚We only work in networks (…), well, but these are informal networks, these are no official networks.' (translated citation of interview DESIGN II)

as substitute for insecurity due to small firm size and freelancing, and the lack of institutional stability. The network also acts as source of inspiration.

4.4.4 Location Leipzig

In this section the reasons of choosing the City of Leipzig as location are pointed out. In most cases the intension is subjective and bound to the biography of the managers who are rooted in the region. Especially the manager of the firms founded in the early 1990s highlight the experimental atmosphere after the reunification which still continues according to the younger founders. An important point is the expected and the experienced degree of openness which panders a communicative environment and enables to get in contact with the important actors very easy. Also the existence of the HGB is appreciated as an inspiring milieu for the creative exchange. The size of the city plays an important role in addition. Unlike Berlin for example the manageability and the reachability of spots in the city is benchmarked as very positive. Furthermore the agility and quality of life in the city is considered as a significant aspect. In addition the high vacancy rate of office and business space offers a great potential for realising small projects and encourages the do-it-yourself mentality. Opposite to the established design locations the city of Leipzig offers a wide unformed scope which facilitate to realise own ideas.

> "*Man ist hier im Aufbruch.*" (interview DESIGN I, 24:30)[35], and:
>
> „*Man hört von anderen, die extra aus Berlin hier herkommen, weil der Markt besser ist.*" (interview DESIGN I, 25:20)[36]

Hard factors like the central position of Leipzig within the three *Bundesländer* Saxony, Saxony-Anhalt, and Thuringia as well as in Germany and the particularly favourable rents for commercial premises are judged as attractive. Also the respondents ascribed a growth potential for the city. Nevertheless there are also negative aspects concerning the missing external perception. A meaningful approach to improve these conditions is the annual fair called designers´ open which has the demand to establish a platform for designers where they can represent themselves and get in contact. Within the event there are several lectures and discussions outlining relevant themes for the design sector. Another problem of the region is the absence of industry which complicates new client acquisition.

> "*Mir gefällt Leipzig, weil es so unfertig ist.*" (interview DESIGN III, 36:55)[37], and:
>
> „*Den Standort [im Zentrum Leipzigs] könnte ich in Berlin niemals bezahlen*" (interview DESIGN IV/1, 30:50)[38]

[35] 'You can notice a break-up atmosphere.' (translated citation of interview DESIGN I)
[36] 'I heard that some are deliberately coming from Berlin, because the market is better here.' (translated citation of interview DESIGN I)
[37] 'I love Leipzig because of its unfinished atmosphere.' (translated citation of interview DESIGN III)
[38] 'I could never afford this location [inner city] in Berlin.' (translated citation of interview DESIGN IV/1)

The reason for staying in the city of Leipzig even though the economical situation is not favourable depends on the unique atmosphere and living conditions described by the interviewees. They appreciate the unformed ambient and the possibilities for development. The motives are based on individual advantages.

4.4.5 Public support and suggestions for improvement

Public support was only used in the founding time. A part of the interviewed managers required a business start-up support by the European Union (European Social Fund). The use of public support would be appreciated but all of them criticize the complicate and interminable process to apply for support. Equally problematic is the fact that support possibilities are laid out for technical support, because innovation is still connected with engineering tasks.

> *"Es gibt da in dem Sinne keine Förderung. (…) Wir haben ja nicht mal so eine Investitionszulage bekommen. (…) Es ist halt schwierig, wenn man (…) praktisch im Kreativbereich ist, man braucht nicht (…) groß Ausstattung."* (interview DESIGN II, 17:41)[39]

Another aggravating circumstance is the fact that public authorities are not able to classify the fields of activity in the design sector because of missing knowledge of the sector. For ease of use it would be helpful to simplify the filling out of application. On the one hand there are many empty premises in the city but on the other hand it is difficult for the actors to gain access. They wish that the city council could help them to allocate more of this space for temporarily showrooms or to establish a centre for design like the *Spinnerei* (former cotton-spinning mill), in which the Fine Arts of Leipzig are located.

Additional it would be desirable to have a responsible contact person at the city council who acts as adviser in legal questions and as intermediary between the administration and the actors. Another aspect is the missing perception in general – as well as within the city and beyond the city border. According to the interviewed designers it would be helpful to build up initiatives or platforms and for encouraging the difficult customers´ situation to make an effort for a better external perception. Because of the geographical position of Leipzig a big advantage is seen in focusing on the Eastern European market. Nevertheless it is advised against a too fast economic development because they are afraid of loosing the unique possibilities the city is offering. In addition it was noted to support the manufacturing industry as well. In consequence of the reunification a slump in economic activities took place and the existing regional networks were disturbed. An applicable approach could be to support close collaboration between the designers and regional industrial firms. Another advice is to strengthen the activities of the educational institutions with economic activities.

[39] 'There is no public support in this context. (…) We didn't even get an investment subsidy. (…) It is really difficult when you work in the creativity sector, you don't need huge equipment.' (translated citation of interview DESIGN II)

4.4.6 Conclusion

To conclude, it should be pointed out that the design market in the city of Leipzig has increased in the last years and that there are enough possibilities to improve the current situation. On the part of local authorities more acceptance and understanding must be developed for the existing structure which is characterised by micro firms who operate in a project-based working context. Another phenomenon is the organisation of actors in shared offices to minimise the rental costs and to have the possibility to get in contact with other creative workers easily. In addition the educational situation has to be improved and the cooperation with the economy has to be strengthened. Altogether it is desirable to establish a strong network between the design market, the educational institutions for design, the administration of the city of Leipzig and the chamber of industry and commerce.

Furthermore the structure of the design market is characterised by mainly small sized enterprises and a flat hierarchy structure. Nevertheless the market situation is characterised as instable but offering options and new flexible forms of testing new production methods which the actors appreciate. Networks, in particular informal networks, play an important role for recruiting employees but also for accepting a bid or for professional exchange. For the most part cooperation is significant in the production process to increase the capacity and keep the costs low. In all cases the creation process however is integrated in the firms.

In addition there is a great potential of growth seen because of the unfinished development and the special conditions the city of Leipzig is offering. Next to the dimension of the city which is appreciated as suitable, the creative atmosphere is also an inspiring item. Also the existing vacant spaces are seen as an enormous potential if they are made accessible. The low rental charges and comparative low living costs advantages good conditions for start-ups.

4.5 Main drivers for settlement: Themes coming up in every sector

After analysing each sector this section sums up the central topics coming up in each of the sectors. Could an appropriate typology of firms / founders / firm locations be deducted? It was already stated that the different sectors show internal heterogeneity concerning the different aspects asked for in the interviews. Now it will be also looked for common patterns and differences showing up across the sectors.

4.5.1 Main insights in the different sectors

Business and management consultancy

Obviously for the business and management consultancy sector in Leipzig a strong internal hierarchy in the sector is showing up. On the top of the branch the Big-4 global consultants run branches in Leipzig, mostly located in the city core. They are located to keep contact to the local branches of their multinational client corporations. The companies itself and the management staff of the Leipzig branches do not show any significant linkage to the city. Presence is caused by economic reasons. The interviewed branch of the one Big-4 consultancy, in this specific case, is linked to Leipzig, and its location in Leipzig, due to its corporate history.

Nonetheless it could be stated that the small firms founded in Leipzig show much higher levels of being rooted to the city. Within this group of local consultancy start-ups two different types of founders show up. On the one hand, there are Eastern German business experts, who were educated in the socialist regime of GDR. They already acquired professional experience with capitalist business regimes due to their occupation in GDR times before 1989. In addition they have profound knowledge about social and business networks in their age cohort, and they know the Leipzig business environment and regional mentalities. They founded their businesses immediately after reunification. On the other hand, there is a younger generation of founders, who do not have professional experience back-dating to GDR times, as they finished university after reunification, mostly in the late 1990s. This younger generation is also personally rooted to Leipzig, due to family or friends. They stayed or came back to the city despite its economic difficulties, and developed specialised consultancy services, with which they can survive on a decent level.

Yet no significant effects for the general employment situation of Leipzig could be expected from this sector of knowledge industries, as small firms are serving niche markets, which do not grow fast. In addition the local branches of bigger companies in consultancy frequently think about relocating to other cities, as also for them no growth could be generated within the city region of Leipzig. Still the general economic development is too modest in Leipzig. However one of the interviewee within the group of young founders directs the sales stringently to foreign markets. This one small enterprise targets headquarters of German multinationals located in other cities. Such a strategy represents an answer to the regional stagnation, if growth of the company is wanted. By contrast, cooperation and networks are not frequently used in business consultancy. The use of larger networking strategies is not seen by many consultants in the region. Jobs are small and specialised, and do not need much cooperation

Old media – TV, film and radio

Also the TV and film market is separated into two spheres – MDR-related vs. independent – which do not show official forms of cooperation with each other. The empirical study found, that these two spheres are characterised by different patterns of networking and interaction. While the MDR-related sphere is characterized by a rather formalised, stable, and exclusive business network, the independent actors organise in temporary, dynamic, and alterable forms of informal interaction. This turns out to be an obstacle for the development of the branch, because of a missing common aim and missing interaction. Paradoxically this uncompleted development is appreciated by small firms and freelancers because of the associated liberty. Furthermore there can be observed that especially small actors put a lot of effort in building informal networks which seem to be essential to them in order to start-up, to get customers or to cooperate.

The market is more or less a regional one with no national wide relevance. The big, public company MDR dominates the perception of the media branch of Leipzig by other media locations. The independent group of creative actors and its innovative potential is not noticed likewise.

Hence most of the actors estimate direct public promotion as little helpful. The media cluster development plan of the city of Leipzig does not seem to work. Subsidising the MDR and the related ‘Media City of Leipzig’ is experienced to be disadvantageous for the branch, because it fixes the monopoly position of the MDR instead of being advantageous for all actors. Especially for small firms of the independent group financial promotion seems to be redundant. Obviously they strongly believe in surviving on the market without any financial promotion, because they are already used to operating without public financial assistance. Instead they prefer an indirect promotion in form of establishing foundations, promoting festivals, and attracting big private TV-Channels in order to establish counterparts to the MDR and to let the creative independents come to the fore.

New media – games development, web design

Within the sector of new media a different topic determines the current situation. On the one hand Leipzig hosts a lot of small firms and freelancers, who operate in the sector of new media. Products like web design show high potential for standardisation of the production process. Therefore actors in this field are numerous. The more ‘creative’ parts of the new media sector which show less potential for standardisation – like e-publishing or games development – are scarce in the city region of Leipzig. A few small actors could be found who work independently and only loosely connected with other actors of the same branch or in other sectors (apart from principal-agent relationships). On the other hand, when focussing on the design related activities (games development & web design) within the new media/software sector – as defined by the ACRE team – the city region of Leipzig comes up with one of the biggest and most important platforms of the worldwide sector: the Games Convention. This fair was initiated by the *Leipziger Messe GmbH*, a communal company which runs the facilities of the *Leipziger Messe*. In cooperation with local and regional politicians and the biggest lobby association of the sector (BIU) the concept of the Games Convention was developed. The concept development was financed by public money. The Games Convention rapidly grew to global importance (see chapters 2 and 4), and became a big success, as much for the *Leipziger Messe GmbH* as for the involved politicians and representatives of the BIU.

Already at this moment of success, it became clear that this fair concept misses the regional industrial background. No sufficient base could be provided to support the location Leipzig as the home of this global fair. The few regional bigger companies and branches of global players (none of them in the city region of Leipzig) and the many freelancers and micro firms in web design (only few in games development) did not sufficiently legitimate and could not support the location Leipzig from the point of view of the global top players. Leipzig’s local politicians and the regional government of Saxony did not pay attention to connecting the few local freelancers and small firms in the sector to the Games Convention, and developing a more fundamental regional industrial base for the top fair event in order to link platform and production within the region. The few local actors in the new media sector are too small to participate (by exhibiting, presenting in professional forums, etc.). Therefore they feel the Games Convention to be too abstract and large – in terms of only serving global players – for their needs. The connection between local economy and global platform has not been realised.

Only recently the local politicians and representatives of the administration realised the danger of relocation of the fair and the growing opposition of the industry against the location Leipzig. While working out this ACRE report 6, it became clear that the industrial participants of the Games Convention will move to Cologne from 2009, with the new fair brand of Games.Com. The concept of Games Convention is copyright protected by the *Leipziger Messe GmbH*. Though, what will remain, if the license of the fair remains in Leipzig, but the content (industry and visitors) moves to Cologne?

The Leipzig example of new media shows how a missing connection between top-down strategies of politics and the small local industrial players leads to a failure of an originally successful idea. A closer networking of local freelancers and micro firms and bigger companies from the broader region with platform Games Convention probably could have helped to support the location. In addition this big size convention shows a mismatch with the local structure and potential of the sector. The relocation of the global industry to Cologne as of 2009 offers the chance for a redefinition of the label Games Convention. With the failure of the global platform in Leipzig, the local stakeholders have the possibility to think about a better integration of regional new media industries into the concept of the Games Convention re-launch.

Design

In contrast to the new media sector, with the Designers Open Leipzig hosts an endogenous best-practice example of self-promoting a particular sector of creative industries. This platform actively tries to develop and enlarge the design market in the city region of Leipzig by communicating the potential of Leipzig's designers. Furthermore the Designers Open organisers want to market Leipzig's design sector internationally and upgrade the existing informal networks to a more professional level. One has to state that local designers often operate as freelancers or in small project-based working teams. Informal networks still play a major role in exchanging important information and finding clients.

In general, the design sector in the city region of Leipzig is relatively young compared to other sectors of creative knowledge industries. All the same, the design market is developing dynamic all over Germany, and first outstanding spatial concentrations of design sector are recently developing. Therefore Leipzig has good chances to establish itself as one of these upcoming centres of the German design sector.

The structure of the design sector in Leipzig still seems to be experimental and not yet professionalized in stable institutions, except for the Designers Open and the design related universities. On the one hand, this makes it attractive for young designers to come to the city and try to participate. In addition, the design market is not as crowded as for example the Berlin one. Hence, upcoming designers could easily become visible on the local and regional level. On the other hand, some of Leipzig's designers seem to miss economic pressure. Some of the local designers do not have business plans to develop their design activity into a profound economic base. They design hobby-like. Their designs are more passion than real business, and they fund themselves with jobbing elsewhere. Marketing initiatives like the design shop concept of the one interviewee promote this behaviour by keeping tariffs for shop space at a low level.

The interviews suggest that the Leipzig design activities are quite heterogeneous in terms of stability and their degree of institutionalisation. The Designers Open organisers interpret the experimental status of the sector as a demand for further professionalisation. They use it as starting point for their design fair and platform, which intends to better organise market interaction within the region and outwards. Diametrically opposed, some of the interviewees in the design sector indicate not to make use of networking activities with other designers or with other business relevant people and firms. They state that it is too time-consuming for them. So they do not see any direct use in investing time on it. This refusal of networking is explained by the organisational difficulties small-firm managers and freelancers are facing when it comes to planning their use of time. Hence, the Leipzig design sector could be described as a strongly diversified one. Some central networking agents (e.g. the Designers Open organisers), who seek to professionalize the market and its structures, are facing a large number of small and independent working designers, who are simply too packed with their daily workload. These characteristics are the ones of an emerging market, which has not yet found its ways of organisation and representation.

It has to be acknowledged that, like in all other sectors of creative knowledge industries, it is difficult for designers to sell design with moderate prices in Leipzig's economic context. A lot of firms, companies and private persons do not have discovered high-quality design so far. This relates probably back to a GDR background, in which 'wrapping' was subordinated to 'content' and 'utility', and marketing and aesthetical aspects played a subordinated role. Furthermore, firms and private people in Leipzig often simply cannot afford design products and services. However Leipzig's designers, who already made their designs a business, state that the situation changes slowly, and the awareness for good design grows. So this moment seems to be adequate for promoting and developing Leipzig's design sector with appropriate tools and institutions.

4.5.2 Similarities across the sectors

After having sketched out central themes coming up for each sector (see section 4.5.1) this section seeks to picks up the similarities across the sector. What are the main topics, which are talked about by most of the interviewees independently from their sector of activity?

The general structure of creative knowledge industries in Leipzig is characterised by a large number of small firms. Only when foreign investment was directed into the city region of Leipzig, bigger companies are present in the examined sectors. Endogenous development brings up smaller economic entities. These small firms operate in a more or less regional market, not yet having the resources or the experience to target foreign markets outside the region. This leads to relatively difficult business conditions. The city region of Leipzig stagnates or only grows slightly, depending on the industrial sectors looked at. Powerful and prosperous client companies are rare. So the creative knowledge firms in the city region of Leipzig have to develop niche services, with which they could start a survivable business. But strong growth in terms of employment and turnover could not be expected so far.

Despite of this economically moderate framework, the managers and freelancers of the small companies show a strong commitment to the city region of Leipzig. Whether they moved here from outside the region or are rooted here due to family ties, they show a strong willingness to stay in Leipzig. They try to develop an economic base in their professional sphere, while being happy with their private living conditions in the city of Leipzig. This corresponds with the results of ACRE WP 5 (see Lange et al., 2008). There, the surveyed creative knowledge workers similarly stated to be satisfied with living in Leipzig, though not having high wages or profound career chances. By contrast, the 'unfinished' atmosphere of the city, with its low rent levels for working and living space, attract and retains people to the city. The availability of vacant space opens options for experimenting with different spatial configurations within the city's structure.

In addition, the economic difficulties within the region lead to necessary 'creativity' in an economic sense. People, who want to start a business in Leipzig, have to be creative in using their resources to cut down costs. Only with small budgets it is possible to survive in an atmosphere of small incomes and turnover volumes. Running a business, no matter what kind of, is always related to entrepreneurial 'creativity'. But creative knowledge production, especially the examined consultancy, new media and design sectors, also faces a problem of turnover. While the regional awareness for the importance of certain services such as legal and tax advisory is quite high, the creative knowledge sectors are not regarded as relevant by the potential client companies. In this special circumstance it is even more important to be able to rely on low fix costs in the city region of Leipzig (low rents, low inner-regional travelling costs, easy access to stakeholders).

Networks seem to play a subordinated role in the Leipzig sample. When asked for their use of networks, Leipzig's managers and freelancers frequently answered that networks do not play a crucial (though not unimportant) role for running their businesses in Leipzig. It could be supposed that they related the notion of 'network' in this case to formal business relations. Still they dispose of private, informal networks, which also serve them with business information and contacts, and opens marketing paths. In addition, it could be supposed, that Leipzig's managers and freelancers simply are not aware of the fact that they are actually networking (information exchange, social events, business relations, etc.), or they simply do not consider these actions as networking according to their own conception of 'network'.

Another aspect is the self-confidence and the readiness to assume entrepreneurial risk. Leipzig's creative knowledge entrepreneurs seek to perform secure business development paths and slow growth. The feasibility of projects and firm organisation is severely examined before growing or accepting new projects.

When having a look at certain types of creative knowledge entrepreneurs in Leipzig, it has to be mentioned that also the age structure plays a significant role for the economic positioning and goals of the companies and freelancers in consideration. As for the business consultancy sector described, two major types of founders and freelancers could distinguished (see section

4.1). There are elder founders with a GDR-socialisation background, who succeeded in profiting from their GDR-business knowledge. They managed to add value on this knowledge by founding companies in the aftermath of the reunification.

The 2nd type of present entrepreneurs is younger, socialised and educated in a reunified Germany. They could profit from Eastern German mentality, obtained from their parents. This gives them the possibility to deal with Eastern German circumstances, especially to understand the mentality of elder managers in potential Eastern German client companies.

Finally a third type of entrepreneurs has to be mentioned, though not showing up in business consultancy sample: elder Western German managers, who came to Leipzig immediately after 1989/90. In those days still young enough to be willing to risk, they regarded East Germany as a rising economic playground, which in the first years was marked by a disordered atmosphere. Everything was possible, but nothing was sure.

Yet, the issue of Eastern and Western German background and the post-socialist transition should not be overestimated as a single determining variable for the structure of Leipzig's creative knowledge industries. According to Matthiesen the Eastern German economic restructuring is equally influenced by a second transition, namely the broader processes of globalisation (see Matthiesen, 2007). This world-wide dynamism does not pay attention to a national level difference between Eastern and Western Germany. So it is argued not to overstretch the pre-1989 background differences, as, since the late 1990s, globalisation processes outweigh internal processes of post-socialist catching up in Eastern Germany. Today Western German regions face the same problems of positioning themselves in the global competitive scenery. However, it has to be mentioned that Eastern German economy starts from a still weaker level – in terms of equity position, firm size, business relations, etc. – into this global competition.

Not only the types of the owners, but the age of the whole industrial sector defines how the market is structured and internally functions. The more established sectors 'old media' (TV, radio, film) and 'business and management consultancy' show a character of matured markets (e.g. industrial associations, lobbyism, price standards, specific legal regulations, trade fairs): a differentiated firm size structure. In these two sectors processes of market concentration already formed. With it, a divergence arises between big established companies, who are present in the market since long time, and small start-ups and university spin-offs, who recently entered the market. This accounts for the bigger companies centred around the MDR-related, Media City companies and the independent local TV channel, but also for the Big-4 branches and other big, 2nd rank consultancies in the city region.

On the other hand emerging markets, such as the 'new media' (e-publishing, video games, web design) and 'design' (communication design, product design, industrial design), which currently grow into real industries, still show only characteristics of an emerging market (e.g. underdeveloped representation, not integrated in associations, informal networks). Firm sizes are small. The firms operate more or less atomistic, in terms of financial interdependence and capital cross-investment among firms. Cooperation still takes place on rather informal and temporary forms. The degree of institutionalisation is more or less small. Hence, the acceptance of unique actors as representatives of the sector as a whole is quite low among institutionalised actors, such as public administrations, chambers of commerce, etc.

4.5.3 Differences within creative knowledge industries

Apart from the similarities described above, the creative knowledge sector is very heterogeneous in respect to various aspects. This variety leads to problems when public programmes are developed in order to foster the 'one' creative or knowledge intensive sector. Understanding the sector as one conglomerate of several same parts definitely produces misunderstanding and could provoke a failure of public promotion strategies.

First of all, one has to mention that the creative knowledge industries are constituted from different sub-sectors. Within each sub-sector firms and organisational model, business philosophy and self-reflexion differ strongly among the actors. Therefore, the identification with others from the same specific sub-sector is not necessarily developed. Especially the younger sub-sectors of creative knowledge industries lack a sense of community and solidarity among the entrepreneurs. For example, in the design related activities it is quite usual that networks constitute around a pool of clients and subcontractor, which mostly are not from the design sector. When a small design office then invests in networks it is for economic reasons, for acquiring clients, for getting in touch with possible suppliers (IT firms, software, printing houses, advertisement companies, etc.). The design office does not invest too much into networks for exchanging information with other designers, getting familiar among each other, identify with others from the same sector and developing solidarity.

Yet this would be one of the most important steps for becoming better organised and more professional. Only when being organised and hence being visible in the media, economy, and politics, a better access to public funding and support could be achieved.

A second important aspect of heterogeneity among creative knowledge companies is the existing and targeted degree of professionalisation. The more mature markets of 'old media' and 'consultancy' already reached professional levels with own education structures, with industrial associations, with institutionalised ways of promoting young talent, with instruments of representing their interests against other concurrent social and economic groups. Whereas companies in these sectors could use these institutionalised instruments to develop their businesses, which grants them a certain security, firms in younger markets do not have these sector specific instruments to rely on.

Hence, the sectors do not differ structurally, but also the firms within the sectors show different degrees of professional attitude towards the business they are running. Especially in core creative sectors the business and management knowledge often is deficient. Only slightly the 'classical' ambiguity between creativity and business disappears (see Bilton, 2007). But the traditional conception of two different spheres of action persists. The creative understands itself as free from commercial constraints, and free from value-adding pressures, whereas the business managers are regarded as uncreative and only looking on the figures, somehow like the 'boring clerk'. Recently things seem to change in this respect, and education institutes start to combine business administration with creative and artist courses within their offered careers. Nonetheless, the current market participating creative entrepreneurs, who started up in Leipzig, still lack profound business administration knowledge. Topics like the marketing of their services and products, of organising an external representation of their sector, or of business cooperation are often underestimated. In an environment of weak regional industry and compared low private purchasing power, this is ever more a peril to economic survival. The bigger companies within the creative knowledge industries in the city region of Leipzig are not concerned with this problem. They are often supported by head offices with long business tradition and experience in other regions. Or they are big enough to employ qualified management staff. For the smaller firms and freelancers the decent degree of professional organisation still lacks.

At this point it has to be mentioned that also the willingness to professionalise is not equally developed among the small firms and freelancers. Some (especially in the design and new media, but also old media sectors) only run their business hobby-like. It is more a passion to be creative, than it is a business. The primary income is generated elsewhere. So business specific goals as growth and profitability are not the dominating intentions of these actors. Some only would be happy to be able to live from this hobby, but they do not target to grow their idea to a big company with several employees.

4.6 Discussion

This first introduction into the working and living environment of creative knowledge managers and freelancers in the city region of Leipzig refers to different problems and inconsistencies within the creative knowledge industries in their local environment. In section 4.6.1 these problems will be dealt with. The following section 4.6.2 will sketch arising questions. The structural problems and local obstacles for a better local creative knowledge industries' development have to be addressed, before concluding the findings in chapter 5.

4.6.1 Main problems

Economic environment

It has already been mentioned that, when looking at Leipzig, the creative knowledge industries managers and freelancers participate in young, growing market segments, which are embedded in a difficult regional economic situation in general. First, headquarter function is underdeveloped in the city region of Leipzig. Only a few bigger companies originate from Leipzig. Post-reunification and recent, successful start-ups mostly operate in IT or other high technology sectors (environmental technology, biotech, etc.). Though these start-ups have a higher appreciation of creative knowledge services and products than older companies, they are few and only form a small group of clients. In addition, they produce creative knowledge services in-house, and do not consume it necessarily from the market.

Another major share of the bigger companies in Leipzig is the pool of public sector companies, mostly related to infrastructure, such as gas, water, wastewater, electricity, public transport, public housing associations etc. These companies are controlled by the City of Leipzig. Though the City of Leipzig advised public companies to buy market-traded services from regional service providers (see Stadt-Leipzig, 2006), it is not always possible to bring together service providers and clients. Frequently, big companies state, that regional provides do not offer the needed services and products. They simply lack specialisation or technological ability. Vice versa, sometimes the big public companies have long term stability in their business relations. So it could be difficult for new small start-ups in service sector to win public tendering processes.

Finally there are some bigger companies from the private industrial sector who settled to the city after 1989/90. Their headquarters are located in other cities, so their business relations for the whole corporation are normally negotiated and communicated at the site of the headquarter. Furthermore the size of projects with bigger companies overextends the feasibility for the small creative knowledge firms in Leipzig. As mentioned above (sections 4.1-4.4), cooperation is seldom used as a business tool in order to operate bigger projects. Only in the 'old media' sector this is established due to the local presence of the MDR headquarter, which generates the both, a certain maturity and regional importance of Leipzig within this sector.

By contrast, among the many small firms operating in Leipzig, whether founded here or settled here in the context of big corporation strategies, a sufficient appreciation of regional creative knowledge industries still lacks. Therefore growth in this sector is a 'difficult-to-attain' goal. The many small firms and freelancers in creative knowledge industries are forced to develop niche products and services, which fit a local demand. Second, they have to look for cheap possibilities of distributing into extra-regional markets.

Regional infrastructure

Not only is the general economic climate challenging creative knowledge industries in the city region of Leipzig. A repeatedly cited obstacle is seen in the European and international connectivity of the infrastructure node. The transport and communication infrastructure, for Eastern German standards, is of high quality. A test field project with fibre optics, installed in the early 1990s, serves as a sufficient background for internet communication. The airport was rebuilt and expanded in the aftermath of the fall of the Wall. It was supposed to function as the regional air hub for whole *Mitteldeutschland* (Saxony-Anhalt, Saxony, and Thuringia), offering connections to at least the important European agglomerations. The net of national roads and motorways to and around the city are modernised. The *Deutsche Bahn* invested large amounts into reconstructing Leipzig as an Eastern German node in the federal network of high-speed *ICE*s (express trains). Their efforts culminate today in the construction of a tunnel under the city centre of Leipzig. So, large sums of money were put into the infrastructure (telecommunications, road, train, airport, etc.) in order to make Leipzig an accessible place within a European market.

The problem with infrastructure is, once built, it does not automatically mean, that it will be used as arranged for. For example, the airport today only connects the city region to very few

European agglomerations, namely Paris and Vienna[40]. Most of the passenger flights leave as chartered machines to vacation destinations in the Mediterranean region reaching from Egypt to the Canary Islands. These regional airports in Southern Europe only represent leisure hot-spots, not business centre points within the European Union. Businessmen, therefore, find fault with the connectivity of the airport. The hope for improvement is small. Leipzig prides oneself to recently having welcomed the re-settled *DHL* air hub for the corporation's European logistics, which was formerly located in Brussels. This means that passenger flights will lose flight slots against freight flights. In addition it could be doubted that the city region of Leipzig could draw on enough potential passengers to attract more airlines to run scheduled business flights from Leipzig. Within a time range of 1.5 hours the three Berlin airports could be reached by train and car. So for airlines it is simply more economic to connect Berlin.

A second example of this ambiguity between the objectively well-developed technical infrastructure and the perception of not being well-connected could be highlighted by looking at the utilisation and usability of the fibre optics net for internet purposes. The usability differs strongly among the city's quarters. While in one quarter one could contract a V-DSL (latest high-end internet service) connection to one's apartment / office, in other quarters the Deutsche Telekom (which holds the monopoly on the cable infrastructure) states that it is simply no possible due to lacks in the networks hardware, the cable looms. Concerning the utilisation contradictory facts could be stated. In an interview, done independently from the ACRE project, the managing director of one big local electricity supplier complains about the missing use of the fibre optics infrastructure (see Nadler, 2008, p. xxii). Whereas all the Leipzig based universities are connected to this telecommunication infrastructure, he explained, none of them efficiently uses it for installing new web-based teaching and research applications. The local electricity supplier runs a subcompany, which offers IT and internet services. They frequently tried to convince regional education institutions to make use of this fibre optics hardware under the city, and to engage in pilot projects to research on new applications of this technology. Even when financing of such projects was offered by the electricity supplier, the academic institutions did not agree to the projects.

So, on the one hand companies, who offer infrastructure connection services to end users via using this infrastructure (air lines, train companies, telecom firms) block the use of the infrastructure. On the other hand local institutions and actors refuse to use the infrastructure according to their possibilities. As a result, among some of the interviewed managers and freelancers in Leipzig a feeling of being not appropriately connected to European markets could be observed. This hinders certain business activities, although infrastructure is much better developed as in other parts of Europe.

[40] http://www.leipzig-halle-airport.de/de/index/reisende_besucher/flugziele.html, visited on the 26th of May, 2008

Academic institutions

The interviewed managers and freelancers, when being asked about recruitment strategies for new employees, or about ways of obtaining new business knowledge apart from business and private networks, came up with talking about the regional academic institutions, especially the Leipzig based universities and colleges.

One problem repeatedly indicated by the interviewees is the low quality of cooperation with universities and colleges. There are certainly several topics and projects which are worked on together with the managers and freelancers, but the cooperation lacks of stability, objectives and sense. The quality of the cooperation is found fault. A significant part of the interviewees had taught or is teaching in universities and colleges. By lecturing and tutoring seminars and classes, the interviewees hope to find new talents and to get in touch with the content of the education. They seek to improve the content of classes and seminars in a way that it better serves the needs of the job market. A first problem arises from the simple fact, that the payment for the classes is very low. The interviewees, who engaged in academic teaching, normally are hired as *Lehrbeauftragte* (German for associate professors). This equals a quasi-freelancing state. The remuneration for the classes, that they lecture, is only paid for the time they really lecture, without the time for preparation and post-processing (reading student papers, correcting exams, etc.). So for a self-employed, no matter if freelancers or managers, the time paid and the time invested in the job differ too much. Therefore some of the managers and freelancers already stopped their academic activities, and gave up the direct connection to young talented students and graduates.

Another problem arises from the rigidity of the academic system. Whereas Leipzig hosts a lot of different academic institutions, cooperation among them is seldom. This is frequently criticised by economic actors in the city. The different institutions show complementary careers and classes. Cooperation could help to better educate all the students. In addition, research projects could be started with participating local companies. The different artistic institutions (HGB Academy of Visual Arts Leipzig, HMT University of Music and Theatre Leipzig, DLL German Literature Institute Leipzig, MML Master Programme Media Leipzig, etc.) would profit from cooperating with the more technical institutions (HTWK Leipzig University of Applied Sciences, *Deutsche Telekom* University of Applied Sciences Leipzig) or the business schools (University of Leipzig, HHL Leipzig Graduate School of Management). However there seems to be much rejection from the side of the academic staff, especially between professor personalities.

In addition, academic institutions curriculum is co-designed by the Saxon government. The professors and deans have a certain degree of freedom over how to fill the curriculum in detail, but they are not free from the constraints the regional education politics force them onto.

Local and regional public programmes

When it comes to politics, the interviewees also came up with more general critiques than the one stated for the educational institutions. Notably, the freelancers and managers did not make use of public programmes to the degree one would expect. The first critiques, the managers and freelancers draw on, is the problematic processes of finding the right programme, of finding the proper contact in public administration, and of proceeding the application formalities. The interviewees state that the unmanageable mass of different programmes and programme contact agents leads to confusion.

Secondly, when having found a potentially appropriate programme to apply for, the formalities of application are too extensive. One has to declare too many business sensitive facts, or private data. The application processes is too complicated. When young founders or managers ask for funding, it is because they want to try something. The state funding programmes, by contrast, have the duty of being transparent and traceable. So public money could, per se, not be spent as flexible as private venture capital from banks and private foundations. Hence, there is a mismatch between the governmental willingness to support business founding, and the tools and instruments applied for such as purpose.

Thirdly, once a manager or freelancer is accepted in a programme, the actual money is paid with long delay. The economic world and a free market are very dynamic, and the business idea of today could be outdated tomorrow. So if there are time spans of several months up to some years from the business idea in the head of a founder until he gets money from public promotion, the tool of public support could not work efficiently anymore.

In detail, there is another problem with current programmes run in Germany, Saxony and Leipzig. The political focus on high-tech in the late 1990s led to a development of funding tools, which are concentrated on funding technological investment for start-ups and restructured firms in medium-sized enterprises. This is only fitting technology-intensive sectors such as biotechnology, environmental technology, manufacturing systems engineering, etc.). Firms in the sector of creative knowledge industries, a service sector, do not need big investment into machinery and technology. Primarily they offer services, they offer knowledge and ideas. They often start up without investing into large facilities such as office space, buildings, etc. IT soft- and hardware are the only things necessary (though one has to admit that software licensing could become very expensive). So, the programmes focussing on facility investment are not appropriate for creative knowledge industries. Even in the relatively technology intensive sector of ‘old media’ (think about camera and studio equipment) new business concepts have established, so that not every firm starting up has to invest in a whole range of equipment.

Another criterion, which could be criticised in the current programmes, is their emphasis on medium-sized enterprises. Whereas for technology-intensive sectors it might be necessary to employ a certain size of staff and to reach a certain amount of turnover in order to redeem the high investment in technology, creative knowledge firms prevalently are started up by a single freelancer or a partnership of two or three professionals. Creative knowledge start-up sizes therefore are too small to fulfil the promotion programmes criteria.

Leipzig specific policy

Apart from the general problems of federal, regional and local public programmes, there are other defective elements in the Leipzig specific policies. The example of the Games Convention and the discussion about its leave to Cologne displays the contradictions between the top-down strategies of local politicians and the 'bottom'. In the case of the Games Convention, a concept of an industrial fair was developed, without looking at what industrial potential the region could show. The development cost a lot of public money, the developed fair concept was internationally successful, but it was not backed up by a regional pool of firms in the games developing sector. The few firms, which could be found as interview partners for the ACRE projects, are very small and young, or they do not exclusively develop games. The concept of the Games Convention therefore was too large. The few existent local companies could not afford to present themselves in the Games Convention. Furthermore, it did not make much sense for them, as the services offered by them were too simple compared to the big global player companies frequenting the GC.

Only recently, the local government, representatives from the City of Leipzig and the Leipziger Messe GmbH, realised that the concept of Games Convention will not function anymore, when there is no local games developing industry. The BIU, involved in the development of the GC, increasingly pointed out, that its members were not willing anymore to always come to Leipzig in games developer's no man's land. The youngest efforts to bring together local actors of the sector came too late. The industry will move its fair to Cologne, while Leipzig still owns the copyright for the name 'Games Convention'. This is an example for how public money and strategy could bring up short term successful projects, but in the long run it fails due to a missing adaptation to and integration of the economy. At least the exported Asian counterpart – the 'Games Convention Asia'- in Singapore developed to an equally successful event. This is an ironic example of how globalisation works.

Also the sector of 'old media' seems to be an example of how an originally good idea of political actors stumbles in its implementation. The decision to settle the MDR in Leipzig, the central location in the three participating *Bundesländer* Saxony-Anhalt, Saxony, and Thuringia, was taken in order to promote the media industries in Leipzig. The traditional city of printed media, with a lot of publishers and printing houses present before World War II, was to be complemented in the early 1990s by more modern parts of media, namely TV and film business. The MDR should have been the initial pole for growth in the media sector.

Now, more than 15 years after the MDR's settling to Leipzig, the city's media sector seems to be stuck in a growth barrier. The bigger companies, who are technologically well equipped and employ more people, normally work directly or indirectly for the MDR. Business relations with MDR show a high degree of stability. This stability leads to a partial lock-in of media firms in Leipzig. Those, who have such a long-term relation with the MDR, do not seek for other businesses anymore. But the restructuring of the MDR (outsourcing, new organisational structure, new budget planning) is complete; a growing number of projects financed by the MDR cannot be expected. Therefore companies related to the MDR cluster do not tend to grow either, as they economically rely on MDR productions, and do not seek for other clients.

By contrast, the small start-ups and firms, not having relations to the MDR yet, have difficulties to get jobs within the MDR cluster. The initial idea to settle the MDR in Leipzig to let offspring a TV and film sector, in this way, does not work. The exclusiveness and the high entry barriers (for example high office and studio rents in the Media City next to MDR) hinder an integrated media cluster development in the city. The younger small firms, who were not present in the phase of MDR settling, nowadays, have to look for other markets outside the city. As one interviewed stated, it would be good for the media sector in Leipzig to have a counterpart to the MDR, for example a headquarter from a private TV station. So again in this case, the political willingness to develop some kind of economic activity in Leipzig was only partially successful.

4.6.2 Arising questions

After describing the central problems of the creative knowledge industries in Leipzig, now the focus should be put onto arising questions. While the situation seems to be strained by the structural problems mentioned, it must be stated that Leipzig could draw back on a broad range of location factors that strengthen its economic development, especially the attractiveness of the city. These strengths are each related to the problems and could be combined with distinct questions.

How could Leipzig better use its local human capital?

With its more than 40,000 students studying in a great variety of academic disciplines the city is obviously much younger than other cities in Eastern Germany. Each year thousands of students come to the city, and some of them get in touch the first time with Eastern German atmosphere, others notably looked for this atmosphere when deciding to come here. In this respect, the central question for Leipzig is, how can these young talents be bound to the city? Obviously a large portion of them leaves after having studied. It seems as if Leipzig for lots of the students is only a temporary station within a longer passage. This is not unusual for university cities, but in Leipzig it is especially threatening as Eastern Germany has to deal with a big brain-drain from East to West. Accordingly, the leaving ones often seek for good employment opportunities which are not available in the city region of Leipzig, or they are simply bound to their home regions.

Then who stays? The ones, staying in the region, are the ones who do not look for the typical career and success stories in traditional corporations in headquarter cities. A lot of them is simply feeling good in the atmosphere of Leipzig. They try to realize ideas and the city gives them opportunities, which are not from the beginning economic opportunities. Creative knowledge industries are a well fitting sector for starting up with own ideas. It is not necessary to right from the beginning earn much money in order to repay high investment. One simply does not need much start-up capital. Nonetheless, the founding person must be able to survive economically. In consequence, it has to be thought about, how to keep graduates from the many academic institutions in the city, but give them an economic base so they are able to experiment with their ideas. A fostering of young creative entrepreneurship: how could this look like?

How could the 'Leipziger Freiheit' be obtained?

When talking to the interviewed, the motives of freedom, of unfinishedness, of opportunities, of openness were strong driving forces for young people to come to this city. The wealthy maturity and the economic success of other, especially Western German cities, makes Leipzig an urban oasis for those who look for space to experiment with. The slogan of Leipzig's city marketing campaign – '*Leipziger Freiheit*' – seems to unintentionally attract young people from all over Germany. The city is still big enough to provide an urban atmosphere and openness. But it is not as stressful, noisy, dense and expensive as others metropolitan areas in Europe. People appreciate the relaxed atmosphere, the short travelling distances and travelling times within the city. They like to use the bicycle instead of going by car, as the city's size and relief make this freedom possible. They could choose between frequenting decent and proper places as found in every European city, but on the other hand they have the possibility of leaving to vacant and decayed areas to occupy free space and try new things without annoying others. The City of Leipzig, with using this slogan to market itself, did probably not interpret it in the way the incoming young people do. But the slogan is appropriate; it expresses why people come.

The central question related to this fact is, how can this element of distinction in the competition for young talents be obtained for the city? Economic environment is taken for one of the big constraints to local business development in creative knowledge industries. Though, this deficit is exactly the central element of attractiveness of the city. It is somehow a paradox: only because of the city's relative economic poverty in the German cities' network, there is so much vacancy, free and cheap space to use, and a local administration, which is more open minded to unusual utilisations of places and spaces. Isn't it a contradiction to seek for economic success and, parallel, for vacancy, space for possibility? Isn't the economic difficulty, in particular, fostering entrepreneurial creativity?

Can politics promote creative industries at all?

There seems to be a great mismatch between the needs of the creative actors and the rigid structures in administrative systems. While creative action in an urban surrounding frequently dismantles boundaries (boundaries of thinking, boundaries of legality, using gaps in regulatory structures) the administrative systems tend to refuse everything not fitting into its logics. This was obvious in the young design sector in Leipzig. When the designers came to register in the Chamber of Commerce, the Chamber of Commerce did not have suitable categories of registration. This is only one example among several. Obviously, categories of creative thinking do not easily fit into administrative categorisation. The logics still simply differ.

First of all, it has to be clarified what kind of measures one is looking for. Are direct measures more appropriate, or should the stress being put on indirect programmes? As mentioned above, the interviewees seldom made use of direct public funding in their different phases of business development. Start-ups and small established firms in creative knowledge industries operate in highly dynamic markets, which to a large degree depend on other economic sectors. So the market climate is very sensitive to what happens in other economic sectors. Therefore the business entities (firms, associations, programmes, networks) must be able to react quickly, they must be flexible. In addition, not fitting well with public policies, it has to be calculated with moments of decline, when the market climate becomes difficult. The best example was the burst of the Dot.com bubble in the end of the 1990s. From a fast growth of a new economy sector, suddenly only few companies survived. Many others disappeared completely. The same could happen to creative industries, when markets mature into complex financial interdependencies. The sector itself is very fragile. So the public promotion could not be done by rigid long-term funding. In addition, it is repeatedly argued, that 'creatives' want to be free and not constrained by or obliged to someone.

So probably indirect measures could be better for both parties; politics and creative industries. It leaves freedom to creative actors and it gives investment security to public representatives. A possible way to do so would be to install a specific representative for 'creative industries' in the local administration. Such a mediating expert could help to translate between administration and creative industries, or even keep up the dialogue to an independent, not yet economic creative scene.

How could Leipzig strengthen its integrative force and open-mindedness?

As mentioned above creative knowledge managers and freelancers stay in Leipzig despite of economic difficulties. This is mainly due to private social networks and living conditions (nice neighbourhoods, cultural scene, and nightlife). Social relations, often dating back long time, are a major pull factor for people to stay in the city. Circles of friends, families and other acquaintances are a necessary resource for feeling happy and at ease.

Nonetheless, two topics arise around this social aspect. On the one hand, it is necessary that existing social networks are open to integrate new incoming people. If circles of friends and acquaintances are exclusive, immigrating talents will not sustainable be bound to the city. This problem is difficult to target in broader political concepts, but it is essential for feeling welcomed in a city. Perhaps this could be considered in strategies of social cohesion.

On the other hand, Leipzig within its Eastern German context faces the problem of being associated with problems of xenophobia. Here public funds should be used to strengthen civic engagement in order to address the problem of xenophobic aggressiveness. This push factor definitely corrodes a necessary, integrative and open-minded atmosphere in the city. In addition to the inner conflicts, it leads to a severe damage in the image of Leipzig as transported by the media.

5 CONCLUSIONS/ DISCUSSIONS

5.1 General conclusions

The research conducted in WP 6 confirmed the assumption, that official statistics are not fully capable to analyze the field of creative industries, especially in emerging and not yet fully established markets, creative economic scenes and milieus. Statistic accounts only give a general overview on development and offer first descriptive insight (see Lange et al., 2007: ACRE WP 2). Important driving forces and motivation patterns can only be detected in in-depth interviews with the actors in consideration. The interviews provide a better understanding of the ways in which the creative knowledge industries work. In addition, the interviews offer an empirical testing for theoretical hypotheses in the field of urban and regional economies, as examined in WP 1 (see Musterd et al., 2007).

5.1.1 Empirical findings of the interviews and urban economies theory

This section links the findings of the current empirical phase of the ACRE project to the theoretical approaches discussed in the beginning of the research project. The literature review discussed theories of (I) globalisation, new agglomeration economies, creativity and the rediscovery of the value of geography, (II) clustering concepts, (III) path dependency and regional development, and (IV) soft location factors and their mutual interference with creative knowledge industries. The outcomes are summarised in table 5.1.

It was stated that there are several dimensions which were underestimated in the literature, on which the empirical research in the ACRE project should concentrate. The effectiveness of regional competitiveness policy for creative knowledge industries should be questioned more detailed. The role of path-dependency for the start-up of creative knowledge industries in a region should be analyzed. The interdependence between soft location factors and creative knowledge industries as well as between clustering processes and creative knowledge industries should be investigated. Finally, the most relevant geographic and administrative scale for the development of creative knowledge industries should be looked for (see Musterd et al., 2007, pp. 31-33). Not all of these questions will be examined in this section. Still, central outcomes of the WP 6 interviews will be linked to the literature.

Hard and soft location factors

A first conclusion could be drawn from the evaluation of soft factors by the interviewed creative knowledge managers and freelancers. Theoretical approaches understand hard location factors as classic resources Fordist mass production economies relied on. These were factors like available labour force, rent levels, available space for offices and production facilities, law systems and other institutional regulations, and tax incentives. With the change in economic organisation towards flexible modes of production and individualistic consumption patterns, a new type of smaller economic entities came up, organised in flexible production networks. In theory, when making their location decision, these small enterprises looked primarily for so called soft location factors, which are conceptualised as creative milieus (see Roberts, 2006), open institutional environments (see Landry, 2000), the urban atmosphere, attractive (semi-)public spaces, a tolerant and diverse population (see Florida, 2002), the quality of neighbourhoods, available green space, recreational and leisure time offers, and nightlife and cultural ambience. Recent literature in regional economies and economic geography suggests, that these diffuse and indirectly economic relevant soft factors gain importance compared to the more classic and direct economic hard factors.

The interviews with the managers and freelancers engaging in creative and knowledge-intensive economic activity in the city region of Leipzig showed a rather differentiated estimation of soft location factors. Leipzig's creative knowledge entrepreneurs do not seem to forget about hard location factors. As mentioned earlier, one of Leipzig's biggest potentials and most crucial driving force in promoting creative knowledge industries is its availability of office and production facility space due to the relatively high level of vacancy. An ever repeated argument by the interviewees acknowledged this situation and the resulting low levels of rents to pay. Especially this hard factor condition keeps people running their businesses in the city region of Leipzig.

In addition, another hard factor has already been mentioned: the size of local market volume. In section 4.6.1 it was sketched out that the regional economy performs relatively weak and the classic production sector as potential client provider for creative knowledge industries is underdeveloped. This fact is perceived as negative and hindering to their economic activity by the interviewed managers and freelancers. But in combination with hard factor 'low rent' economic activity is still feasible in the city region of Leipzig.

A third classic hard location factor concerns the availability of cheap workforce in the region. Especially for creative knowledge industries the regional educational institutions – the technological, business and arts universities and colleges, and the German apprenticeship system – serve as generators of constant output of qualified workforce into a more or less stagnating regional economy. Consequently, salary levels stagnate or even fall as the workforce, willing to stay in the region, competes for jobs. This leads to ambivalent evaluations by the managers and freelancers. While managers appreciate the fact to only need to offer low pay for acquiring employees, freelancers moan about sinking market prices for the services they offer. Especially the 'new media' sector is affected by this development.

Fourth, the infrastructural issue and the connectivity of the city region are picked up by the interviewees. On the one hand the small firms and freelancers acknowledge Leipzig's well developed infrastructure (see section 4.6.1) – the connection to the ICE high-speed train networks, the *Autobahn* connection, the airport, etc. Still when selling their products and services within the city region or the broader region of *Mitteldeutschland* they do not effectively make use of these connections in terms of long-distance travelling. On the other hand the bigger companies organised as branch within a multinational corporation as well as the small start-ups and freelancers selling all over Germany or even Europe moan that the connectivity is insufficient. Though the hardware in terms of physical infrastructure is well developed, the service providers do not offer appropriate connections to other economic growth poles in Europe.

No matter if appreciated in a positive sense or complained about in a more negative way by the different interviewees, hard location factors such as rent levels, workforce availability, key markets, and infrastructure and connectivity still play a crucial role for the small entrepreneurs in creative knowledge industries. The new, flexible forms of organisation in post-Fordist modes of production still count to a large share on the ‘hardware’.

The everlasting importance of certain hard factors does not contradict theories of the rise of soft location factors. The findings from the interviews only put the emerging importance of soft factors for flexible networks of creative and knowledge intensive production into perspective. Whereas in Fordist modes of mass production hard factors might have been the most decisive location factors, today’s service sectors’ location decisions are influenced by both soft as well as hard factors. When asked for the drivers for starting and problems for running a business in Leipzig, most interviewees primarily referred to hard economic factors. Nonetheless in a second reflection soft factors still seemed to play a significant role. In the way of answering and thinking about their situation, soft factors seemed to be rather linked to the private and leisure time activities whereas hard factors more or less referred to the entrepreneurial activities.

Especially for the freelancers and small start-up firms in creative knowledge industries this ambivalent attribution of soft factors to private life could not be found as clear as for the bigger companies especially in the knowledge intensive field of consultancy. Due to the fact that freelancers and start-up managers in the creative industries not necessarily need to have an office space rented to start their businesses, they are dependent on public spaces for meeting their clients. In this respect soft factors become increasingly important for promoting creative industries activities. Related to the concept of ‘third places’ and an ever more blurring of the frontier between working and leisure time, soft factors as urban design, the quality and availability of public spaces, the social capital of a region, and the cultural and nightlife offers were evaluated by the interviewees as very attractive factors of Leipzig.

One soft factor, according to the literature review, was supposed to be very important for the ‘creative class’: the quality and ambience in the neighbourhood, especially in terms of ethnic diversity and stimulating atmosphere of subculture. Astonishingly, this does not hold true for the Leipzig based entrepreneurs in creative knowledge industries although certain quarters offer these characteristics. The interviewees when making their decision about where to live and where to work do not pay much attention to moving into these distinct quarters with a lively atmosphere and youth culture. Micro-scale location decisions are rather made in a context of incomplete information and time restriction. The decision-making process about where to live and where to settle the office shows a pragmatic solution-oriented character. Some of the interviewees explicitly mentioned that the small size of the City of Leipzig allows for such an easy way of locating, because all other locations within the city are easily accessible from every point within the city's area. So, no disadvantages are resulting geographically from the choice of location. The only disadvantage could be related to rental prices, which still are generally low within the whole city.

There is, however, a clear tendency detectable for freelancers and managers of small creative firms to locate in the inner city quarters. The relative indifference expressed in the interviews concerning the micro-location has to be seen against this background. It may thus be interpreted as indicating no particular preference for a certain inner city quarter, but that a wide array of inner city areas fulfils their locational requirements, for instance Connewitz, Südvorstadt, Schleußig, Plagwitz, or the Neustädter Markt. They all have a certain urban atmosphere and are close to cultural and subcultural hot spots and 'third places' for meetings. It can be assumed that creatives would be rather reluctant to move to urban fringe areas, like the peripheral housing estates in Grünau.

The openness of political stakeholders is cited as soft location factor. According to Florida (see Florida, 2002) the willingness to try and implement new, innovative ways of governing and administrating a city is one crucial item of places that attract creative entrepreneurs. The administration of the City of Leipzig is characterised by open-minded stakeholders. The explorative interviews with networkers as well as the experiences during the LOP meetings clarified that the different experts in the City's departments are open to engage in new topics. For the case of creative knowledge industries, the interest of the Department for Economic Development, the Department for Cultural Affairs, and the Department for Urban Planning in the topic of creative industries shows that openness exists. For example, a bid for an INTERREG IVB could successfully be won. Within the EUROCITIES network the City of Leipzig will develop programmes for creative industries in a specific upcoming *Gründerzeit* quarter west of the city centre. This programme will be adjusted to the integrated urban development plan. Moreover, cooperation between administrative and private decision makers is common also in a broad range of other examples.

However, the empirical survey with the creative knowledge entrepreneurs showed that they do not make use of programmes or public funding. It seems as if Leipzig's 'super creative core' and knowledge-intensive talent does not seek for contact and exchange with the 'political class'. As stated by the interviewees the programmes, which indeed are mostly provided by the regional and national administration, are regarded as too difficult to apply for. By contrast, the local level government, the City Council Leipzig, provides strategic planning and frameworks for creative entrepreneurship, which are not directly linked to single firms and freelancers. Therefore, it could be supposed that local political activity does not enter the creative knowledge entrepreneurs' perception as a sort of policies working with direct incentives and funding on regional and national levels. Rather general conditions will be increased for the creative industries, available for all the entrepreneurs.

The notion of 'personal trajectory' in relation to soft factors

Soft factors, just as hard location factors, can be provided directly or promoted indirectly by local and regional administration. They share the character of certain deliverability as a public good. In recent years it could be observed that local and regional economic development policies changed their focus from hard factors to soft factors, pursuing strategies of providing soft factors in order to attract creative economic activity to their cities and regions.

Concerning this approach to soft factors, the interviews could offer new findings on the relevance of external location factors that could be promoted by policy. The interviews with Leipzig's entrepreneurs revealed a significant degree of rootedness to the city region of Leipzig. This rootedness primarily refers to personal relationships to family and friends as well as to other social networks developed in the long run. This 'personal trajectory' factor could also be related to the soft factors because it does not per se exhibit direct economic utility that can be calculated. One could even suggest that it is economically disadvantageous in the Leipzig context of weak general economic performance. But contrary to other soft location factors this factor of local rootedness could not be subsidised by political strategies as it is limited to a more private and individual sphere of a person. Interpersonal relationships are rather linked to 'fuzzy' things like character, psyche, and sympathy – things that standard conceptions of soft and hard location factors do not address. A hint to the operationalisation of this kind of personal social embeddedness could be the crucial place of making friends, which is school and university. It was found that a lot of start-ups are founded in the place of achievement of the latest educational degree. Social networks developed in universities, colleges, and other schools seem to be underestimated in the recent literature. A single focus on graduates and workers as entrepreneurial potential seems to be insufficient. Students who still go through stages of apprenticeship should be looked at in a more detailed way to better understand how a local entrepreneurial potential develops in the framework of personal social relationships. These circles of friends, families, and acquaintances are not primarily based on economic intention, but they could become a serious driving force for economic development in the long-run.

Attraction and retention

Though these aspects of rootedness seem to be 'fuzzy' compared to common location factor theory, they play a very important role in the context of Leipzig's creative knowledge industry. The interpersonal relationships, especially those apart from the working environment, outweigh most of the hard location factors, and they even are appreciated as more important than many of the soft factors, which are already more related to private and leisure sphere than hard factors.

When thinking about the demographic situation of the city region of Leipzig, the topic of brain drain comes up. The city region of Leipzig, as most parts of Eastern Germany, suffered from large scale emigration of high-qualified, mostly young population to the more prosperous regions in Western Germany. When the problem became obvious, this issue was put on the agenda by Eastern German regional governments. Repatriate programmes have been initialised in order to stop and even reverse the population flows.

The interviews with the managers and freelancers in creative knowledge industries showed that the personal relationships fulfil the function of what politicians intend to do by repatriate programmes: they simply bring back the formerly emigrated people. It has to be mentioned that only one interviewee in the sample showed such a spatial pathway. Nonetheless the functioning of private sphere personal networks has to be thought about not only in respect to repatriation but to retaining the creative people. The research on factors that attract mobile people to regions forgets to look at factors that work in 'sticky' way. Theoretical suggestions about an ever more mobile creative skilled labour force do not pay sufficient attention to systems of maintenance, that hinder labour mobility. Managers and even more the creative and knowledge-intensive workers are no rationally choosing, simply functioning machines. Outside of their working life with all its career opportunities they are 'glued' and re-attracted to places by friends, family, or other persons in different forms of relationship.

The factors of retention to places in the Leipzig case are very important as they retain creative knowledge entrepreneurs in an environment which especially from the hard factors point of view still shows significant lacks. The majority of interviewed managers and freelancers were rooted to the city region of Leipzig not because of economic opportunities but because of private life factors, thus accepting possible disadvantages in the working environment. Before looking at hard and soft factors which foster or hinder the development of regional firms, and summed up the whole regional market, a stronger focus should be put on the founding moment. Especially the private and individual background and trajectory has to be taken into consideration more deeply in order to understand the 'where' and 'why' of the founding of an enterprise foundation. Not only external factors count, but also aspects not related to the business world, and it could be assumed that these private individual backgrounds limit mobility by spatially binding people.

Table 5.1 - Main features of the selected sub-sectors of creative and knowledge intensive industries

<table>
<tr><th></th><th>Business and management consultancy</th><th>TV, radio, movie production</th><th>PC & video games, e-publishing, web design</th><th>Design</th></tr>
<tr><td rowspan="2">Hard factors</td><td>very important
- client base
- infrastructure
- accessibility</td><td>important
- transport infrastructure
- structure of built environment as nice scenery</td><td>less important
- ICT infrastructure
- low competition in e-publishing</td><td>less important
- available vacant space for experimental use</td></tr>
<tr><td colspan="4">across all sectors: availability of qualified workforce from regional universities, low wage levels in the region, low cost of office space and housing</td></tr>
<tr><td rowspan="2">Soft factors</td><td>less important
- classic culture like opera & theatre</td><td>important
- city offers stories to tell (documentary)
- city of events (sports, fairs, etc.)</td><td>important
- nightlife
- pubs and bars</td><td>very important
- stimulating atmosphere
- open-minded people
- liberal climate
- unfinished character of built environment</td></tr>
<tr><td colspan="4">across all sectors: Leipzig as a city of vibrant cultural life, social networks (family, friends, acquaintances)</td></tr>
</table>

Path dependency	long industrial tradition, then post-1989 transition as rupture, consultancy as new market profits from traditional knowledge and trade relations	until WW II: important centre of publishing and printing in Germany, in GDR still important, 1989 as rupture, shift to TV, radio, movies as media	no particular development path in the city region of Leipzig, emerging market	HGB Academy of Visual Arts (founded in 1764) as old centre of graphic arts, but no development path in design sector, emerging market
Networks	no networking, rather project-based business cooperation between single firms	formal network around public broadcasting station MDR, documentary scene around DOK Leipzig festival and PPP funding institutions	informal networks, project-based cooperation, strong links to universities, Games Convention as global fair, but disconnected locally	informal networks related to regional arts academies and universities, Designers' Open as official platform for representation
Threats	stagnating economic base leads to closing of branches of global companies of potential clients (manufacturing, finance, insurance, etc.)	possible lock-in around MDR and media city, exclusive business network due to stagnating budget	growing competition with stagnating client base, therefore decreasing prices in regional market	lack of institutional integration and acceptance of the design industry, therefore no possible development of client base
	across all sectors: regional economy not very dynamic, therefore: focus on regional market only offers low income			
Opportunities	growing logistics and automotive sector as clients, East German specific business knowledge	further development of documentary cluster, integration of MDR network and independent producers	re-definition of Games Convention in cooperation with local firms to profit from global publicity of the fair	professionalisation and enhancement of Designers'Open for construction of client base, formalisation of networks
	across all sectors: orientation towards foreign markets, professionalisation of internal and external representation, exporting the label 'Leipziger Freiheit', vacant office and production facility space, good infrastructure, open-minded people and administration			

5.1.2 Creative knowledge managers vs creative knowledge workers

While the WP 5 (see Lange et al., 2008) focused on creative knowledge workers in the current WP 6 the managers of firms in creative knowledge industries were taken into consideration. Although the methodological approaches (quantitative vs. qualitative interviewing) differ in the two work packages this section seeks to identify similarities and differences among workers' and managers' attitudes towards their location of living and working. A difficulty in comparing the statements of both groups lies in the fact that apart from a different methodology also the thematic orientation and therefore the central questions within the empirical surveys differed from one another. Whereas the workers were predominantly asked for aspects of their private life circumstances, relating to their housing and their neighbourhood situation, the qualitative interviews with managers focussed on their business environment. Yet, the workers had also been asked in one part of the questionnaire to evaluate their working environment.

Similarities between workers and managers

A first similarity shows up when comparing the workers' (WP5) and the managers' (WP6) attitudes towards the city region of Leipzig in terms of soft and hard factors. Generally, the hard factors, against theoretical odds, have not been outweighed by soft factors. The economic tensions on the labour market as well as the economic performance show the workers and the managers quite plainly that an economic base still stays important. Therefore, workers are mostly worried about their job situation. They fear unemployment, the job availability is insufficient, and wages are low compared to other German regions. Similarly the managers and freelancers in the city region report difficulties in selling their products and services to regional clients and they suffer often instable contracting situations, not guaranteeing continuous income on a profitable level. Soft factors, therefore, play a subordinated though not unimportant role. Mostly they are evaluated positive by both study groups.

Being based in Leipzig is connected for the both workers and managers with a trade-off between professional and economic success and aspects of leisure and private life satisfaction. Personal linkages and social networks are as important for the workers as for the managers. People stay in the city region because they like the people, they have friends and family, and they could easily access social networks. As discussed above, in addition to a positive evaluation of soft factors in general, this personal sphere is one of the major driving forces for people to stay in this region although economic and career opportunities might be better in other regions. Both groups therefore contradict, in their spatial practices, the theoretical concepts stressing a rising mobility of creative talents related to economic and career prospects.

These personal networks, which are not necessarily related to business and professional concerns, are used to compensate for economic disadvantages. Workers indicate that these personal networks and out of home activities are necessary conditions for accessing new jobs in a tense regional labour market. Managers do not effectively relate the notion of network to these kinds of activity. Still they profit from a certain interference of private and business-relevant information circulating in their circles of relatives, acquaintances and friends whom they meet in their leisure time. Often based on private interests the social networking aspect in the city could be considered an informal way of knowledge and information exchange which helps people in the city region to survive and improve economically.

An issue coming up for workers as well as for managers is the cited notion of 'Leipziger Freiheit' in terms of vacant spaces and cheap living conditions. Somehow logically, this aspect refers rather to the topic of housing availability and affordability with the workers. They appreciate the availability of good quality apartments in liveable and lively neighbourhoods. A high degree of satisfaction with the life in their neighbourhood and certain items of their dwellings could be observed. The same accounts for managers, whose evaluations refer to available and affordable office and production facilities space. They acknowledge the potential and diversity of offered buildings for commercial use. In addition, not all of the managers and freelancer rent extra office space. Some operate their businesses from at home. Therefore, for them the estimation of space availability interferes with private housing aspects like in those ones from workers. It becomes obvious that this specific hard factor is important as an attraction and maintenance factor for both workers and managers. The low price levels make it possible for both groups to stay in the city although earning less than in other regions. In addition the built environment offers a great variety of spaces, which is looked upon favourably.

Concerning the soft factors, it could be pointed out that workers and managers acknowledge the cultural events and institutions based in Leipzig in a similar fashion. Both higher level culture and independent subculture offers are frequented by the inhabitants of Leipzig. The various public and private theatres, cabarets, opera and concert halls as well as the lively club and bar scene, the summer open air events and lots of different festivals make workers and managers leave their homes to participate and enjoy public life in the city, which makes them feel at ease with the city and develop at least basic levels of identification with the city.

Difference between workers and managers

A central difference between managers and workers could be related to the reasons for being in the city and the trajectory of arriving. As reported in the previous chapters, a majority of the managers and freelancers has family roots in this city or at least university time related circles of friends that tie the entrepreneurs to the region. Only the smaller part of the interviewed managers and freelancers was attracted to the city by career options. By contrast, workers evaluate the attraction factor ‘job’ a strong importance. Many of the interviewed workers came to the city because they or their partner found employment in Leipzig. And those of the workers who indicate to think about moving do this because of job-related reasons. So it could be assumed that creative knowledge workers are more mobile than managers and freelancers who settled their business in the city region. A possible explanation for this difference in attitude could be suggested by the stronger importance of access to business-relevant information which is connected to long-term social relationships including trust mechanisms. In addition, managers and freelancers are too a higher degree self-responsible. They bear all economic risk on their own, which provides them also with location freedom and risk. For workers it is quite easy calculable what risks a migration features. The relocation of a small company dependent on a regional market with its tacit knowledge and specific information distribution systems is much more risky than is changing an employer is for a worker. By contrast, a manager or freelancer could always decide freely whether to extent its business into foreign markets in order to get better return on investment, whereas a worker could not opt freely for widening his career chances within the organisational setting of his employer company. So it could be suggested that businesses from regionally rooted managers and freelancers in creative knowledge industries are less mobile than the sectors’ workforce.

5.2 Implications for competitiveness of city

From the results of the empirical survey some important implications for the competitiveness of the city region of Leipzig could be derived. First of all the research on creative and knowledge intensive entrepreneurial activity showed that these different businesses could not be regarded as a homogeneous industrial sector. When talking to the managers and freelancers it became obvious that with all these different small firms a large variety of historical development paths and business plans are hiding under the label of creative industries. The fast changing and instable market situation leads to flexible organisational business models. In addition, low development levels of institutional frameworks for regulating risk in this fast changing environment demand flexibility even more as a reaction to a risky business environment. The organisational answer of many companies in creative knowledge markets is to keep the firm size small and to prevent hiring too many employees. Furthermore, employment is characterised by temporary contracting. Another solution to risky situations is to share risk which is commonly done in creative knowledge markets by extensive use of freelance working as an organisational model.

Taking these structures into consideration one has to point out that creative knowledge industries are very fragile in their relational assets among market participants as well as in their economic stability. Especially in the Leipzig context a stabilisation of the income situation of these businesses could help to promote growth. As long as entrepreneurs do not have at least a stable basic income they cannot develop strategies of expansion, they will not employ new workers, and they will not enter into situation of trial and error and further business risk. For constant progress of the industry different aspects have to be developed in the Leipzig context.

First, the overall economic development has to be promoted with the aid of political and established economic stakeholders. If creative and knowledge intensive entrepreneurs would have enough potential clients in the region, their services and products could better be sold. The regional business cycle still too much excludes the emerging industries. For a better integration of these new economic activities into regional business cycles a shift of attention in regional economic development policy is important. On the one hand endogenous development (start-ups, spin-offs) has to be pushed forward in every economic sector as local entrepreneurs are involved in regional business networks which act as a source of trust and reputation. Important contacts to potential clients could better be built when these client firm managers are rooted in the city region of Leipzig. On the other hand the implementation of an institutional framework has to be focused in order to back up the fragile upcoming creative industries with its small economic entities operating in fast changing and often informal relational systems. Other, more established sectors as construction and building, machinery, or automotive dispose of labour unions, industrial associations, and lobby institutions. Keeping in mind the heterogeneity of creative industries it may be doubted if 'classic institutional settings' of 'classic sectors' could successfully be applied in emerging sectors. Nonetheless some support for the large number of independently operating entrepreneurs is necessary, especially when thinking about access to public resources.

Another economic problem refers to the functioning of the creative knowledge markets. The small and numerous economic entities face the problem that they have difficulties to approach large corporations, especially in traditional economic sectors. As described by the interviewees large corporations rely on different trust systems (e.g. certifications, references from other large corporations, etc.) than small firms (e.g. mouth-to-mouth reputation, informal networking). Therefore a kind of interface business developed in the service sector which is characterised by a large number of agencies. These agencies sell the services of the small creative entrepreneurs to the large corporations, charging a rate for this mediator activity. Effectively they do not produce, they only trade. This turns out to become a problem for small producers of services for example in the new media sector (games development, web design, e-publishing). When they want to expand into other regions, they need to use agencies to approach new clients, due to a lack of knowledge and of capacities to ex-ante collect information. The agencies which are organised in relatively large entities charge high rates that make the jobs for big corporations unattractive. A promotion of direct contacting systems could be helpful for small creative knowledge intensive entrepreneurs to target big lucrative clients.

A second issue concerns the city's setting of hard location factors. As found out in the series of interviews, hard factors still play an important role also for creative knowledge entrepreneurs. On the one hand the deficits which threaten Leipzig's future development have to be seen in its international accessibility. In a worldwide competition of regions, for attracting investment, people and economic activity, international visibility and accessibility become more and more important. Leipzig is already well equipped with hardware. The technical infrastructure is well developed, but it should be observed how these infrastructures are used. When thinking about that mobility of economic input factors rises in a global scale, attraction is not necessarily related to success. Input factors such as capital, creative people, or office branches could easily be located in Leipzig, but they could rapidly be relocated as well. Probably, a next step is not only to think about attracting and locating but also to think about new modes of short term factor mobility. Today, the place of living and the base location of working must not necessarily be the location of providing a creative or knowledge intensive service anymore. For example, a worker who lives and works in Berlin for a company which closed down its branch in Leipzig could still offer the companies service in Leipzig. Then it becomes more and more important to think about reducing travelling times (train, road and airways) and making travelling time more effective (accessibility of internet in trains, train stations and airports). Therefore regions have to look for service providers who offer the accessibility of places with their services. Here, Leipzig faces serious problems when it comes to airway connections.

Looking at a very competitive hard factor, the availability and affordability of office, production facilities, and living space, the so-called 'Leipziger Freiheit' is one of Leipzig's biggest potential. When looking into the future a central question will, how could Leipzig maintain this potential which makes it unique compared to other European cities? A general development paradox could be seen in the contradiction between the objectives of redeveloping, renovating, and reselling old, degenerated and vacant locations and the objective of keeping this competitive advantage of lots of cheap space. These considerations are related to gentrification processes, in which expulsion of pioneer occupiers is a common problem. These pioneer occupiers originally produce the symbolic capital of a degenerated locus, which is then turned into financial profit by investors. A very important challenge for

Leipzig is to maintain this potential of places and spaces which are open for occupation and experimental using. Not only vacancy is a basic condition, but also the possibility of occupation of vacant buildings and spaces, even if only for temporary use without development strategies, is important.

A final issue concerns the external image of Leipzig and its surroundings. Different images are transported outwards from the city region of. On the one hand the city is communicated as open-minded, attractive place to live and work in, having succeeded in transforming from the socialist heavy industries centre into a hotspot of creativity and possibility. On the other hand the city still faces problems of structural post-transition long-term unemployment, generating insecurity in certain parts of the society. This insecurity lets right-wing extremism become a serious topic. Right-wing parties gain remarkable shares in the surrounding rural areas of the city region. These tendencies could menace the positive developments realised so far. The external representation of the city tends to become more ambiguous between 'good news' (hotspot of creativity and open culture) and 'bad news' (hotspot of xenophobia and intolerance). The problem of right-wing activities has to be put on the agenda on local and regional levels.

6 SUMMARY

Within the ACRE project the work package 6 looked for the main drivers behind the decisions of the managers and freelancers of selected knowledge intensive and creative industries to settle at a certain location in the case study region. The relative importance of the location factors that played a role in their decision making process should be identified. One central question was: how are ‘classic’ factors, such as the presence of adequate and specialised labour, accessibility, tax incentives, and also ‘soft’ factors, such as the quality of space; atmosphere of the city and region, available high-quality residential space, etc. related to this location decision?

In order to get this information the ACRE team decided to use semi-structured guided expert interviews. Four branches of the creative knowledge industries were selected to be focused on, namely (1) business and management consultancy; (2) old media – TV, radio and film production; (3); new media – games development, web design and (4) design activities – communication design, product design, and industrial design. Before starting the interviewing phase a general overview and an understanding of the structures and functioning of each branch was gained by talking to ‘network agents’ (representatives of associations, administration or trade fairs). After these talks the context could be described, within which managers and freelancers could act in the city region of Leipzig. Subsequently, within each of the selected branches a sample of six managers/freelancers was interviewed.

Thereby, this qualitative research design is advantageous for leaving openness to the specific situations of each interviewed manager and freelancer. The difference to quantitative, structured research design is constituted by the amount of detail information gathered in order to understand context specific strategies of market participants. While in quantitative designs a reduction of information takes place before surveying, in qualitative designs only relatively wide and open fields of interest are marked off. Reduction, filtering and abstraction of the collected data are done after field work. Therefore a large amount of information is collected and the ways of its interpretation is not representative, rather focussing on certain topics, which occur interesting while analysing the data.

Some interesting insights from the interviews with the creative knowledge managers and freelancers in Leipzig came up. First, a single model of causal relations between location factors and location decision could not be found. What is a reason to settle for the one is a reason to leave or stay away for the other. Factors for location are heavily bound to the personal situation of the interviewee. So the compound of decisive factors is individually mixed. The personal situation, then, interferes with socialisation background and mentalities of the managers and freelancers. Furthermore, before locating a business, the decision to even found a business is more relevant for the today’s location. Personal trajectories play a crucial role for the decision to found. Then, founders did not so much think about where to locate. Rather they considered different market conditions as constitutive. Location opportunities only played a secondary role, especially within the inner city region of Leipzig. Leipzig, compared to the other ACRE cities, is too small for a significant internal differentiation concerning the micro-scale locations. The majority of the interviewed managers and freelancers do not care about where to locate within the inner city, because the smallness of the city allows for rapidly reaching every other place within the city. On the other hand, some of the managers do not care about location patterns within the city region of Leipzig because for running their business whether they do not need own office space or the location of their office space is unimportant for keeping in touch with business partners.

In this perspective not soft or hard location factors play a decisive role for location, but the organisational structure of the branch and of the particular company are more important. A third aspect is indicated: when office space is not necessary, or the location of used office space does not matter, the private living location is the more decisive one for spotting the spatial activities of creative knowledge workers in Leipzig. A significant share of the interviewed managers and freelancers runs its business from home, using 'third places' for business and network meetings. Therefore an internal differentiation of Leipzig into different preferred quarters or places does not make much sense except for a general preference for inner city locations. The city itself is simply too small compared to the other metropolitan regions in the ACRE sample.

Nonetheless, the city region of Leipzig is characterised by specific decisive factors, which attract, retain or push people. Already mentioned in the preceding WP 5 report, the weak economic performance of Leipzig, especially the missing headquarters and big companies, constitute a dominant difficulty for Leipzig based creative knowledge industries. A lack of stable and well-funded clients leads to small market volumes in each of the four sectors. Nonetheless the city region of Leipzig attracts students and graduates due to its transported mouth-to-mouth images. It could be supposed that Leipzig's location in East Germany promotes its attractiveness for creative and cultural entrepreneurs, students and graduates, as it is imagined to be 'unfinished' and not as arranged, clean and put in order as traditional economic centres in West Germany (e.g. Munich, Stuttgart, Düsseldorf). The feeling of having options for trial and error attracts people from outside. Nonetheless it has to be stated, that big established companies settled branches to Leipzig, but in creative knowledge industries this location process stagnated. People coming to Leipzig are mostly young people, who want to 'try ideas', work freelance or found businesses in an urban and open environment, which is first of all affordable. Low rents and vacancy offers space for 'trying out' creative knowledge business ideas.

Having in mind these aspects of ambivalent decisive function of location factors, it is equally interesting to look for similarities between the business models and their background and development. Not only the location within Leipzig and the appreciation of Leipzig gives insights, but also the social background, the economic development path and the constitution of regional networks gives useful information.

For Leipzig different types of business founders could be identified. Their characteristics are closely linked to the transition history after reunification. On the one hand, there are managers who arrived from Western Germany immediately after the reunification. For them Leipzig constituted a location with an exciting atmosphere. This appraisal seems to have changed nearly two decades later. Then there are founders from the same generation, but always living in Eastern Germany. For them founding their businesses after 1989 resulted from economic necessities (unemployment, structural insecurity, bankruptcy of former employer). They used regional tacit knowledge to profit from economic opportunities in that time. The third important group of founders is constituted by youngsters, who originate from the first reunified cohort. They originally were born in the region, or they were attracted to the region from outside, but they share a similar attitude about how to do the business, and they similarly reflect their economic context, within which they operate. These three groups of managers and freelancers show different strategies of how to 'handle Leipzig'.

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8 ANNEX

Interview guidelines (German)

Kernfragen für WP6:

Welche Gründe haben Geschäftsführer/Manager/Freiberufler in den ausgewählten Beispielbranchen der Kreativwirtschaft ihr Unternehmen in Leipzig zu gründen, bzw. sich hier niederzulassen?

Wie stark ist die relative Wichtigkeit bestimmter Standortfaktoren? Wie stark ist die Bedeutung klassischer, ‚harter' Standortfaktoren wie Verfügbarkeit qualifizierter Arbeitskräfte, Erreichbarkeit, Steueranreize? Wie stark ist die Bedeutung ‚weicher' Standortfaktoren wie Raumqualitäten (Wohnungen, Grünflächen, Erholungsgebiete), Atmosphäre in der Region, Stadt, Wohnumfeld (Offenheit und Mentalität der Einwohner, Kulturangebot, Freizeiteinrichtungen)?

Welche Rolle spielen regional- und kommunal-politische Akteure? Haben vorhandene Strategien zur Förderung der Kreativwirtschaft/Wissensökonomie die Ansiedlungs-/Gründungsentscheidung für Leipzig beeinflusst?

Fragebogen: (Firmen/Freiberufler)

kurze Vorstellung des Ifl und des ACRE-Projekts (2 min)

Ursprung der Firma und Arbeitsaktivitäten:

- Geschichte der Firmenentwicklung
- Art der Firma – start-up, Übernahme etc.

Arbeitsaktivitäten

- Haupttätigkeit und andere Aktivitäten (Was stellt Ihre Firma her? / Welche Dienstleistungen bietet Ihr Unternehmen an?)

Geschäftsmodelle und Märkte

- Wie viele Kunden haben Sie? Welcher Art? (Welche Zielgruppe?)
- Wo sitzen Ihre Kunden? (Innenstadt, Region, Ausland)
- Ausrichtung auf lokalen/nationalen/internationalen Markt (Grad der Aktivität)

Arbeitsprozess und Anwerben von neuen Mitarbeitern

- Wie ist der Arbeitsprozess in Ihrem Unternehmen organisiert? (Arbeitsablauf)
- Welche Art Leute mit welchen Fähigkeiten/Wissen beschäftigen/stellen Sie (ein)?
- Wie groß ist der Anteil von Freelancern/Festangestellten/befristeten Angestellten (Subunternehmern)?
- Wie werben Sie Mitarbeiter an?
- Wo werben Sie?
    - Universitäten / Messen
    - Regionaler / nationaler / internationaler Rahmen

  - Probleme

Netzwerke

- Wie wichtig sind informelle Informationen für Ihre Firma? (Wettbewerbsfähigkeit, Innovation?)
  - Welche informellen Netzwerke sind in der Stadt oder Region etabliert?
  - Welche Art von Information wird in informellen Treffen ausgetauscht?
- Mit wem arbeiten Sie zusammen?
  - Firmen aus dem gleichen oder anderen Sektor?
  - Universitäten / Forschungsinstitute
  - Mitgliedern von Arbeitsorganisationen?
  - Verwaltung / Organisation von öffentlichen Behörden

Standortfaktoren (hart/weich)

- Warum wurde das Unternehmen in Leipzig gegründet?
- Alternativ: warum hat sich das Unternehmen in Leipzig angesiedelt?
- Warum nicht in …..(Stadt)… in Deutschland? Oder: Was bietet Leipzig für Vorzüge gegenüber anderen Städten?
- Können Sie die Rolle der Stadt für Ihre Branche beschreiben? Hat die Stadt eine besondere Bedeutung für Ihre Branche in einem nationalen / internationalen Kontext?
- Welche Vorteile bzw. Nachteile hat die Stadt im Vergleich zu anderen Städten bezüglich Ihrer Branche zu bieten?
- Welche Rolle spielen Faktoren wie..
  - Infrastruktur (Transport, IT Infrastruktur)/ Arbeitsmarkt/ Stadtverwaltung/ Kosten (Miete/Leben/Personal)/ Politik/ Förderung durch Stadt/ Region/ Bund, Steuerklima
  - Soziale Beziehungen/ Familie/ Lebensqualität/ Freizeitaktivitäten/ Region/ subkulturelle Szene/ Toleranz – Offenheit
- Warum hat sich das Unternehmen in diesem Teil der Stadt niedergelassen? (abhängig von Standort: warum nicht in einem anderen Teil?)
- Allgemeine Zufriedenheit mit dem Standort? Vorteile/ Nachteile
- Blick auf die Stadt: Grundstücke/ Freiräume, Transport, Image... (Hat das Image der Stadt die Standortwahl beeinflusst?)

Öffentliche Förderung

- Ist öffentliche Förderung relevant für Ihr Unternehmen?
- Welche Arten der Förderung beziehen Sie?
- Was könnte von Seiten der öffentlichen Behörden verbessert werden (Stadtbehörde, Region etc.)? Wünsche? Welche Bedingungen könnten verbessert werden? (z.B. Steuerermäßigungen, Fördermittel für Bildung, Investitionsanreize..)

Ausblick

- Welche Zukunft hat Ihr Unternehmen an diesem Standort?
- Plant Ihr Unternehmen den Standort zu verlassen? Warum?/ Warum nicht?

Interview guidelines (English)

Before you start, for the researcher's memory: the key questions for WP 6:

What are the drivers behind the decisions of the managers of selected knowledge intensive and creative industries to settle at a certain location in the case study region?

What is the relative importance of the location factors that played a role in their decision making process ('classic' factors, such as the presence of adequate and specialised labour, accessibility, tax incentives, and also 'soft' factors, such as the quality of space; atmosphere of the city and region, available high-quality residential space, etc.)?

What is the role of the urban and/or regional government: did specific strategies to stimulate or create 'clusters of creative and/or knowledge-intensive activities influence the company's location decision?

Structure of the interview (Firms)

Short introduction of the interviewer and ACRE (2 minutes)

Warm-up question to start the interview

- Position / description of daily work and tasks in the firm / current responsibility
- Short career history of interviewee (if founder)

Possible opening questions:

Origin of the Firm and Activities

- History of firm development
- Type of firm – start-up, buy out etc.

Activities

- Account of core and other activities (What does your company produce? / What services does your company provide?)
- Can you explain this to me? (*come to various focus areas which are mentioned in the guidelines: see below*)

Or: start with any other focus area if you think this is more suited to your local situation

Be sure that the following issues will get attention during the interviews:

Business Models and Markets

- How many/what type of clients/customers? (Who are your customers/clients?)
- Where are your customers located? (rough estimate of the *relative share* of origin of customers: inner city, region, state/country, abroad)
- Orientation to the local / national / international market (scale of activity)

Labour process and Recruitment

- How is the labour process organised in your company?
- What types of people with what skills/knowledge do you employ?
- Role of freelancers / people with permanent contracts / subcontracting of work?
- How do you recruit your employees?
- Where do you recruit them?
    - Regional /national / international scale
    - Universities / Fairs
    - Problems

Networks

- How important are informal links to your firm? (in terms of competitiveness, innovation?)
    - What informal networks are in place in the city or region?
    - What types of knowledge /information are exchanged in informal meetings?
- Who do you collaborate with?
    - Firms same sector other sector
    - Universities / research institutions
    - Member of business organisations?
    - Administration / organisations of public authorities

Location Factors (soft and hard)

- Why was the company founded in the city of…?
- Alternatively: why did the company move to this city?
- Why not in another city in … (your country)?
- Can you describe the role of (your city) for your sector? Is the city or region an important location for your sector in the national / international context?
- What advantages or disadvantages did the city offer in comparison with others for the firm's location?
- Role of factors like
    - Infrastructure (transport, IT infrastructure) /Labour market /city administration / Costs (rent/living/personnel) / Policies / support by the city/region government /Tax climate
    - …..
    - Social ties / family / quality of life / leisure activities /region/ sub cultural scene / tolerance – acceptance of diversity
    - …
- 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?)
- Overall satisfaction with the location? Advantages / Disadvantages
- View on the city: sites / property, transport, image…(e.g. Did the image of the city influence location decisions?)

Public Support

- Is public support relevant for your company?
- Types of support received?

- What could be done better by the public authorities (municipality, region, etc.)? Wishes? What conditions can be improved? (e.g. fiscal policies, subsidies for education, incentives for investment…)

Prospects

- prospects of the company at the location
- Does your company plan to move away? Why / why not?

Comments

- Did important points concerning your firm and the sector of your firm at the location of (your city/region) 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?

Questionnaire (to be filled in after the interview)

Name and position in the firm	
Name of the firm	
Sector of the firm	
Number of employees	
Detailed location of the firm	
Turnover	