Creative Munich?

The views of high-skilled employees, managers and transnational migrants

ACRE report 8.7

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

Amsterdam 2009
AMIDSt, University of Amsterdam

ACRE

ACRE is an acronym of the international research project ‘Accommodating Creative Knowledge – Competitiveness of European Metropolitan Regions within the Enlarged Union’.

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Table of contents

EXECUTIVE SUMMARY

This report is part of a broader project examining the creative knowledge industry in 13 European metropolitan regions. The two central research question of the whole ACRE project are: what are the conditions for creating or stimulating ‘creative knowledge regions’ in different metropolitan regions of the EU? And: What is the role of so-called ‘soft’ factors in creating and stimulating ‘creative knowledge regions’?

This report forms a synthesis of three previous reports examining the attractiveness of the Munich region for three groups: (1) employees in both creative and knowledge industries; (2) creative knowledge companies; (3) transnational migrant workers. The studies were conducted between summer 2007 until the end of 2008. There are two broad aims to this report. The first is to examine the relative importance given to different factors in terms of promoting the creative knowledge economy in the Munich region amongst the above mentioned target groups. The second is to evaluate the strength and weaknesses of Munich in terms of accommodating creative knowledge based on a combination of 'hard' production orientated factors and 'soft' consumption orientated factors.

Munich can be considered as an established centre of the knowledge intensive industry as well as knowledge intensive services in the German as well as in the European context. It can also be considered as a leading centre of the creative industries in Germany.

Which factors were decisive behind the decisions of creative knowledge workers, mangers and highly skilled migrants to settle and find a job or start a business in the Munich region? What was their main motivation to come to work and live in Munich?

According to Richard Florida, creative knowledge workers are drawn to places providing a range of lifestyle amenities, and have decided demands in relation to accommodation, the residential environment, and how they can spend their leisure time. Florida (2002, 2003) supplements these factors with factors such as social diversity, openness to minorities, a high level of ethnic-cultural diversity, and a prevalence of a bohemian culture. Also in the literature which focuses on the location decision of firms, there has been a shift towards a growing emphasis on ‘soft’ location factors like ‘the look and feel’ (Helbrecht, 2004) of a location, the cultural milieu, (semi) public meeting places like bars and restaurants where people of the same sector can be meet. This potential shift in location preferences of enterprises is associated with the transformation from a production oriented Fordist economy to a post-Fordist knowledge-based economy.

On the whole, the results of this study do not confirm that soft location factors have become more important than other factors neither in business location strategies of creative knowledge firms nor in the decision making process of creative knowledge workers.

Contrary to the arguments of Florida, the most important regional conditions in Munich, both positive and negative, to emerge from the research previously undertaken, largely concern traditional hard location factors. Hard factors are related to classic location conditions such as transport infrastructure, cost of living, employment availability and the presence of a skilled and educated labour pool amongst many others.

In the case of the creative knowledge workers in Munich, the place of work plays the most important role in the decision to live in Munich for over two thirds of those surveyed. In case of those workers who came to Munich from outside the Munich region, it can thus be concluded that the job or the good employment opportunities are the most important factor for their decision to settle in the Munich region. For the highly qualified migrants also the job plays - in combination with personal trajectories - the most important role in attracting them to the Munich region. From the perspective of the creative knowledge firms the availability of highly qualified labour is the key regional asset. Together with other hard factors like transport and a good business environment, such conditions served as a core motivation for creative knowledge firms to locate and even more relevant, to stay in the Munich region regardless of company origin or size. Creative knowledge firms also regard the proximity to universities and educational institutions as an important asset: firstly, because these institutions secure a constant supply of skilled workers and secondly, because the spatial proximity to research and educational institutions enables co-operation and the transfer of knowledge. High taxation and high costs of labour are of medium or even weak importance for the creative knowledge sector as the positive conditions by far outweigh the negative ones.

High levels of dissatisfaction were expressed by virtually all target groups with regard to the tight and expensive housing market as well as the high costs of living in the region of Munich.

The second important result of this study is, that Munich’s soft conditions like the high quality of life, the cultural and recreational offers as well as the surrounding country side were generally perceived as being regional strengths and proved to be above all retaining factors for all target groups. Typical Florida factors like tolerance or cultural diversity turned out to be quite unimportant for virtually all target groups.

In the case of managers, soft location factors like the high quality of life as well as the positive image of Munich are an important factor for them to attract highly qualified personnel from all over Germany to their Munich location.

Nevertheless, soft conditions like semi public spaces where people can meet, including bars and cafes and which make frequent random or planned face-to-face encounters possible or vibrant and distinctive neighbourhoods played an increased importance for the location strategies of the cultural industries.

The third important finding of this report is the importance of personal trajectories. Personal trajectories turned out to be a core attracting and retaining factor in the decision making of the various target groups analysed. Personal trajectories comprise a wide range of personal factors like born here, family lives here, proximity to friends, partner moved here etc. After the job, the second most important aspect why creative knowledge workers have come to the city or stay in Munich is that of personal factors. As more than half of the creative knowledge workers surveyed can be described as much tied to the Munich location, they can – with regard to their mobility behaviour and in their sense of connection to a place – neither be assigned to belong to a transnational class nor the creative class of Richard Florida. In the case of creative knowledge firms all small and medium sized younger companies (it does not apply to the big firms and so-called global players) reported that personal and family reasons drove their initial decision to locate in Munich. This result highlights the high importance of being rooted in a city, of private reasons and of existing networks for business location strategies. This is especially the case for the creative sectors. Although personal trajectories are by no means Munich-specific, the business environment as well as the versatile and absorbing labour market provides the conditions to retain graduates and business founders in the region. Consequently, personal trajectories are also linked to other hard factors like the presence of numerous universities and educational institutions in the Munich region as they attract student to the region in the first place.

1 INTRODUCTION

1.1 Aim of the report and previous work packages

Today, a positive urban regional development is highly dependent on the potentials and capacities of metropolitan regions to attract knowledge-intensive and creative economic activities.

In creative knowledge sectors, skilled human capital is the most valuable factor in production, as productivity and competitiveness depend - more than ever before - on human knowledge and skills. Furthermore, innovation has become crucial for productivity and growth in a global economy which is characterised by short product cycles. The importance of knowledge, creativity and innovation implies the need for personnel with relevant qualifications as well as the ability to adjust to rapid technological change.

With its population shrinking and ageing, Germany might face severe skill shortages in the coming years. Consequently, metropolitan regions could find themselves in the medium and long term relying not only on German highly skilled workers but also on educated and highly motivated immigrants because they might play an important role in helping to maintain the region’s prosperity for many years to come.

This report is part of a broader project examining the creative knowledge industry in 13 European metropolitan regions. The two central research questions of the whole ACRE project are: what are the conditions for creating or stimulating ‘creative knowledge regions’ in different metropolitan regions of the EU? And: What is the role of so-called ‘soft’ factors in creating and stimulating ‘creative knowledge regions’?

This report forms a synthesis of three previous reports examining the attractiveness of the Munich region for three groups: (1) workers in both creative and knowledge industries; (2) creative knowledge companies; (3) transnational migrant workers.

There are two broad aims to this report. The first is to examine which factors were decisive behind the decisions of creative knowledge workers, managers and highly skilled migrants to settle and find a job or start a business in the Munich region. The second is to evaluate the strength and weaknesses of Munich in terms of accommodating creative knowledge based on a combination of hard and soft factors.

The report is structured as follows:

In the following chapter the study region will be presented in brief. The second chapter aims at giving a statistical overview on the size of the creative knowledge economy in the Munich region. In chapter three the research design and methodology of previous analysis as well as of this report is explained. For the sake of a better understanding of the results, chapter four

starts with a separate analysis of the main locations factors for each of the target groups. The chapter closes with a synthesis of the main location factors of the target groups. The overarching objective of chapter five is evaluating the core strengths and weakness of the Munich region from the perspective of Munich’s creative knowledge sector.
The report closes with some preliminary policy recommendations and open research questions.

1.2 Introduction to the region

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

With a current population of approximately 2.4 million inhabitants, the Munich region has developed into one of the most dynamic and economically prosperous urban agglomerations in Europe. The region of Munich that is formed by the planning region 14 of the Bavarian planning regions encompasses not only the city itself, but also the surrounding administrative districts (*Landkreise*) of Dachau, Ebersberg, Erding, Freising, Fürstenfeldbruck, Landsberg am Lech, München and Starnberg (see figure 1.1 and 1.2). With a surface area of 5,504 square kilometres, it is the second largest of the 18 Bavarian planning regions. It is also one of the most densely populated regions in southern Germany. The region is strongly oriented toward the state capital.

The city of Munich, with a surface area of 310 square kilometres, makes up only 6 per cent of the planning region, but almost 50 per cent of the regional population. 1,337,030 people (July 2007) live in this area. Approximately 60 per cent of the total workforce (according to figures for those paying social insurance contributions) of the region has its place of work inside the city limits (1,026,330 workers).

The Munich region takes – compared to other German agglomerations - a leading position in economic aspects. The purchasing power as well as the GDP per capita rank among the highest in Germany: Today almost one third of the whole GDP of Bavaria is generated in the Munich region. In the year 2006 this has been 52,772 Euro per capita in comparison to Germany with 28,194 Euro. In 2007 Munich had with 5.2 per cent the lowest unemployment rate of all German metropolitan regions.

There are 1.56 million employees in the region of Munich (1.08 million of them subject to social insurance). If one looks at the employees differentiated according to economic sectors, the high level of tertiarisation is reflected here: three quarter of all employees (subject to social insurance contribution) were working in services, one quarter in the industry. An over-proportionate number of employees are to be found in knowledge intensive services to business, such as consultancy and planning, which were able to create the most new jobs in the last years. Nevertheless, manufacturing continues to be of great importance, with almost a quarter of jobs in the Munich region (LH München, 2008). However, these are foremost jobs in the high-technology industries which are R&D intensive (Sternberg and Tamásy, 1999).

Figure 1.1 - Bavaria's 18 Planning Regions

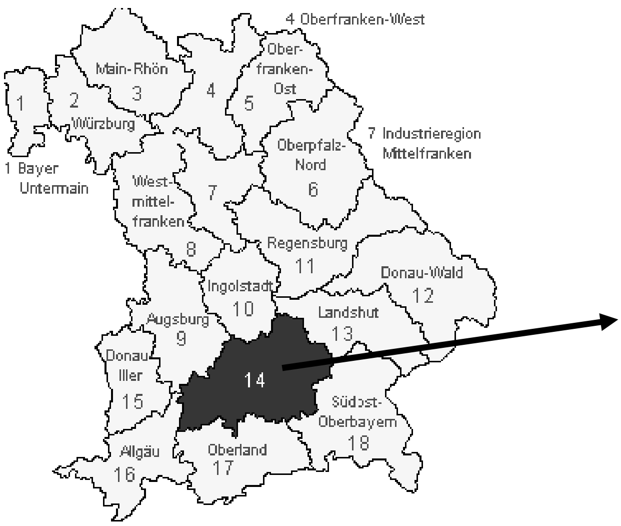
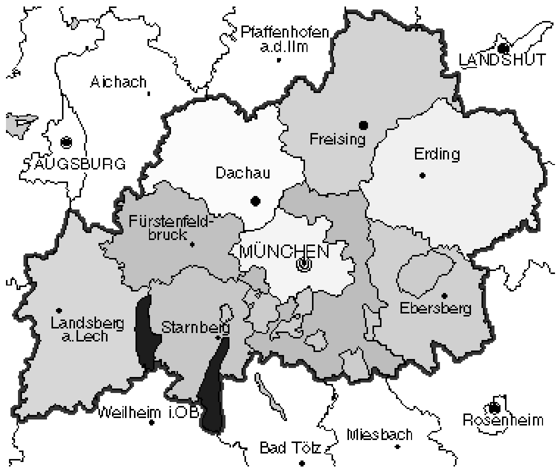


Figure 1.2 - The Regional Planning Association of the Munich Region



Source: Regionaler Planungsverband München, 2006

At the same time, Munich is one of the most important centres of research and development, of the high-tech industry as well as the media in Germany.

One part of Munich's strength as a business location is based on the diversity of its economic structure and the mixture of global players and SMEs. This modern and balanced economic structure is often referred to as 'Munich Mix' (Münchner Mischung). This term not only refers to the mixture of big and small enterprises, it also refers to the sectional structure of the economy. Another part of Munich's economic success can be attributed to the existence of numerous clusters like biotechnology and pharmaceutical industry, medical technology, environmental technology, ICT, aerospace, the media and finances. They form the innovative growth poles of the city region. The clusters are not only made up by links among enterprises of the respective branches but also by links to the numerous research institutions in the Munich area, by the networks of SMEs and large enterprises as well as links to commercialisation protagonists.

Being a prosperous region, the Munich region as a whole still records a positive population development. Concerning intraregional differentiation, an over-proportionate growth of the population takes place in the surrounding areas, with growth rates over 10 per cent per year, in contrast to growth of less than 0.5 per cent in the city. In the period between the 1960s and the early 1980s the percentage of the population living in the suburbs increased form around 37 to 44 per cent. This figures continued to climb to almost 48 per cent in 1993 and in the year 2006 more people have lived in the region (51 per cent) than in the city.

2 The creative knowledge economy in Munich: Sectors and workers

The sectors and workers of the creative knowledge economy in Munich has been the subject of several previous work packages of the ACRE project. This chapter aims at giving a statistical overview on the size of the creative knowledge economy in the Munich region and the characteristics the sectors which have been analysed in detail in work package 6.

2.1 The creative knowledge economy: The sectors in the Munich region

The creative knowledge economy as defined by the ACRE management team consists of the creative industries as well as the knowledge intensive sectors; following five sub-sectors had been defined by the ACRE project team:

1. The **creative industries**, which are made up of advertising, architecture, the art and antiques market, crafts, design, designer fashion, film and video, interactive leisure software, music, the performing arts, publishing, software and computer services, television and radio (adapted from DCMS, 1998).
2. The **knowledge industries** are made up of: information & communication technology (ICT) (adapted from OECD definition), finance, law and other business services, R&D and higher education[1]

2.1.1 Discussion of creative knowledge sectors

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

In 2004, the creative knowledge sector comprised more than 41,000 enterprises in the region of Munich. Around 28 per cent of firms in the Munich region were active in the creative and knowledge-intensive sectors in 2004. They achieved a turnover of over 80.6 billion euros, which corresponds to just under a quarter of the total turnover of all the firms based in the

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[1] See annex 1 for a list of the selected NACE codes for each sector; it was decided to use the NACE codes and not the ISCO codes in this report as the *Länder* (states) are the lowest spatial level at which the ISCO codes are available in Germany and the NACE codes are also available for the *Landkreise* (counties).

Munich region, and in 2004 they employed 304,573 people. In Munich, the proportion of companies from the creative and knowledge-intensive sectors is higher than in the Munich region: approximately one third of all firms are active in these sectors of industry here. In 2004, the companies in the capital of Bavaria achieved a turnover of just under 51.2 billions, i.e. 22.1 per cent of the total turnover of the city of Munich. A comparison of the knowledge-intensive and creative sectors shows that although about one third of the firms in the region and in the Bavarian capital are active in the creative and knowledge-intensive sectors, they achieve less than a quarter of the total turnover. It is particularly the companies in the creative sectors that achieve lower turnovers. Thus for example the economic importance and the relevance for the regional labour market of the knowledge-intensive sectors is much greater than that of the creative sector: although 52.5 per cent (region) and 55.2 per cent (Munich city) of all creative and knowledge-intensive firms are active in the artistic-creative sector, they achieved only 22.1 per cent (region) and 18.5 per cent (Munich city) of the total turnover in the creative and knowledge-intensive sectors (von Streit et al. 2008).

2.1.2 Discussion of sub-sectors examined in WP 6

The consulting sector in the region of Munich

Concerning the location pattern of management consulting firms in Germany, the regional distribution of management consulting firms is congruent with the economically strong regions in Germany. Measured by the turnover yield of the consulting firms, the consulting sector is concentrated on the conurbations of the Rhine-Ruhr area (above all the cities of Düsseldorf and Cologne), Rhine-Main area (above all the cities of Frankfurt am Main, Wiesbaden, Mainz and Darmstadt) and Rhine-Neckar area (above all the cities of Karlsruhe and Mannheim) as well as the urban regions Munich, Hamburg, Berlin and Stuttgart. The locations with the highest turnover are Munich, Düsseldorf and Hamburg (Glückler, 2004b). According to Glückler (2004a, 2004b), it is not the proximity to clients that plays the decisive role in the choice of company location, but location factors such as proximity to a labour market with a large number of highly qualified people, proximity to decision-making centres in the economy, as well as central transport infrastructure at the location. These location factors are to be found above all in the areas of agglomeration, which is why the spatial concentration of management consultancies is limited largely to the agglomeration and economic areas of Germany.

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

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

Location of firms	City of Munich	County of Munich (Munich county)	Munich region (Planning region 14)	Remaining rural districts
Number of firms, NACE code 7414	2794	822	4690	1074

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

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

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

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

Audiovisual media in the Munich region

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

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

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

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

Internet sector

Like the games sector, the new media sector is a young one. It lies at the intersection of traditional and new media sectors (Christopherson, 2002), and it has developed as a service-oriented field of employment since the mid-1990s, when the internet came into being in its present form. The most important originating sectors are, besides information and communications technology, the advertising sector (advertising, marketing and market research) and parts of the associated publishing and graphics industry, as well as parts of the audiovisual media (Mayer-Ahuja and Wolf, 2005; Läpple, 2002). It includes established companies that have expanded their sphere of business to include internet activity, such as e.g. advertising agencies, software developers or book publishers, as well as newly established enterprises. The main activities of the firms with which the present study is concerned lie in the area of web design, e-business, e-learning, e-publishing or other internet-related services.

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

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

According to the iBusiness year book, in the Munich region the sector is represented by around 195 enterprises, with around 12,355 workers. However, the firm Unilog alone accounts for 9000 workers, who are not included in the analysis below, since this figure refers to those employed across Europe, and not just those working at the company's branch in Munich. According to the publishers of the year book, about three quarters of all firms in Munich are recorded in the year book, so that we can assume a figure of around 234 companies and around 4000 workers in the Munich planning region. The internet sector is characterised by small and very small enterprises (Mayer-Ahuja and Wolf, 2004), and this is also the case for the Munich location. Around 90% of companies have fewer than 50 staff, and over 60% have at most ten staff.

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

Furthermore, an important characteristic feature of the spatial configuration of the internet sector is the cluster formation within a city, in other words the local concentration in particular districts, preferably in the area of the city centre (cf. Braczyk, Fuchs and Wolf, 1999; Pratt, 2000; Scott, 2000; Indergaard, 2004). The location pattern of the internet sector is typical for enterprises of the creative industries as the cluster formation at the urban scale applies generally for knowledge-intensive and design-intensive production and service activities.

This location pattern also applies to Munich. Thus for example over 70% of Munich companies in the internet sector are to be found in the city centre and in the adjacent districts which for the most part date back to the late nineteenth century. Only 30% are located in the other districts at the edge of the city. A concentration of companies in the outer districts can also be seen on large arterial roads (von Streit et al. 2008).

Computer Games

Interactive software and computer games represent the fastest-growing sector of the media economy, whilst at the same time being one of its youngest sectors. Munich is one of Germany’s leading media and IT locations, which undoubtedly may be seen as significant for the games industry too. The German branches of Microsoft and Oracle can serve as examples of “software giants” in the Munich region. For this reason, the figures that are available are difficult to transfer to the games sector.

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

2.2 The creative knowledge economy: The workers

2.2.1 Highly qualified workers in the Munich region

The following statistical analysis concerning the number of employees of Munich's creative knowledge sector is based on data provided by the German Federal Employment Office. The data has some particularities/weaknesses: most importantly, the data covers only employees subject to social insurance contributions, which means that freelancers as well as civil servants are not included. Consequently, the number of people working in sectors such as for example advertising, with a high proportion of freelancers, or universities, with a high proportion of civil servants, is systematically underestimated.

Creative workers

In 2004, 81,875 people worked in the creative industries in the region of Munich (see figure 1.2 for a map of the region of Munich), more than 63 per cent of them within the city boundaries (see table 2.2).

Table 2.2 - Employees in the creative knowledge sector subject to social insurance contributions, in absolute figures and in relation to all employees, in 2004

	Bavaria		**Region of Munich (Planungsregion 14)**		**Munich city**	
	Employees (abs.).	%	Employees (abs.)	%	Employees (abs.).	%
All sectors	**4,288,495**	**100**	**1,069,510**	**100**	**663,961**	**100**
Creative knowledge sector (altogether)	**770,164**	**17.96**	**304,573**	**28.48**	**214,496**	**32.31**
1. Creative Industries	**190,306**	**4.44**	**81,875**	**7.66**	**51,845**	**7.81**
Advertising	14,864	0.35	7,243	0.68	5,107	0.77
Architecture	10,888	0.25	3,811	0.36	2,560	0.39
Arts / antiques trade	11,558	0.27	3,870	0.36	3,375	0.51
Designer fashion	40,691	0.95	3,333	0.31	1,424	0.21
Video, film, music and photography	13,123	0.31	8,590	0.80	4,545	0.68
Music and visual and performing arts	13,895	0.32	5,170	0.48	4,653	0.70
Publishing	31,716	0.74	14,817	1.39	10,579	1.59
Computer games, software, electronic publishing	43,534	1.02	26,360	2.46	14,843	2.24
Radio and TV	10,037	0.23	8,681	0.81	4,759	0.72
2. Information Communication Technology	**139,777**	**3.26**	**47,375**	**4.43**	**31,352**	**4.72**
3. Finances	**188,251**	**4.39**	**76,064**	**7.11**	**59,866**	**9.02**
4. Law and other business services	**204,311**	**4.76**	**72,551**	**6.78**	**56,529**	**8.51**
5. R&D and higher education	**47,519**	**1.11**	**26,708**	**2.50**	**14,904**	**2.24**

Source: BAA 2006, own calculations

If employment alone is used to determine the importance of the sub-sectors, *computer games, software games, electronic publishing* is the most important creative sub-sector. Almost one third of all creative employees (26,360 people) are working in this sector. More than half of them work in the city of Munich. This means that software is less concentrated in the city of Munich than other creative branches like for example advertising. The second biggest subsector is publishing with 18 per cent of all creative workers in the Munich region. Then follow the fields of radio, TV as well as video, film, music, photography each with around 10 per cent and finally advertising with almost 9 per cent of all employees in the creative field. More than 70 per cent of all employees in advertising are working within the city boundaries.

Over 8,500 people are employed in the field of video, film and photography in the region of Munich. When the more than 8,500 employees of the radio and TV sector are added to this number, around 17,000 employees subject to social security contribution work in the audiovisual media branch in the region of Munich. As freelancers are very common in these branches, it is estimated that at least one third of this number has to be added in order to determine how many people work in this field. The same applies for advertising. It is also estimated that the workforce is at least made up by one third up to a half of freelancers (LH München, 2003).

Concerning the geographical location, only 55 per cent of the audio-visual workforce is employed in the city of Munich and 45 per cent in the region. But it must be stated that the majority of these 45 per cent are concentrated in the county of Munich (*Landkreis München)* as a lot of radio and TV enterprises are to be found in the media clusters of Ismaning and Unterföhring.

Knowledge workers

The biggest category within the knowledge sector is that of finance with 7 per cent in the region and 9 per cent of the whole workforce in the city of Munich. The sector is highly concentrated in the city of Munich: 80 per cent of all people working in the field of finance do so within the city boundaries. Within the sector of finance around 40,000 people are employed at banks and credit institutions and almost 30,000 at insurances in the region of Munich (see annex 3 for a detailed break down of NACE-Codes). In the second biggest sector, namely in law and other business services, 72,551 people are employed, which account for 6.8 per cent of the whole workforce in the region. Within this sector almost 47,000 people are employed in the heterogeneous field of legal accounting, book-keeping and auditing activities, tax consultancy, market research and public opinion polling, business and management consultancy. As professional workers like lawyers, notaries etc. are not represented in the data, that the number may well be higher.

About 4.4 per cent of all employees in the Munich region work in ICT and around two and a half per cent, namely 26,708, in R&D. As mentioned before the number of people working at the universities as civil servants is not included in this data.

2.2.2 Highly qualified migrants in the Munich region

Compared with other German cities, Munich has the highest proportion of foreigners of all large German cities. At the moment (2007) there are 311,321 foreigners living in the city of Munich, who account for 23 per cent of the total population. Foreigners are more concentrated in the city of Munich than in the region, where the proportion of foreigners is 17 per cent (Planungsverband Äußerer Wirtschaftsraum München, 2008).

Forty per cent of the foreigners in the city of Munich are EU citizens (EU-27) and 60 per cent are third-country nationals. The largest proportion of foreigners in Munich (city) is made up of citizens from Turkey (13.7 per cent), Croatia (7.9 per cent) and Greece (7.0 per cent of all foreigners), Austria (6.9 per cent) and citizens of Italy (6.8 per cent).

In comparison to other countries of immigration, the skill level of foreigners is relatively low in Germany. But it must be stated that foreigners in Munich are better skilled and better integrated into the labour market than in other large German cities.

In order to make statements about the number of highly skilled foreigners on the Munich labour market, data from the Federal ministry of labour have been analysed for this report. The data cover workers subject to social security only; freelancers as well as civil servants are not included. As the ISCO-88 classification is not in use in Germany, major occupational groups had to be converted in line with the ISCO terminology. This was possible, and therefore the data represent more or less the ISCO 1-3 groups which are usually used in studies to describe highly qualified workers. Furthermore, the category of foreigners with university degrees was used in the following data to determine the number of highly skilled migrants.

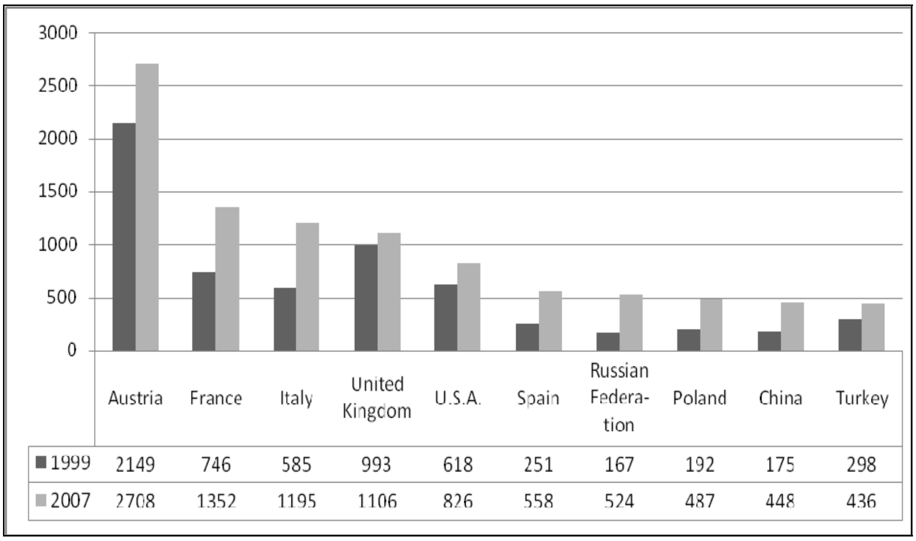
In the Munich region the proportion of foreigners of all employees subject to social security contribution is 13.6 per cent, and in the city of Munich it amounted to 15 per cent in 2007. Munich has one of the highest proportions in comparison with other German cities. These numbers have remained stable since 1999.

According to the available data, 33 per cent of all employees in the region and 35.8 per cent in the city belong to skill-intensive occupations. The proportion of foreigners employed in skill-intensive occupations was 7.8 per cent in the region and 5.8 per cent in the city of Munich in 2007. Thus, as on the national scale, foreigners are underrepresented in skill-intensive occupations on the Munich labour market.

The proportion of foreign employees with university degrees out of all employees rose from 6.9 per cent in the year 1999 to 10.9 per cent in 2007 in the region of Munich, and from 7.0 per cent to 10.5 per cent in the city of Munich.

Looking at the nationalities of foreign employees with university degrees, it becomes apparent that most highly skilled foreigners in the region of Munich come from the EU countries Austria, France, Italy and the UK (see figure 2.2 and 2.3). The high proportion of Austrians can be attributed to the closeness of Munich to Austria, and the fact that there is no language barrier. Furthermore, the Munich labour market seems to be attractive to Austrian workers.

Figure 2.2 - Ten major nationalities of foreign employees with university degrees in the region of Munich 1999 and 2007



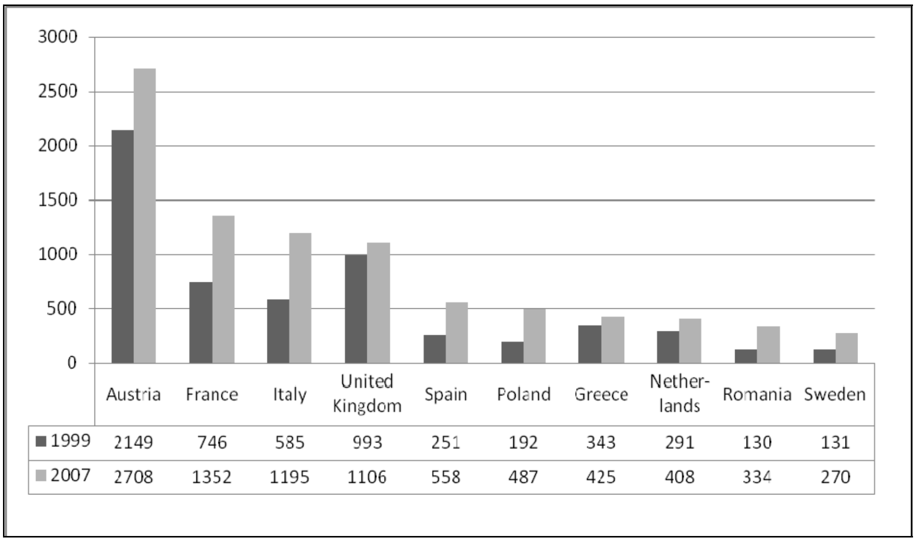
	Austria	France	Italy	United Kingdom	U.S.A.	Spain	Russian Federa-tion	Poland	China	Turkey
1999	2149	746	585	993	618	251	167	192	175	298
2007	2708	1352	1195	1106	826	558	524	487	448	436

Source: Federal Ministry of Labour, 2008

However, looking at the development of the numbers of different nationalities in the years 1999 to 2007, it is noticeable that the proportion of citizens of the UK, the US, Turkey and Austria rose by only 10 to 30 per cent, whereas the proportion of citizens of the Russian Federation almost tripled, and that of Polish and Chinese citizens more than doubled. The proportion of highly skilled Italians, French and Spanish people also doubled.

The number of highly skilled employees coming from the EU member states rose from 6,646 in 1999 to 10,424 in 2007. Among EU citizens, the rise in numbers of highly skilled French, Italian, Spanish and Polish employees is remarkable (see figure 2.3). The rise in highly qualified Italian employees is particularly noticeable, as the Italians like the Greeks belong to the groups of migrants who came as guest workers to the region of Munich. This means that nowadays the Munich labour market seems to be more attractive to qualified Italians.

Figure 2.3 - Ten major nationalities of employees with university degrees coming from EU countries



	Austria	France	Italy	United Kingdom	Spain	Poland	Greece	Nether-lands	Romania	Sweden
1999	2149	746	585	993	251	192	343	291	130	131
2007	2708	1352	1195	1106	558	487	425	408	334	270

Source: Federal Ministry of Labour, 2008

Concerning third country nationals with university degrees in the Munich region, most highly skilled migrants come from the US, Russia and China. Remarkably, there are more highly skilled employees from China in the Munich region than from Turkey, albeit the Chinese population accounts for only a very small share of the whole population of the region of Munich. Looking at the different nationalities in detail, the proportion of highly skilled Chinese doubled, that of Russians tripled, and that of Indians even quintupled between 1999 and 2007. The number of Indians began to rise in 2001 when the Green Card for ICT employees came into effect.

Compared to other German city regions the number of highly skilled migrants is high (von Streit et al. 2009). This high number of migrants has to be seen in the context of the economic structure of the Munich region: the intense international economic relations of international operating firms which are based in Munich as well as big international institutions like the European patent office induce a flow of highly skilled migrants.

3 RESEARCH DESIGN AND METHODOLOGY

3.1 Research design and methodology of previous analysis

As the present analysis is based on empirical results of three earlier reports, the research design and methodology of these previous analyses will be described shortly.

3.1.1 Munich's creative knowledge worker: A quantitative approach

In order to understand the drivers behind the decision of higher educated workers in the creative and knowledge intensive industries to settle and work in the region of Munich, a survey was carried out among 202 creative knowledge workers in the region of Munich in 2007.

The questionnaire

Concerning the content and structure of the questionnaire, it is divided in four categories:

- Satisfaction with the city: this section was created to find out typical attraction and retaining factors as well as to find out how satisfied the workers are with different aspects of the city. By this it was intended to achieve an overall evaluation of the city.
- Satisfaction with job and work environment: This part sought to address issues of satisfaction with respect to the respondent's jobs and general work environment.
- Satisfaction with neighbourhood/area and dwelling: This part addressed issues of neighbourhood and, more concretely, dwelling satisfaction.
- Background data of the respondents: demographic, financial aspects etc.

Sampling and application of the questionnaire

The interview candidates were supposed to be employed in the following sectors:

Creative industries:

- Advertising (NACE-Code 744)
- Video, film, music and photography (921) and radio and TV (922): audiovisual media
- Computer games, software, electronic publishing (722)

Knowledge-intensive industries

- Finance (65)
- Law and other business services (741)
- R&D and higher education (73;803)

The spatial unit of reference is the Munich region (planning region 14, see figure 1.2), since many firms in this sector are also located in the surrounding areas of Munich.

It was decided not to select the interview partners via professional associations or the like, but to contact them via contact persons (department heads or similar) within firms. This presupposed a selection of those companies whose employees were to be surveyed.

Selection criteria for the firms were:

- the different target groups: graduates and workers
- the different predefined sectors
- the location of the firms: inner city locations as well as urban fringe and suburban locations
- the size of the firms

Finally, analyses of the characteristics of the sectors (company sizes and location patterns) lead to the following structure of the sample:

Firstly, care was taken to take adequate account of the respective proportions of large and small firms in the structure of the sample. Secondly, for reasons of feasibility as well as the high concentration of firms in the knowledge-intensive and creative sectors in the city and in the Munich administrative district (*Landkreis*), it was decided to limit the survey to firms within the city and the Munich administrative district.

Furthermore, only research institutions were selected which are involved in work linked to the selected creative knowledge sectors. This meant restricting the survey of academic staff to departments and research institutions which carry out training for the selected sectors, or carry out research in this area (Hafner et al., 2008).

Problems and limitations

Overall, the sample is too small to permit general statements to be derived from the study in relation to the individual occupational groups. In order to find out more about the different needs of the different professional milieus, differentiated analyses would be necessary. Moreover, the age structure of the respondents is not balanced: over half of the respondents belong to the younger age group of those under 35. This results in distortions, e.g. regarding earnings, leisure activities and choice of residential location, and must be taken into account in any interpretation of the results. Furthermore, highly skilled migrants are underrepresented in the sample. According to the available data, the proportion of foreigners employed in skill-intensive occupations was 7.8 per cent in the region of Munich in 2007 (von Streit et al., 2009). Only 5 per cent of the respondents in the survey had a nationality other than German, the majority of these being Austrian. Graduates are not represented, and artists account only for around 20 per cent.

3.1.2 Munich's creative knowledge firms: a qualitative approach

For the empirical research of work package 6, a qualitative research design was selected. The aim of the empirical examination was to answer the following questions: which factors were decisive for decision-makers in knowledge-intensive and creative companies in the decision to establish their enterprise at the Munich location, or to keep their company in the Munich city region? How do the companies rate Munich as a location?

Expert interviews and guided interviews

At the beginning of the study, five experts were interviewed for gaining a deeper insight into the structure of the respective branch of industry in the Munich region.

The industry experts include editors of specialist magazines, chairs or managers of industry associations, as well as representatives from the area of public administration (see table 3.1).

Table 3.1 - List of interviewed experts

Consultancy	No expert available
Film	Mrs. Müller-Roider (Department of Labour and Economic Development, City of Munich) Mrs. Pfennigdorf (FilmFernsehfond Bayern) Mrs. Schardt (Cluster Audiovisuelle Medien)
Internet	Mr. Graf (High-Text Verlag)
Games	Mr. Klinge (Game Star)

Source: Own illustration

The core of this investigation is formed by 33 topic-centred guided interviews with representatives from knowledge-intensive and creative enterprises in the Munich city region.
For the topic-centred interviews that were conducted within the scope of work package 6, first of all a guideline was developed, which contains a catalogue of questions on the most important topics.

Content of the guideline

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

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

- ***Business model / production structures and work organisation**:* The aim of this topic area was to obtain information about the services or products offered by this company, as well as about the usual work organisations in this branch of industry.
- ***Customer structure and employee structure**:* The questions about customer structure, regional distribution or customer acquisition are intended to reveal the importance of the spatial proximity of companies and customers, and to clarify any possible decisions on location that are made by the firms.

- ***Networks****:* A distinction is made here between the formal and informal networks, and we examined their importance for obtaining orders and acquiring personnel, or generating new knowledge.
- ***Location factors****:* Here, we distinguish two spatial reference units. We differentiated on the one hand according to hard and soft location factors for the whole urban region, and on the other hand according to hard and soft location factors for the company location at the level of the district of the city (city centre or in the suburban area).
- ***Municipal policy and the policies of the state of Bavaria / support measures****:* What importance do these measures have, and what political measures could be taken to improve competitiveness?

Structure of the sample and selection of interview partners

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

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

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

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

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

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

Table 3.2 - Structure of the sample and selection of interview partners

	Consultancy (n=12)		**Film (N=10)**		**Internet/Games (n=11)**	
	City centre	Outside city centre	City centre	Outside city centre	City centre	Outside city centre
Self employed	0	2	3	0	2	1
Small	1	2	1	2	4	1
Big	5	2	2	2	2	1

Source: Own illustration

Analysis of the interviews

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

The evaluation of the interviews is represented by a textual analysis of the content. The analysis is based on the principles of qualitative content analysis according to Mayring (2003). A category scheme was developed in the present investigation, in a two-stage analysis process. First of all, two example interviews were selected from each sector of industry, and these were initially coded openly and thematically (Flick, 2002). In a further step, the codes that were produced in this way were further generalised and abstracted in a group discussion amongst the project team, and eventually a final coding scheme and initial hypotheses or guideline questions for the analysis of the text material were drafted.

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

Problems

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

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

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

3.1.3 Munich's highly qualified migrants: A qualitative approach

For the empirical research of this group a qualitative research design was selected. The aim of the empirical investigation was to answer the following questions: which factors were decisive behind the decisions of the transnational migrants to settle at a certain location? What was their main motivation to come to work and live in Munich? For this study, we have pursued two routes: expert interviews and guided interviews.

Expert interviews and guided interviews

The interviews with experts at the start of the research process were above all important for obtaining initial general information about subjects like the legal and regulatory framework for getting residence permits, data on different groups of migrants, regional policy on highly skilled migrants, and problems that different groups of highly skilled migrants are confronted with. The interviewed experts are representatives from the area of public administration (Aliens' Authority, Federal Agency of Labour), university employees who are in charge of foreign scientists and students at the Technical University, as well as relocation services (see table 3.3).

Table 3.3 - List of interviewed experts

City of Munich	Representative from the Kreisverwaltungsreferat (Aliens' authority)
Relocation Service	Real estate agent
Federal Agency of Labour	Representative concerned with labour permits and priority tests
University	Representative concerned with foreign students and researchers at the Technical University Two representatives concerned with foreign students and researchers at the University of Munich

Source:Own illustration

The core of the investigation was formed by 25 topic-centred guided interviews with highly skilled migrants working in knowledge-intensive and creative sectors in the Munich city region.

Content of the guideline

The interviews were conducted on the basis of a semi-standardised guideline which contains open questions on the most important topic complexes of the investigation. A short questionnaire which the interviewees filled out before the interview took place enabled the interviewer to adapt the guideline to the respective particularities. The guideline was divided into 10 thematic focus areas:

- ***Education and work experience:*** The aim of this topic area was to obtain information about the education of the discussion partner. It was tried not only to focus on formal professional titles, but also on work experiences and especially work experiences abroad. In-depth knowledge about the education and cultural capital of the migrants was important in order to understand why migrants are or are not successful in integrating into the regional labour market. Moreover, the focus on the life history of the migrant enables one to trace the decision-making process which precedes the actual decision to migrate. The current work situation was also a point of discussion in this part of the interview.

- ***Main motivation to come to live and work in Munich:*** In order to find out what the main motivation of the migrants to choose Munich was, the migrants were asked why they had come to Munich. It was discussed which role family related reasons or actual job offers, but also soft factors (tolerance, diversity, quality of life) and other hard factors (labour market, financial aspects, housing market) had played in their decision-making process.
- ***Actual living situation and daily life****:* The questions on how migrants found their accommodation and what their actual living situation and neighbourhood is like were intended to reveal how accessible and attractive housing in Munich is for them. Descriptions of their daily life (and of their family) gave insights into the most important problems of the migrants.
- ***Role of networks in the migration process and support structure****:* Social networks relate to the family background of the migrants as well as to friends, colleagues and closer contacts in the region of Munich.
- ***Overall satisfaction and future plans****:* The last point of discussion was on future plans: whether the migrant plans to stay for a longer period in Germany and Munich, or whether he or she intends to go back to his or her home country.

Selection of the interview partners

The cases were selected in a targeted manner, according to several variables. The following criteria were decisive for the structure of the sample:

- people must not have German nationality, even if they are migrants; interviewed people must not speak German as their native tongue (Austrians and Swiss are therefore excluded)
- people must work in a creative or knowledge-intensive occupation (ISCO1&2)
- people must be actually working, looking for work, or be self-employed (high-skilled jobs only).

Furthermore, the sample contains a balance of creative and knowledge intensive workers as well as a balance of women and men. The length of stay is over six months in all cases. We were also looking for a great variety of age groups and different family situations as well as different places of residence (inner city, metropolitan area). Other important criteria were also to have a mixture of migrants who migrated individually and those who were sent to Munich by their company (the classic expatriate, who is in one city only for a limited period of time) and to have a wide range of nationalities from developed, developing as well as transformation countries represented. For an overview of the sample, see von Streit et al. 2009).

To sum up: the main focus of the empirical study is on highly skilled migrants in the city and region of Munich working in the creative knowledge industries with a residence status, who in terms of access to the labour market are formally in the same positions as the native-born population.

Analysis of the interviews

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

The evaluation of the interviews is represented by a textual analysis of the content. The analysis is based on the principles of qualitative content analysis according to Mayring (2003). Subsequently a category scheme was developed in a two-stage analysis process. Then, the cases were studied according to the principle of minimum and maximum contrast in respect of the answers to the questions posed. The analysis of the empirical material can be understood as aiming at the creation of empirically-based hypotheses. The corresponding method of analysing the data is based on grounded theory as well as on the concept of the construction of types (Glaser and Strauss 1967; Kluge, 2000). The method of constructing types combines inductive elements (based on research questions) as well as deductive elements (based on empirical material) and has the generalising character of a certain number of cases studied (for more information on the methodological background see von Streit et al. 2009).

Problems and limitations

One has to bear in mind that within this qualitative approach only a small sample has been investigated and therefore it is not possible to speak for the whole group of highly qualified migrants. Some branches have not been included and some (like the group of artists) are only represented by one person and thus underrepresented. Therefore, the findings are not valid for the whole group of migrants within the creative and knowledge intensive sector.

Furthermore, due to the qualitative approach not all possible and relevant factors are investigated, as only those can be discussed that had been mentioned by the migrants. On the other hand, the interplay between the factors can be reconstructed and can lead to conclusions also referring to the knowledge workers who had been investigated with a quantitative approach.

3.2 Methodology of this report

In contrast to the previous work packages where a combination of quantitative and qualitative research methods were used in an attempt to gain insights into the attitudes of individual target groups, the current work package aims to synthesise the central findings that have already been extracted from the various target groups. In particular, the core objective is to identify the core location factors attracting and retaining the creative knowledge sector in Munich, as well as the strengths and weaknesses of the region as identified by the target groups during the course of the research previously undertaken. The aim of this report is therefore to coordinate and combine the findings of the previous three work packages in order to draw generalisations with regard to Munich's creative knowledge sector.

Given the adoption of differing research methods in the previous work packages, the implementation of triangulation techniques is necessary in order to bridge the gap between quantitative and qualitative material. For instance, work package 5 quantitatively analysed the spatial orientations and behaviour of creative knowledge employees and graduates, whilst work packages 6 and 7 used qualitative methods in the research undertaken with creative knowledge managers and transnational migrants respectively, as well as the relevant stakeholders (see Table 3.4).

Table 3.4 - Research methods employed in previous and current work packages

Work Package	Target Group Analysed	Research Method Employed
WP 5	Employees	Quantitative
WP 6	Managers (representing firms)	Qualitative
WP 7	Transnational Migrants	Qualitative
WP 8 (Current)	Employees, Transnational Migrants, Managers & Stakeholders	Triangulation of qualitative and quantitative results.

3.2.1 Triangulation

The application of triangulation in a general sense involves combining different levels of analysis with the aim of discovering complementarity, congruency or divergence (Erzberger 1998). Essentially, it facilitates the generalisation of results and helps position such findings in relation to theories and theses. Having regard to the implementation of triangulation in the current work package in particular, this method seeks to generalise central findings from the previous work packages by analysing the three data sets in relation to one another. In doing so, commonalities and divergences can be identified amongst the target groups which may support or challenge the main theories explored under this research project (i.e. that 'soft' factors are increasing important in the development of the creative knowledge economy), or perhaps even warrant the development of modified or alternative theories.

In work package 8 two different types of triangulation have been applied: the triangulation of different research methods (qualitative and quantitative), the so-called between-method-triangulation, and theoretical triangulation. Theoretical triangulation means that different theories are applied to the same phenomena in order to gain different explications.

3.2.2 *Difficulties encountered*

The biggest problems encountered in the formulation of the synthesis report were:

- The inherent difficulties in comparing and contrasting the quantitative based results of work package 5 with the qualitative contextual analysis provided in work packages 6 and 7. Whereas the main location factors of creative knowledge workers and graduates were derived from a survey with predefined answers (work package 5), the importance of soft and hard factors as well as personal trajectories of the managers (work package 6) and the highly skilled (work package 7) were derived from in-depth interviews. This makes the evaluation with regard to the weighting of the different location factors difficult to achieve. On the other hand, the combination of different methods offers the possibility that explanations or underlying factors for the results of work package 5 can be gained through the in-depth interviews of work package 6 and 7.
- The integration of different perspectives: the interviewed workers evaluate the Munich region foremost from the point of view of citizens; the managers evaluate Munich foremost as a business location. Moreover, they see it only from the perspective of the sector they are working in and especially some of the location needs of respective sector might not be representative for other creative or knowledge intensive sectors. In the group of highly skilled migrants workers as well as managers are represented. Moreover, their ‘outsider’ perspective stresses location factors which German workers and managers are taking for granted. The advantage of the combination of these different perspectives lies in the possibility of drawing a differentiated picture of the ability of Munich to accommodate creative knowledge.
- The issue surrounding the fact that the results being synthesised under the current work package are in some aspects specific to the three sectors being analysed (i.e. management consultancy; film and the internet industry. As such, it is difficult to determine whether or not the results are representative of the creative knowledge industry as a whole, which undermines the strength of the observations and arguments made throughout the course of this report in relation to Munich’s creative knowledge economy at large.

4 THE MUNICH REGION FROM THE PERSPECTIVE OF DIFFERENT TARGET GROUPS

The aim of this part of the report is an evaluation of the Munich region from the perspective of the three target groups: creative knowledge workers, managers of creative knowledge firms as well as highly skilled migrants working in the creative knowledge industries. The three groups have different perspectives on the Munich city region: the creative knowledge workers are mainly employees, the managers are mostly owners of businesses and the highly skilled migrants are partly employees and partly business owners and consequently stress different location factors. To understand the differences in their perspectives, a short presentation of each group is necessary. Then, the main locations factors which have drawn them to the Munich region or which make them stay will be analysed separately for each group. In a second step the results for each group will be combined and discussed.

The chapter closes with a synthesis of the main location factors of each target group. Which factors have drawn them to Munich? Which are the most important factors that make them stay? Do hard or soft location factors play the most important role? Or are personal trajectories even more important?

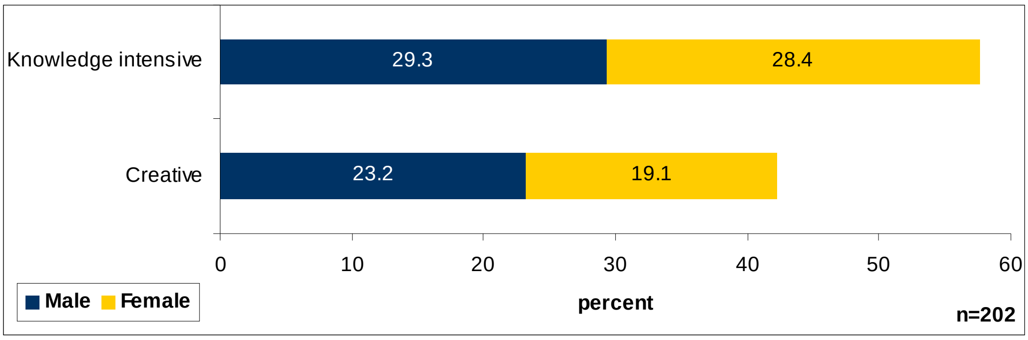
4.1 Munich's creative knowledge workers: Main location factors

One important result of the survey was that creative knowledge workers are not a homogenous group. The comparison between creative and knowledge-intensive workers has shown that they differ from one another in respect of their work and lifestyles, and consequently also in respect to their leisure activities and their requirements of their working and living environment. They also differ slightly in how tied they are to the Munich region and in their reasons for coming and staying in Munich. Therefore, the following chapter will firstly, introduce the group of creative knowledge workers as a whole and secondly, it will deal separately with those people employed in the creative sector and the knowledge-intensive sector. The next part of this chapter will be concerned with the question what soft and hard location factors the creative knowledge workers regard as important for coming and staying in the Munich region.

4.1.1 Basic demographic, employment and residential features of Munich's creative knowledge workers: Who are they and where do they work and live?

A total of 202 creative knowledge workers took part in the survey.
Almost half of those surveyed were women (47.5 per cent). Separate examination of the creative and knowledge-intensive sectors also shows the sex ratio to be very balanced: women account for about 49 per cent of those surveyed that could be assigned to the knowledge-intensive sectors and for approximately 45 per cent of those surveyed that belong to the creative sectors (see figure 4.1).

Figure 4.1 - Sex ratio



Source: Own survey

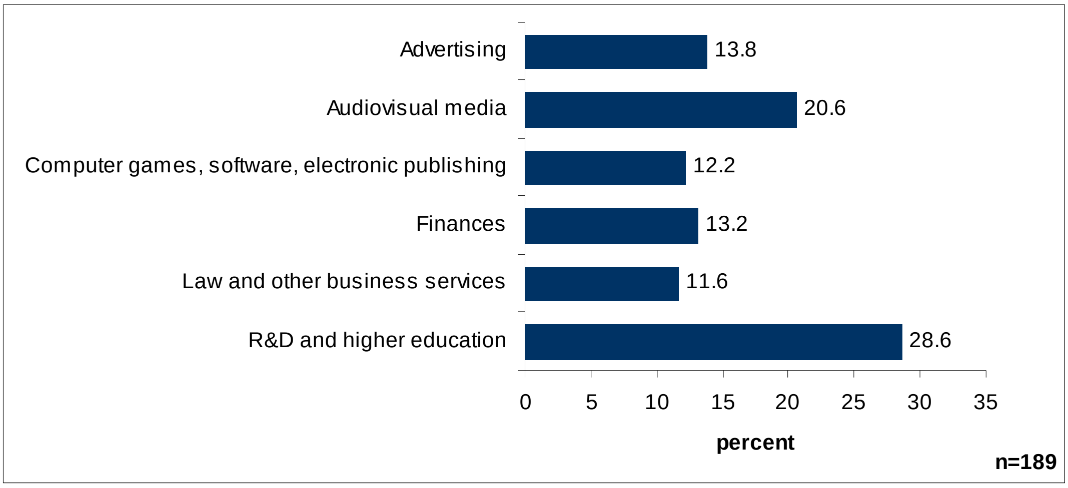
Those surveyed were almost all of German nationality. Just 5 per cent of them had a nationality other than German, the majority of these being Austrian. According to data of the Federal Ministry of Labour, the proportion of foreign employees with university degrees out of all employees is 10.9 per cent in 2007 in the region of Munich (von Streit et al. 2009). Consequently, foreigners are underrepresented in the sample.

Furthermore, the creative knowledge workers surveyed in Munich are relatively young. Over half (51.3 per cent) of the creative knowledge workers in the Munich study sample are aged between 25 and 34 years. Just under a third of those surveyed fell into the 35 to 44 age group. However, only about 8 per cent of those surveyed are younger than 25, and about 12 per cent are older than 45. This young age structure results essentially from the requirement that the sample should include 100 graduates, i.e. those starting out in their profession, from the knowledge-based and creative sectors.

However, the creative workers are even younger than the knowledge-intensive workers. Almost half of the knowledge-intensive workers (47 per cent) are aged between 25 and 34 and almost 60 per cent of the creative workers belong to this age group. One third of the knowledge-intensive workers and one quarter of the creative workers are between 35 and 44 years old. Only 10 per cent of the creative workers and 14 per cent of the knowledge-intensive workers are older than 45.

Concerning the sectors, there are slightly more respondents from the knowledge-intensive sectors than from the creative sectors (see figure 4.2).

Figure 4.2 - Sectors

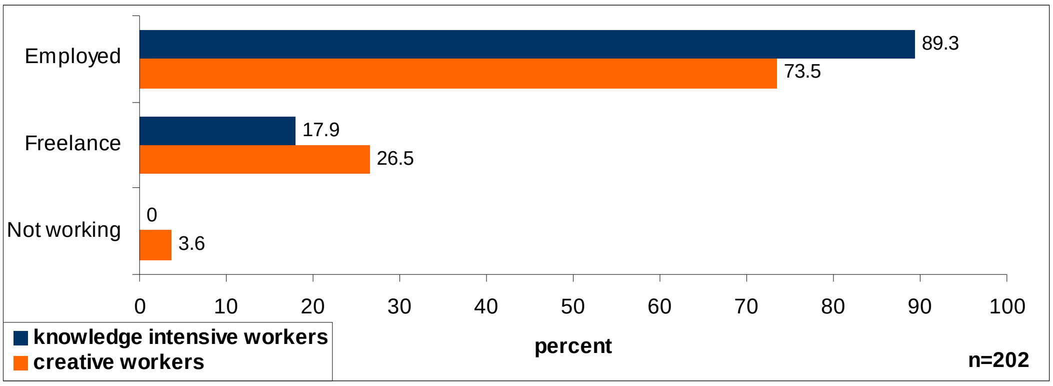


Source: Own survey

The overwhelming majority of creative knowledge workers (80.2 per cent) are employees. Only one fifth (21.3 per cent) of those surveyed are self-employed or freelancers. Two per cent of those surveyed are not in employment at the time of the survey.

Clear differences can be found between the knowledge intensive workers and the creative workers regarding their employment status (see figure 4.3): 27 per cent of the creative workers are self-employed or freelance, whereas just 18 per cent of the knowledge intensive workers are self-employed. Almost three quarters (74 per cent) of the creative workers are employed, whilst 89 per cent of the knowledge intensive workers are employed. None of the highly qualified people in this survey is currently unemployed, whilst 4 per cent of the highly creative people in the survey do not work at present.

Figure 4.3 - Employment status of the creative and the knowledge-intensive workers

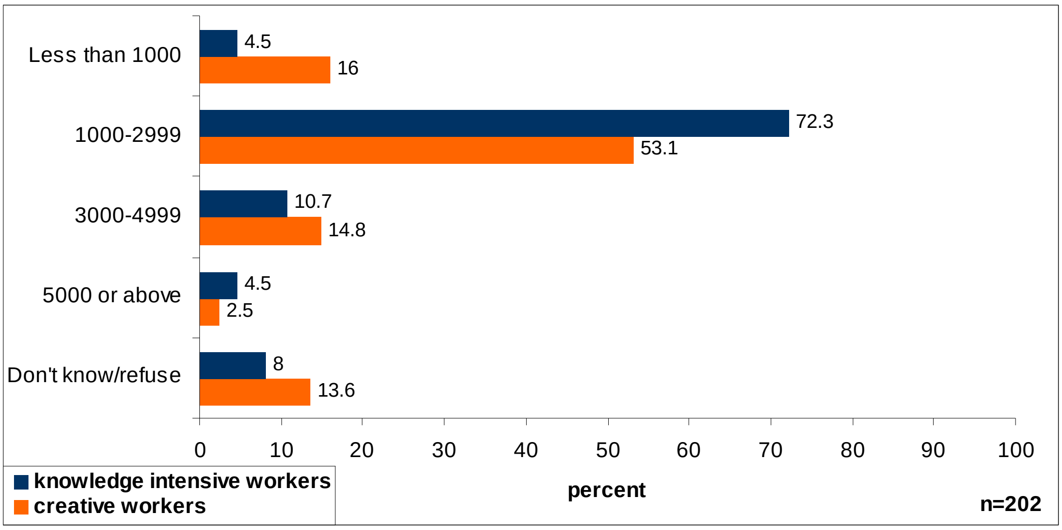


Source: Own survey

These differences can be explained by the work organisation in the different sectors. Work in the cultural industries in particular is organised in projects – or by project-based enterprises (Grabher, 2002a, 2002b, 2004). Project-based enterprises are often characterised by many non-standard working practices, such as long hours and a high proportion of freelancers (Pratt, 2004, Jarvis and Pratt, 2006).

For the majority of those surveyed (63.8 per cent), the net monthly income is between 1000 and 2999 Euros. Of the creative knowledge workers in this survey, 9.2 per cent earn less than 1000 Euros (net) per month, and thus despite their good qualifications, they are among the low-paid workers in the city. By contrast, 3.5 per cent of those surveyed have a net income of over 5000 Euros a month, placing them among the top earners. The creative workers earn less than the knowledge-intensive workers. Half of them earn between 1000 and 2999 euro per month and 16 per cent of them have to manage with less than 1000 euro per month.

Figure 4.4 - Net monthly income of the creative and the knowledge-intensive workers



Source: Own survey

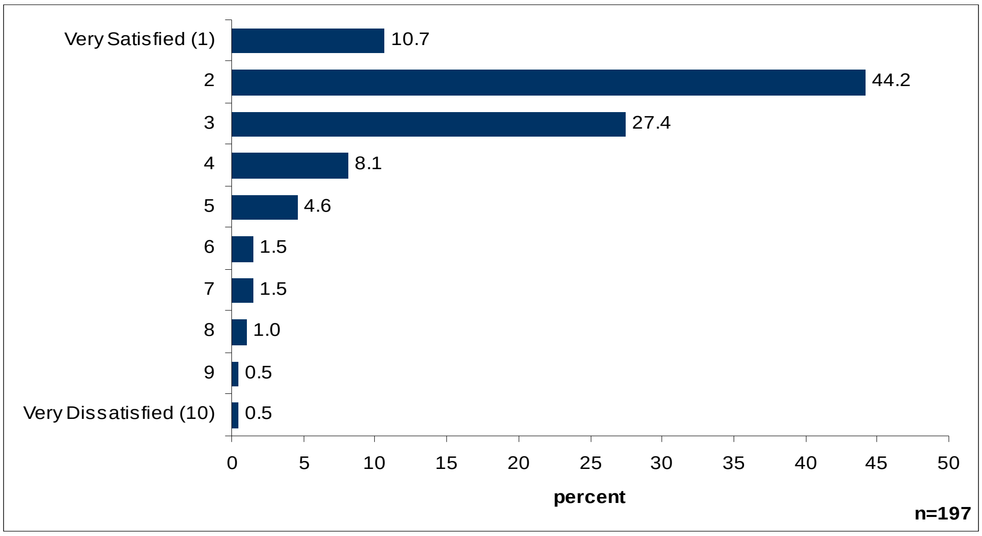
In relation to the high costs of living in Munich, the earnings achieved by the respondents can at best be described as average.

4.1.2 Reasons for coming and staying in Munich

First of all, whatever reasons have drawn them to Munich, the surveyed creative knowledge workers are in general very satisfied with the quality of life in Munich.

Over four fifths gave a value between 1 and 3 (with 1 representing "very satisfied" and 10 "very dissatisfied") when they were asked to rate their satisfaction with their life in Munich or the Munich region. Furthermore, 90 per cent of those surveyed are satisfied with the "overall quality of life in the neighbourhood".

Figure 4.5 - General satisfaction with life in Munich



Source: Own survey

Munich's creative knowledge workers are also very satisfied with the quality of public spaces, with the quality of shopping areas, with restaurants, leisure opportunities and public services in Munich. They also feel very safe in the city.

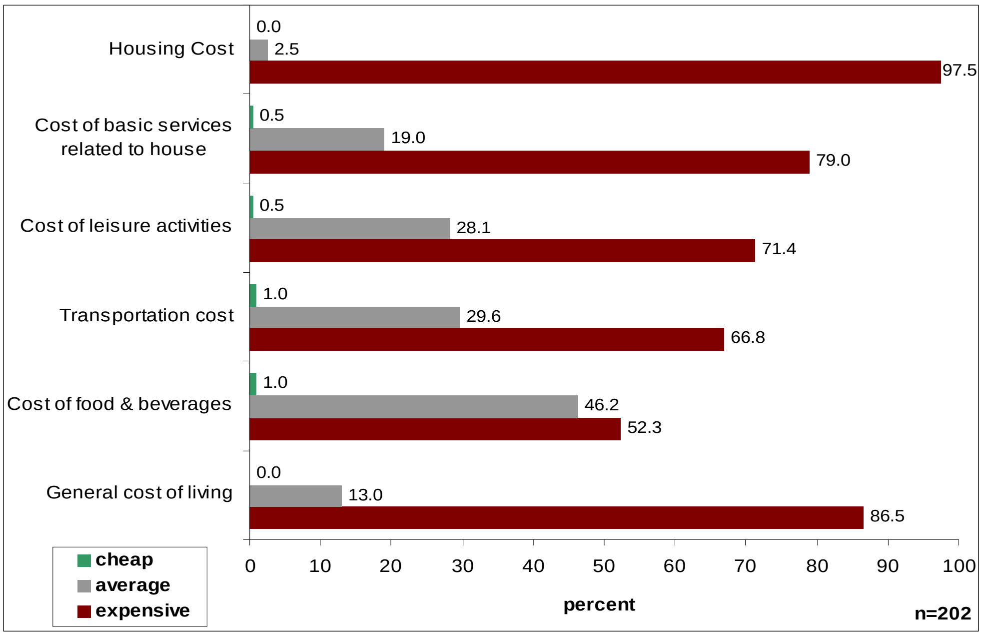
As we will see, for almost half of those surveyed, the place of work is the most important reason for them to live in Munich. Thus, satisfaction with the type of work they do and the work environment is very important. Interestingly, the creative workers who earn less, work more hours and hold less often unlimited permanent contracts than knowledge intensive workers are in general more satisfied with their jobs. Whilst 84 per cent of the knowledge intensive workers stated that there are satisfied with their job, this proportion rises to 91 per cent of the respondents from the creative sector.

However, there are also two major problem areas: the availability of affordable housing as well as the high costs of living in the city and region of Munich. The fact that the high costs of living also represent a problem for highly qualified knowledge workers is understandable when one recalls their levels of income.

The results of the survey show that the availability of affordable living space worries the creative knowledge workers the most, by far. Over 90 per cent of those surveyed find this aspect worrying, with 62 per cent of those surveyed even stating that they were "very worried". The labour market in Munich is not one of the foremost problem areas mentioned, but 38 per cent of the creative knowledge workers are concerned about the availability of jobs, although only 7 per cent of those surveyed are "very worried" about this aspect.

The second major problem area is the high cost of living in the city and in the Munich region. In their assessment of the general costs of living, the vast majority of those surveyed state that living in Munich is expensive. The cost of living is perceived by 87 per cent to be high; 53 per cent of those surveyed rate it as "expensive" and a third of those surveyed as "very expensive". The cost of housing above all is classed as very high (see figure 4.6). In this survey, 98 per cent are of the opinion that rents and mortgages in Munich are expensive or very expensive. This assessment is underlined by the fact that 82 per cent of those surveyed regard housing costs as "very expensive", whereas only 16 per cent of those surveyed rate them as "expensive". Not a single respondent rated housing costs as low. Other living costs are deemed expensive or average: the cost of basic services related to housing and the cost of leisure activities are still classed as relatively expensive, at 79 per cent and 71 per cent respectively, whilst transportation costs are classed as average by one third of those surveyed. In the case of the cost of food and beverages, the proportion of those rating it as average is almost the same as those rating it as expensive. However, hardly any of those surveyed rated these sub-areas as cheap.

Figure 4.6 - Assessment of the cost of living in Munich



Source: Own survey

Important location factors

Why are creative knowledge workers living in Munich? Are hard or soft factors more important? What role do personal trajectories play in their decision process? Interestingly, the place of work, a hard factor, plays the most important role in the decision to live in Munich for over two thirds of those surveyed. Job related reasons like jobs, good employment opportunities and higher wages are the most important reason for more than half (51.5 per cent) of those surveyed. If one also includes those who class the place of work as the second, third or fourth most important reason, then one can see that the place of work plays an important role in the decision to move to or stay in Munich for over two thirds of those surveyed. Other hard factors like presence of good universities or transport links only play a minor role (see figure 4.7).

Another important aspect of why many of those surveyed live in Munich is that of personal trajectories. Thus 36.2 per cent of the creative knowledge workers who were surveyed stated that they live in Munich primarily because they were born there or because their families live here or that being close to friends as the decisive reason for living in Munich. Other reasons are the relationships forged whilst studying or that they followed their partner.

Typical soft location factors like the proximity to natural environment, the overall friendliness of Munich, the diversity of leisure and entertainment or the Munich weather and climate are the most important reason for almost 14 per cent of those surveyed. A rather subordinate role in the decision to opt for Munich as a place to live is played by factors which Richard Florida categorises as important for the context of the USA. Aspects such as “openness to different types of people”, “gay/lesbian-friendly” and “internationality of the population” were mentioned by only a small proportion of those surveyed as any kind of reason – never mind the most important reason – for living in Munich.

Table 4.1 - Reasons for living in Munich

Most important reason for living in Munich		**per cent**[1]
Hard factors:	Job; employment opportunities; higher wages; Universities, transport links	55,0
Personal trajectories	Born in Munich; family lives in Munich; Studied in Munich; Friends; followed partner	36,2
Soft factors	Natural environment; overall friendliness; leisure & entertainment; city size	19,4
Typical Florida factors (soft factors)	Cultural diversity; internationality; open to different people; gay/lesbian friendly	
Other		1,5

Source: Own survey

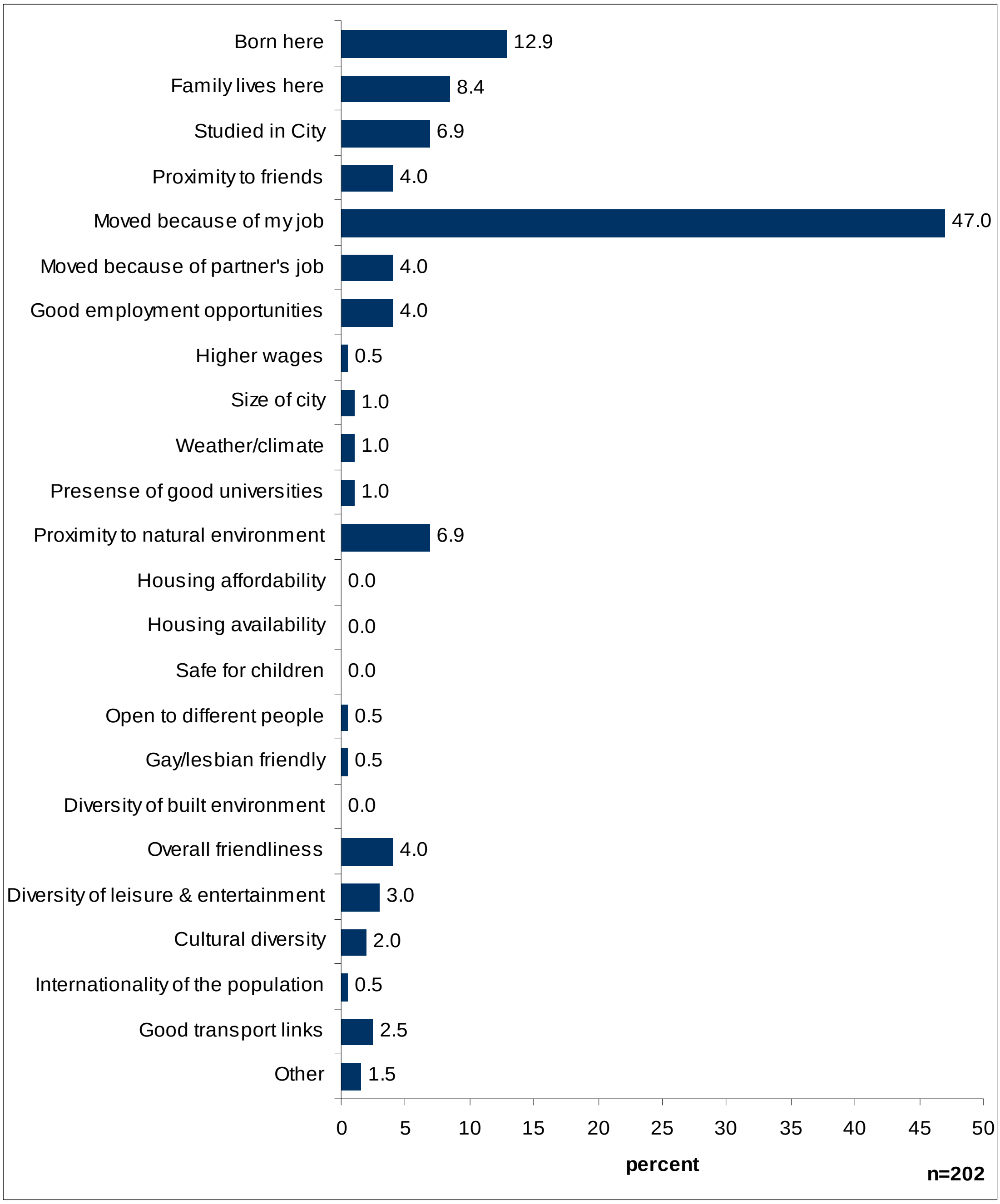
As might be expected, most (36 per cent) of those respondents who were born in Munich give “born here” as the most important reason why they live in Munich[2]. Personal reasons, such as family, a network of relationships built up over years, familiarity with the city and the region are more important here than job-related reasons. However, even in this group, it is the job which 21 per cent of the creative knowledge workers who were born in Munich name as the second most important reason why they live in Munich (see table 4.1).

The situation is quite the reverse in the case of those creative knowledge workers who obtained their highest educational qualification in Munich. The majority of them (30 per cent) give their job as the most important reason for living in Munich. This is followed by the reason “born here”, which 26 per cent of this group gave as the second most important reason.

[1] The sum is more than 100 percent because of multiple answers.

[2] Around 30 percent of those surveyed were born in Munich, almost 60 percent of those surveyed stated that they had moved to their current place of residence from outside the Munich region; i.e. even those native to Munich have evidently left Munich at some point and later returned. Around 50 percent came from another city or region in Germany, around 7 percent of those surveyed moved to the city or the Munich region from outside Germany and 2.5 percent even from outside Europe. Only about 8 percent of those surveyed have never moved and have always lived in the same place in the city or the Munich region.

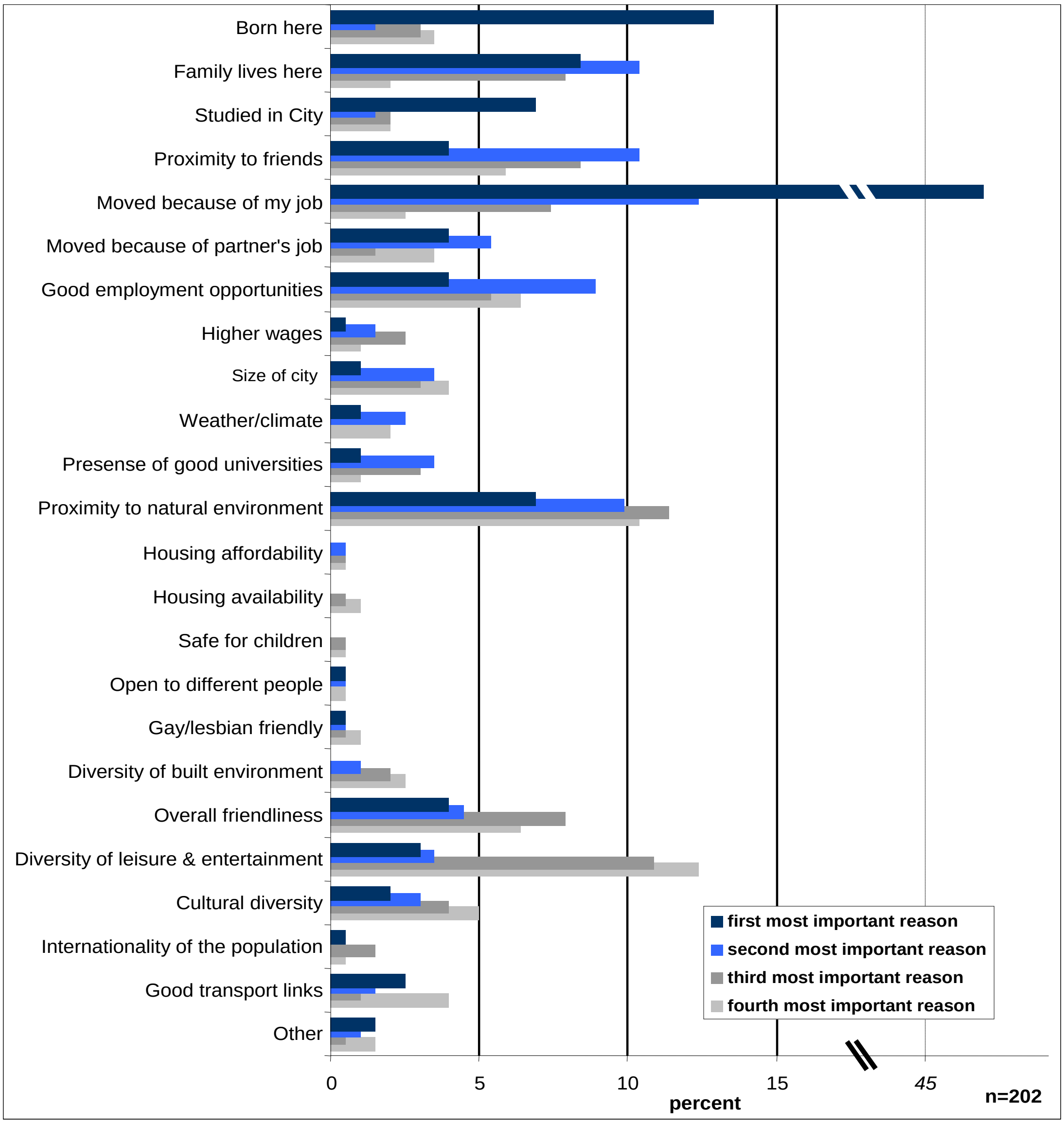
Figure 4.7 - The most important reason for living in Munich



Source: Own survey

Typical soft location factors such as the countryside attractions of the area surrounding Munich and the wide range of leisure opportunities and entertainment on offer represent the most important reason for living in Munich for only a small proportion of those surveyed, but have great importance as the third or fourth most important reason (see figure 4.8). The proximity to mountains and lakes was cited by around 11 per cent as the third most important reason, and by around 10 per cent as the fourth most important reason. The diversity of leisure activities on offer was given by approximately 11 per cent as the third most important reason, and by roughly 12 per cent as the fourth most important reason. One can thus assume that these soft location factors of Munich are not the decisive reason for living in Munich for many creative knowledge workers, but they made the decision to move there easier, or are greatly valued by those already living in Munich, and thus contribute to their reasons for their being happy to stay in Munich (see figure 4.8).

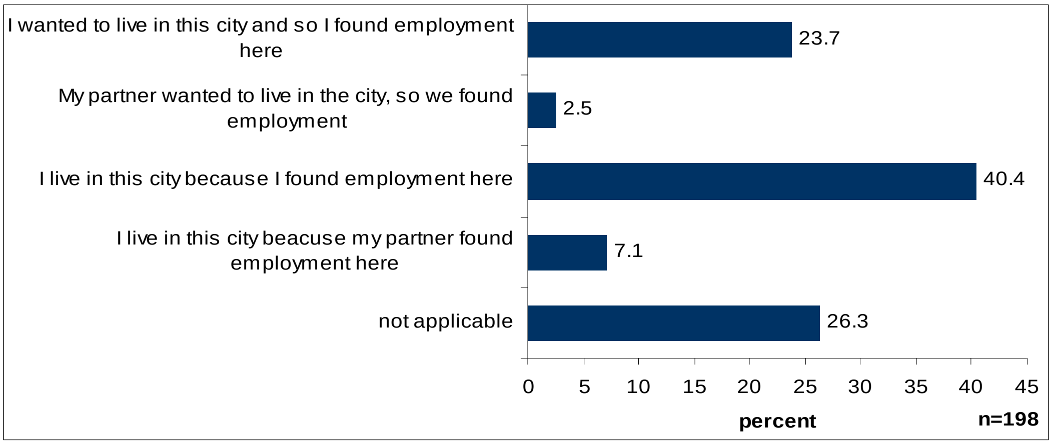
Figure 4.8 - Ranking of the four most important reasons for living in Munich



Source: Own survey

The fact that the majority of creative knowledge workers live in Munich or in the Munich region primarily because of their place of work is also confirmed by the fact that around 40 per cent of those surveyed state that the statement "I live in this city because I found employment here" applies most closely to them (see figure 4.9). Roughly another 7 per cent of those surveyed agree with the statement "I live in this city because my partner found employment here". So for them, it is not their own place of work that is the decisive factor in why they live in Munich, but that of their partner. For 26.2 per cent of those surveyed, other reasons played a more important role in the decision to live in Munich. For around 26%, none of the statements given applied.

Figure 4.9 - Agreement with statements



Source: Own survey

When we look at the respondents from the knowledge-intensive sectors and the respondents from the creative sectors separately, do they have different reasons for living in Munich?

Fundamentally, for both groups the three most important reasons for living in Munich are job-related reasons, social networks and soft location factors.

For both groups, the most important reason for living in Munich is the job (see figure 4.10). In addition, the good employment opportunities also play a role in the decision to live in Munich. Seven per cent of the creative workers live in Munich primarily because of the good employment opportunities. Only two per cent of the knowledge-intensive workers give this as the most important reason for living in Munich. One can conclude from this that creative workers make the decision to live in Munich not so much on the basis of a specific job, but rather because of the generally good labour market situation there. To sum up, it can be stated that for both sectors hard location factors, represent the most important reason why they live in Munich (see table 4.2).

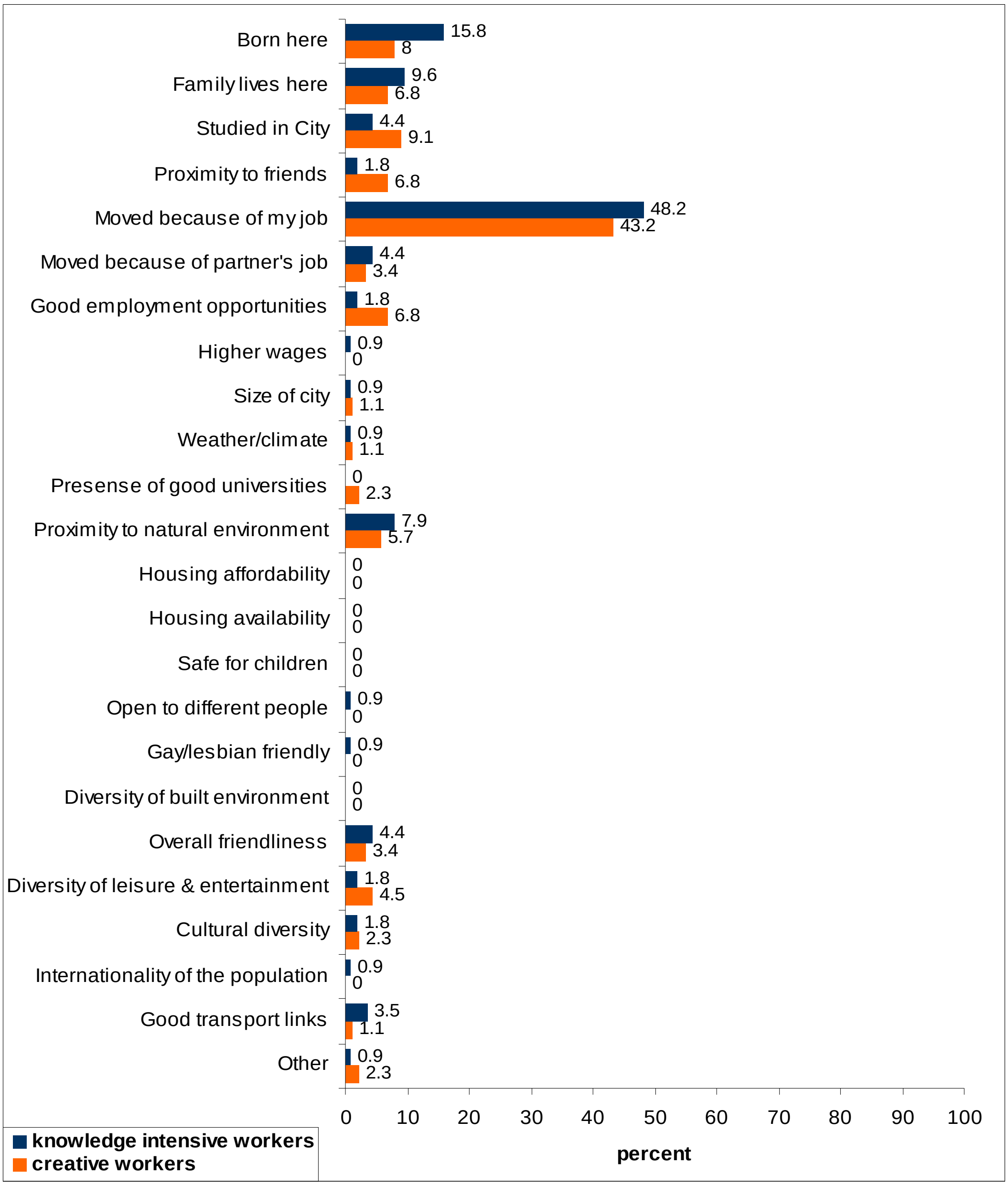
Table 4.2 - Reasons for living in Munich: Knowledge intensive and creative workers (in per cent)

Most important reasons for living in Munich		**Knowledge intensive workers**	**Creative workers**[3]
Hard factors:	Job; employment opportunities; higher wages; universities, transport links	53.5	53.4
Personal trajectories	Born in Munich; family lives in Munich; studied in Munich; friends; followed partner	36	27.4
Soft factors	Natural environment; overall friendliness; leisure & entertainment; city size	15.9	18.1
Typical Florida factors	Cultural diversity; internationality; open to different people; gay/lesbian friendly	4.5	2.3
Other		0.9	2.3

Source: Own survey

[3] The sum for each group is more than 100 percent because of multiple answers.

Figure 4.10 - Most important reasons for living in Munich



Source: Own survey

Secondly, personal trajectories play a role in why both highly qualified people and highly creative people choose to live in Munich. Personal trajectories are more important for the knowledge intensive workers than for the creative workers (see table 4.2). The reason "born here" was given by twice as many highly qualified people (16 per cent) as highly creative people (8 per cent) as the most important reason for living in Munich. By contrast, for the highly creative people the reason "studied in the city" is more important than it is for the highly creative people, since 9 per cent of the creative workers and just 4 per cent of the knowledge intensive workers name this as the most important reason for their living in Munich.

As a third point, soft location factors such as proximity to natural environment or overall friendliness of the city are also plays a certain role. For around 20 per cent of each group soft location factors play the most important role for their decision to live and work in Munich (see table 4.2). Interestingly, for the creative workers typical Florida factors are less important than for the knowledge intensive workers.

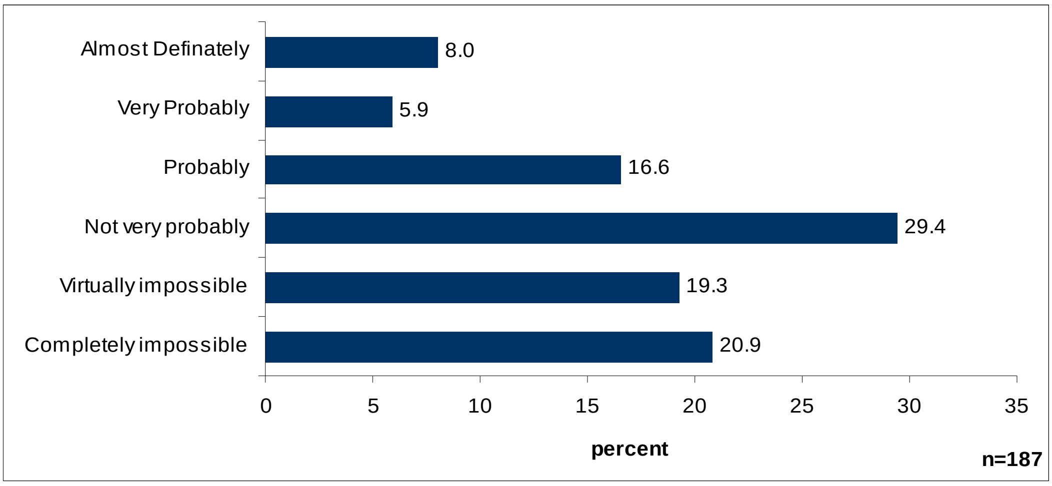
For both the highly qualified people and the highly creative people, aspects such as housing affordability or housing availability do not play a role; these represent problem areas, due to the high price levels in Munich.

It cannot be decided which of the above named factors have been important for the respondents to come to Munich and which make them stay in Munich. If soft and hard factors play a different role in this respect is a question of the next chapter.

However, it can be assumed that the factors also play a role in retaining them in Munich. This is plausible when we look at how tied the respondents are to Munich. More than half of the creative knowledge workers surveyed can be described as very tied to Munich as a location: more than 50 per cent of them have lived in Munich for more than 10 years. For the majority of those surveyed, a move away from Munich is not a topic for consideration at present. Of the creative knowledge workers, 29 per cent regard it as very unlikely that they will move away from the Munich region in the next three years. A move away is regarded as virtually impossible for 19 per cent of those surveyed, whilst 21 per cent of the creative knowledge workers deem it completely impossible.

Those creative knowledge workers likely to leave Munich in the next three years cited career reasons, personal relationships or the fact that they wish to reduce their living costs as reasons for the possible move, with career reasons being the most significant.

Figure 4.11 - How likely is a move away from Munich in the next three years?



Source: Own survey

4.2 Munich in the view of managers of the creative knowledge industries: main location factors

Within the framework of WP 6 companies of three sectors have been studied: the consulting sector, film production as well as the internet and games sector. The consulting sector has been investigated as an example of a sector from the area of the creative industries, film production, the internet sector as well as the games sector have been investigated as examples of sectors from the creative industries. After a short presentation of the enterprises that were surveyed in the three sectors, the location factors for each sector will be discussed separately and in a second step combined.

In contrast to the workers who were given predefined categories which they had to choose the managers had the possibility to name those location factors which were the most important for them and the researcher had the chance to ask them why these factors play such an important role.

4.2.1 Presentation of the interviewed companies and main characteristics of the sector: Work organisation, client structure, networks

4.2.1.1 Management sector: Presentation of studied firms and main location factors at the city regional level

Within the framework of the present study, twelve management consultancies in the city of Munich and the Munich region were interviewed. According to the ACRE classification (see von Streit et al., 2008), seven of the companies were large ones (more than 6 staff). Four large international management consultancies with more than 1500 employees were surveyed at the Munich location. They are among the so-called global players of the consulting sector. Their clients are mainly groups that operate on an international level. With the exception of one firm, they are based in Munich city centre.

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

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

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

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

As the consultancy sector is very diversified, there exist important differences between firms of different sizes. A very special feature of consultants' work is that it is organised into projects, and that it is generally carried out on site at the clients' premises. Thus, it is not tied to the Munich location. Working on the ground with the client's management and personnel, the consultants work out strategies and solution plans. This work organisation necessitates a great deal of travel on the part of the consultants, since they are often looking after clients across Germany or world-wide. The consultants generally spend four days in the client's firm and one day in their own firm. This is especially the case for big consultancy firms. This work organisation has consequences for the client structure. In contrast to many other knowledge-intensive, company-oriented services, proximity to clients plays only a subordinate role in the consulting sector. The spatial proximity to clients plays only a role for small and medium-sized management consultancies. For the acquisition of clients however, the networks of consultants and representatives of the economy at the Munich location are of great importance.

The most important result from the analysis of contacts and networks of the management consulting sector was that personal networks and reputation are important mechanisms for entering the market and asserting one's position in the market. This explains why the management consulting sector concentrates on urban agglomerations such as Munich, where it has access to networks with decision makers in industry. Proximity to the decision-making centres of industry is an important criterion in the choice of location by management consulting firms (Glückler, 2007). Through the large groups that are based there, urban agglomerations offer decisive access to reputation networks, which are important for acquiring new clients. In that respect, Munich represents a good location for management consulting firms. It is a strong economic location within Germany, where many large groups are based: for example, eight of the 30 DAX companies [the index of the 30 strongest shares on the German stock exchange] have their headquarters in Munich, and they are among the clients of the international management consulting firms. Small and medium-sized consulting firms too benefit from the concentration of large enterprises in Munich:

Whereas management consultancies that operate on an international scale are largely independent of the local labour market in the Munich region, the small and medium-sized consulting firms recruit their staff from their network of contacts in companies, banks, associations etc. that is geographically concentrated on the Munich region as well as Bavaria.

Table 4.3 lists those positive hard and soft location factors of Munich as a location that were mentioned by the management consultancies in our survey. Due to the small number of interviews, they were ranked not according to the frequency with which they were mentioned, but according to the subjective evaluation by the interview partners.

Table 4.3 - Location advantages of the city region of Munich

Very important location advantages
- Very good accessibility / mobility infrastructure (international airport, railway) - Attractiveness of the location for staff (high quality of life, attractive surrounding countryside) - Proximity to decision makers in industry / large groups
Important location advantages
- Availability of qualified staff - Economic strength of the region / proximity to clients - Proximity to universities - Positive image of the location - Accessibility by rail, proximity to main railway station - Facilities to meet the needs of staff - Stimulating environment / surroundings
Further advantages
- Safety - Further training options - Importance of the location in the consulting sector

Source: Own survey

Contrary to many other knowledge intensive services, in the consulting sector proximity to clients is not decisive for the decision about where to locate an enterprise. Spatial proximity to the client is achieved through high mobility on the part of the consultant and his work at the client’s premises. In this respect, the management consultancy sector has different requirements of its location than “classic” service providers do and is therefore not a typical knowledge intensive sector.

Among the hard location factors, accessibility of the location for the management consultancies that operate on an international basis represents a central aspect. Due to the mobility requirements of consultants, central positioning of the location and good links to the national transport infrastructure, with well developed rail, road and air networks are of great importance. In Germany, only the airport for Frankfurt am Main offers more direct connections than Munich airport. The lack of an airport connection with the ICE high-speed rail service was complained of; this would make the airport faster and easier to reach from the city.

The concentration of large economic enterprises and decision makers in the economy represents an additional advantage of Munich as a location. Besides these hard location factors, soft location factors too are decisive in the choice of location by the big management consultancies. The most important soft location factor is Munich’s attractiveness to staff. Munich is seen as an attractive city with a high leisure value and diverse cultural attractions. Those surveyed emphasised the quality of life in the city of Munich, and the beautiful surrounding countryside, with the mountains and lakes, as a significant advantage over other urban agglomerations in Germany. Munich has a positive image both throughout Germany and internationally, and is associated with the Oktoberfest, beer gardens, lakes or mountains.

Munich also enjoys a reputation as a very safe metropolis, which is also very important for foreign staff, and is seen as an advantage. This point was confirmed in many interviews with highly qualified migrants (see chapter 4.3).

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

Another important criterion for smaller consulting firms is the proximity to qualified staff or consulting partners. The management consultancies benefit from Munich's attractiveness as a residential location for management consultants, since they have no problem recruiting qualified staff.

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

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

Coming to the ***location disadvantages***, hardly any location disadvantages of the city of Munich were named by the big management consultancies; mostly, they are not serious disadvantages. For example, the interview partners mentioned the inadequate airport links and the overburdened traffic situation in some parts of the city. The smaller consulting firms and self-employed consultants drew attention to the high cost of office space and real estate, as well as the high cost of living in Munich. Another disadvantage is represented by the high business taxes in Munich, whereas the global players in the consulting sector are barely touched by the high costs that occur in Munich.

4.2.1.2 Film production: Presentation of studied firms and main location factors at the city regional level

In all, ten firms in the audiovisual media sector were surveyed. The firms surveyed included film production companies of various sizes, situated in various locations in and around Munich. Whereas some engage in classic film and television production, others have specialised in particular genres and sectors. Due to the project-related method of working, many freelancers are to be found in this sector. According to the ACRE classification (cf. von Streit et al., 2008), four of the companies in the study are large companies with more than six staff. One of the three companies with 200 permanent employees and 200 freelancers produces above all advertising and presentation films. Another firm, which operates on an international basis, has its company headquarters with 90 staff works in the areas of film and television production, lending and licensing trade. In addition to some additional city centre offices and warehouses in Munich, the company also has branches in other German and foreign production centres (Cologne, Berlin, London, Los Angeles, Tokyo), as well as several subsidiaries. The third largest firm specialises in classic film and television production (including documentaries and reportage). It has four co-shareholders, two permanent employees and approximately 10 freelancers. The fourth largest company with approximately 25 permanent employees makes predominantly commissioned productions for public broadcasters, as well as cinema films.

Of the three medium-sized firms (up to five employees), two work in the field of classic film and television production, and one produces cinema films, as well as television plays, presentation films and internet videos. All have around five permanent employees and a corresponding number of freelancers during a shoot.

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

As a rule, the clients of the film producers are broadcasters, and in the area of advertising and presentation films they also include associations, ministries, advertising agencies or industrial firms.

Time-limited project work in film production is exemplary for the organisation of work in general in the cultural industries. This type of work organisation is encouraged by the high flexibility that arises through the splitting of work between companies, the specialisation of individual firms in particular areas of work, as well as the project-related employment terms (Moßig, 2004). Consequently, a large number of freelancers is typical for the film and television sector. Due to the excellent opportunities for education and training in the area of film and television (e.g. film college, course in communication sciences), and the fact that the film and television sector has a long tradition in Munich, there is a very good pool of workers in Munich. In the educational institutions, it is not just producers and directors that are trained, but technical occupations can also be learned.

The client structure depends on the film segment in which producers are active. In the case of cinema film production, the immediate customers are the film distributors while the final customers are cinema audiences; with regard to television film productions it is the public broadcasters and the private television broadcasters; while for advertising and presentation films it is companies, associations or advertising agencies. Networks and social contacts are extremely important in the film business to get new business (von Streit et al. 2008).

Table 4.4 shows which location advantages and disadvantages Munich has from the point of view of the film production companies surveyed.

Due to the small number of interviews, the subjective statements of the companies are not classified on the basis of frequency of mentioning, but by the degree of importance in the opinion of those questioned:

Table 4.4 - Location advantages and disadvantages of Munich

Very important location advantages
- Proximity to customers (broadcasters, distributors) - Existing infrastructure (service providers) - Proximity to educational institutions - Networks (sector-specific events) - Quality of life for entrepreneurs and their employees - Stimulating urban environment (companies in city centre only)
Important location advantages
- Local job market - Transport connections - Positive image (liberal, tolerant) - Strong economic setting
Individual opinions
- Strong film funding arrangements - Positive contacts with public authorities - Sufficient sector-specific real estate - Attractive locations for shooting
Very important location disadvantages
- High production and living costs - Problems with permits to shoot
Further disadvantages
- Decentralised situation as film location - Economically hostile transport policy

Source: Own illustration

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

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

For the larger enterprises, this soft location advantage becomes harder in that the high quality of life in Munich makes it easy for them to attract qualified personnel to the location. This is helped by the image of Munich, which is described by those surveyed in a consistently positive way. Thus, despite the mentality of native Bavarians, Munich counts as tolerant and liberal, including of other cultures, and it has – not least because of the Oktoberfest and Beer Gardens, a widely known name and reputation for being a metropolis of vitality and fun. Thus, it can be stated that the creative managers in the film business regarded the atmosphere of Munich in a very positive light – and not less creative than let's say Berlin.

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

For the big film production firms, Munich and its surrounding countryside offers a multiplicity of attractive settings for shoots (lakes, mountains, nature), which represents an important locational factor.
For internationally active large companies, the transport connections of Munich, in particular its airport with the status of an air transport hub, is of decisive relevance because personnel frequently have to travel.
Dealings with public authorities are described overwhelmingly in a positive way. On top of that, there is sufficient real estate available in the greater Munich area.
Coming to the **disadvantages**, all the firms we surveyed see the high production and living costs as a decisive disadvantage of Munich. Both the leasing rates and the fees of freelance personnel are a quarter more expensive than, for example, in Berlin.
Also in comparison to other cities, it is said to be more difficult to get permission to do a shoot, because the possible disturbance to residents frequently leads to permission being obstructed. In contrast, in Berlin particularly, the media sector is promoted politically much more strongly.

Overall, the locational advantages far outweigh the disadvantages. Thus producers repeatedly emphasise the advantages of Munich with regard to the proximity to broadcasters, service providers and other participants in the sector compared to other cities. Furthermore, the quality of life is consistently described very positively.
Like it has been the case for small enterprises and sole proprietors in the management consultancy sector, for the founders of small enterprises, it was personal trajectories that tipped the balance towards locating in Munich, because they grew up there or they came to Munich to study. Additionally, they built up a network of contacts during their study.

4.2.1.3 The internet and games sector: Presentation of studied firms and main location factors at the city regional level

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

For the games sector, the explanations below are based on the analysis of two interviews: one with an editor of the largest German PC games publication, which is based in Munich, as well as one with a director of a Munich company that has specialised in mediation, consultancy and production support in the field of entertainment software. With this interview partner, the developer side is also covered, since he is also a director and producer of two developer studios in Munich city centre. Eight firms were surveyed in the area of the internet sector. According to the ACRE classification (see von Streit et al., 2009), four firms are large companies with more than six employees. The large firms are proprietor-led agencies, of which the largest has approximately 700 staff at the Munich location, and another 150 at the Berlin and Hamburg locations. The other three agencies have between seven and approximately 35 staff. The largest firm is an agency group that has been in existence since 1970, employs 200 staff in the internet sector, and additionally provides services in the areas of marketing, events planning, advertising, market research and communication. The main

spheres of business of the other three big agencies, which were established between 1996 and 1998, lie in the areas of internet applications, marketing, and classic and digital communication (websites, corporate design etc.). The main areas of business of the small agency, which has been in existence since 2003, lie in the area of marketing and classic as well as digital communication, above all for companies operating in the environmental area. It is located in the outer districts of Munich. In addition, three self-employed people without additional staff were surveyed. Two of them have office space in a shared office in the city centre, and one works from home. Their main areas of business lie in the areas of website production, content management systems as well as classic and digital communication.
Concerning the work organisation both sectors are exemplary for the cultural industries and also concerning their locational needs both sectors can be regarded to be representative for other sectors of the cultural industries.

Since the products and services in the internet sector arise through a combination of information technologies, telecommunication, advertising and media, there is a marked horizontal division of labour. The strongly horizontal division of labour on the one hand encourages the organisation of work in projects, whilst on the other hand it includes the possibility that firms can assign individual task areas to freelancers relatively easily.
In the internet sector as well as in the games sector, project work is the determining element in the work sequences and the organisation of work. Just as in the film and television sector, freelancers are widespread. Firstly, subcontracting is very important in the sector, and secondly agencies have recourse to freelancers in order to deal with larger projects or gluts and in order to save on the costs associated with permanent employment.
In the internet sector, the client structure varies depending on the size of the agencies surveyed. The large agencies predominantly serve medium-sized and large enterprises, through to groups that operate on an international basis. Medium-sized firms above all prefer an agency which is local, which knows the regional situation and can be contacted quickly.
About one third of the clients of the other large agencies are based in the Munich region, and two thirds are based in other regions of Germany. As a rule, the small agencies and self-employed people without employees look after small and medium-sized clients whose firms are based mainly in the Munich region, or in the area of southern Bavaria. Formal and informal contacts as well as networks play a decisive role in the acquisition of orders.
Spatial proximity to clients as well as to project partners plays a decisive role in the internet sector, in spite of modern communications. Face-to-face contact is very important, particularly in the initial phase of projects. This explains why the clients of the smaller agencies and self-employed people are concentrated on the Munich region, since for smaller projects it is not worthwhile to take on long distances to the client. Many publishers of computer games have their headquarters in Munich. The spatial proximity to the publishers certainly represents an advantage for the Munich-based games developers. However, the projects often extend beyond local and even national boundaries, so that the publishers are often based in other European countries, Canada or the USA.

In order to assert themselves on the market, for both large and small agencies as well as the self-employed without employees, belonging to networks plays an important role. According to the interviewed firms, contacts to new clients come about almost exclusively through existing private or professional contacts to decision makers in firms, or through recommendations from clients. Since professional contacts are frequently also made via friends and acquaintances, it is difficult to separate private and professional contacts. Freelance project workers are above all put in contact through recommendations (von Streit et al., 2008).

The advantages and disadvantages of the location of Munich as an urban region, as well as of the respective micro-location of the firms within the Munich region from the point of view of the firms surveyed, are summarised in Table 4.5. Here again, the sequence of statements according to importance reflects the frequency of nominations of the individual statements to only a limited extent. Due to the limited number of ten interviews, the location factors were instead classified according to how important they are from the point of view of those people who were surveyed.

Table 4.5 - Locational advantages and disadvantages of Munich

Very important location advantages
- Proximity to clients (internet agencies) - Networks (internet agencies) - Attractiveness / high quality of life for staff in the region - Availability of freelancers / availability of qualified staff - Premises - Proximity to place of residence - Urban atmosphere / lively districts (new media and games) - Accessibility for clients and staff with underground network and light urban railway
Important location advantages
- Proximity to universities - Proximity to publishers (games) - Proximity to private training establishments (games) - Prestige / aura / image - Architecture / buildings
Further advantages
- Support policies (games)
Very important location disadvantages
- Trade tax - High cost of living - High rents (commercial and private)
Important locational disadvantages
- Insufficient numbers of well educated personnel (applies to the whole of Germany)
Further locational disadvantages
- Infrastructure policy (airport links) - Town planning policy (high-rise buildings, railway station) - Restrictive approval policy - Image of Munich conveyed through municipal policy - Hardly any space available for experimentation

Source: Own survey

In the case of the internet and games sector, personal trajectories played a prominent role. In response to the question as to why the agencies were established in Munich, or why the freelancers became self-employed in Munich, all of those surveyed said that they had already lived in Munich, and to some extent had studied here too, and therefore no other city came under consideration for them. It was therefore private rather than commercial reasons that drove the decision for the location of the business. Nevertheless, it is an important factor that the agency founders, above all in the start-up phase, were able to use existing private and professional contacts in Munich, which they had built up whilst they were students, for acquiring orders. The same applies for lone freelancers, who likewise relied on their contact network of former employers and clients in the Munich region at the beginning. For the games sector too, for the managing directors who were interviewed, biographical factors were decisive in establishing their studios in Munich:

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

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

For the games developers, the spatial proximity to numerous publishers, who for them represent the most important sources of finance for their projects, represents an important locational advantage.

The proximity to universities is regarded as positive by the large internet agencies, since they cooperate directly with the universities, and acquire staff direct from the universities. For the games sector on the other hand, the private Munich-based educational establishments which train games developers are more relevant.

Spatial proximity in the city between the self-employed, agencies and clients also plays a role for other reasons. The self-employed without employees emphasise the fact that spatial proximity to other agencies and freelancers is advantageous, since it facilitates face-to-face contact, which can become important where there is time pressure and increased need for consultation in collaborative project work. Inner city locations are preferred due to two reasons: the importance of ‘urbanity’ for creativity and the development of new ideas and accessibility by public transport or bicycle (von Streit et al., 2008).

Coming to the locational disadvantages like in the film production sector the high cost of living is seen as the most negative location factor. In addition to the high cost of living, the high office rents in the Munich region are felt to be a disadvantage, as well as the fact that in Munich, there is hardly any space available for small firms that are not yet established on the market. The same applies for studio premises: here too, there is not enough space available.

4.2.2 Main location factors of creative and knowledge intensive companies in the region of Munich

In this chapter the location factors of the surveyed sectors are compared. Due to their different structures, the analysed sectors have different location needs. Furthermore, hard and soft factors as well as personal trajectories have varying significance for firms operating in different sectors. Some of the location factors are relevant for all sectors; some are specific to one sector. For example the TV and film sector depends on a special infrastructure (film laboratories, equipment hire, studios) as well as public funding. This is not the case for the other sectors.

Table 4.6 - Hard location factors

	TV and Film Production	Internet / Games	Management consulting
Local job market	important	important	partly important
Proximity to customers	important	important	unimportant
Universities/educational institutions	important	important	partly important
Accessibility	important	important (big enterprises)	very important
Strong economic setting	important	important	important
Headquarters	unimportant	unimportant	very important
Funding	very important	important (Games)	unimportant
Sector-specific events	very important	important	unimportant
Sector-specific infrastructure	very important	unimportant	unimportant

Source: Own illustration

Table 4.7 - Soft location factors

	Audiovisual media	New media / Games	Management consulting
Quality of life (city and surrounding countryside)	very important	very important	very important
Image	important	important	important
Creative environment/ feel-good-factor	important	important	unimportant
Prestige of micro-location	unimportant	important	very important

Source: Own illustration

Table 4.8 – Personal trajectories

	Audiovisual media	New media / Games	Management consulting
Personal trajectories	very important	very important	important

Source: Own illustration

However, one factor which is neither hard nor soft is mentioned by all small and medium sized younger companies (it does not apply to the big film production firms and to the so-called global players in consultancy): personal and family reasons tipped the balance towards locating to Munich. Either the founders grew up in Munich or they came to Munich to study.

Concerning **hard location** factors, five factors were of particular importance: the local labour market, the proximity to customers, universities and educational institutions, accessibility and a strong economic setting.

The **availability of highly qualified and creative personnel** plays an important role for both creative sectors. Due to the organisation of work and the flexible production system in both sectors, the availability of personnel, freelancers and specialists is very important for them.
Big international consultancies judge the proximity to highly qualified workers and universities at the Munich location as being of only limited importance, since they recruit their staff across Germany, and also maintain links with universities throughout Germany. The same applies for the proximity to customers: proximity to clients plays only a subordinate role. For them, the concentration of large economic enterprises and decision makers in the economy represents the most important advantage of Munich as a location. Through the concentration of decision makers, in Munich consultants have easy access to contacts and reputation networks which they need for winning clients. However, management consultancy seems to be a rather exceptional case in this respect. For other knowledge intensive services (e.g. financial services) as well as knowledge intensive production oriented sectors (e.g. automotive, ICT) proximity to other firms, to highly qualified workers, to clients as well as institutions (research, universities etc.) are vital as other studies have shown (e.g. Krätke 2002, Sternberg and Tamásy, 1999).
For both the TV and film production as well as the internet sector, the **proximity to clients** is of high importance, especially for the small and medium-sized firms. For the TV and film producers the proximity to distributors and broadcasters is very important. The game developers benefit from the high number of publishers in the Munich area. The large internet agencies benefit from the fact that numerous international enterprises as well as larger medium-sized firms are present in Munich. The small firms and the self-employed provide services for small und medium-sized firms which are mainly located in the Munich region and southern Bavaria.
Concerning the labour market as well as the client structure, the TV and film production sector and the internet sector are much more embedded in the region of Munich than the management consultancy sector, because their networks are more local than national or international. However, in the film industry the size and reach of the project network depends on the scale and nature of the production: the network of large production firms extends over Germany as a whole, or internationally, since many films are shot abroad, and there are subsidiaries and braches worldwide.

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

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

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

The economic strength of the Munich region is another location advantage for the firms of all the sectors we investigated. The firms in all three of the sectors surveyed emphasised the **strong economic setting** as an important outline condition for their activities.

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

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

Another important factor is the **positive image** of the city of Munich. Munich has a positive image both throughout Germany and internationally, and is associated with the Oktoberfest, beer gardens, lakes or mountains. This positive image is an effective asset for the recruitment of qualified personnel. It must be stated that the interview partners from the film and internet sector do not regard Munich as less creative than e.g. Berlin

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

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

4.3 Munich in the view of highly skilled migrants

In the following chapter, the view of highly skilled migrants will be discussed. After a general description of the sample, the four different types of migrants will be shortly introduced and their specific reasons for coming and staying in Munich discussed.

4.3.1 Description of the sample

Within the framework of the study, a total of 26 highly skilled migrants, 15 men and eleven women, were interviewed. Six of them work in the field of the creative and 20 in the field of the knowledge intensive industries. Most of the creative workers are self-employed (4 of 7 persons).

Regarding their country of origin, eight of the discussion partners are third-country nationals coming from Canada (2 persons), India (3 persons), Japan, Ukraine, South Africa and Iran. 17 migrants are coming from an EU country. Most of them are from France (6 people), Italy (3 people) and Great Britain (3 people). Many of the highly skilled migrants have lived in many countries in the course of their careers.

Concerning their family status, most of the interviewed migrants are married or engaged (14 people) and ten of them have children. Looking at the age of the discussion partner, the better part of them is in their forties (12 people), ten are between 30 and 40 years old, and two are below 30 years and one interview partner is over 50 years old. Most of them came in the year 2000 or after to Munich (16 people), seven came in the 1990s and two migrants came before 1990.

Six of the interviewed highly-skilled migrants came as expatriates; the others came on their own. Special for the case of Munich is that nine of the interviewed migrants work for a big European institution in Munich. They enjoy privileges like an international and English speaking work environment, an international school for their children and very high salaries.

4.3.2 Types of migrants

During the survey for the report of Workpackage 7, it was decided to group the migrants according to factors like their employment status (employed, entrepreneur or self-employed) and their cultural, social and economic capital (see von Streit et al. 2008). Therefore four types of migrants will be distinguished: researchers, entrepreneurs and self-employed migrants, advantaged highly skilled migrants, less advantaged highly skilled migrants. Due to their different status they also differ in terms of their main location factors.

Cultural capital can be measured in terms of the possession of educational capital and education titles. The social capital is based on the social networks the migrants are integrated in. The economic capital as well as the types of occupational positions the migrants posses, place them in different social classes. Another factor for the forming of groups is if the social status changes with migration, namely if the migrants experience up-, but also downward mobility. Only the group of researchers is not formed by the above dimensions. They form a group of their own because they enact a certain form of mobility. Following these factors, four types of migrants can be distinguished: researchers, entrepreneurs and self-employed, advantaged, and less advantaged highly skilled migrants. We follow this distinction during the report.

In order to illustrate the most important characteristics and to draw a richer picture of every group concerning their main motivation to come to Munich, the four groups will now be discussed in more detail.

4.3.2.1 Researchers as a special type of highly skilled migrants

In the case of researchers and scientists, the quality of research facilities determines where they go – family and partnering issues can play a role, but the city itself is not important. This dimension defines the group of researchers and differentiates it from the other groups of highly skilled migrants presented below.

According to the representative of the Technical University, the factors which lead scientists to choose Munich are therefore almost purely job-related. The attractiveness of the city only plays a role if they can choose between several locations – which seldom is the case. Normally the quality of research institutions and the kind of research they can accomplish here determines their choice for Munich. In her experience, many of the researchers have no information about the city at all before they come to the Munich region. Therefore it can be stated that the researchers' main *attracting* factor for coming to Munich is the job.

Individual fellowship schemes are also important for bringing foreign researchers to Germany as they provide a relatively risk-free way to make mobility happen. In comparison to the group of advantaged migrants the economic capital of researchers is lower.

In comparison with other countries like the US or Canada, the salary of professors and researchers is rather low in Germany, which is a major obstacle for German universities in attracting the best people in their fields. This problem is especially valid for Munich with a tight and expensive housing market. This applies to students but also to doctoral students and post-doctoral researchers. In particular, the segment of furnished residences which can be rented for limited periods of time is underdeveloped.

Consequently, the biggest problem of young researchers and scientists is finding a flat on Munich's tight housing market. First, due to their limited economic resources and second, because there is only a limited offer of furnished residences which can be paid by young researchers – either the apartments are extremely expensive or they are poorly furnished. Third, short term contracts (which are very common at German universities) are less accepted by landlords. These points were also confirmed by the representatives of the universities who are in charge for foreign students and university employees who name three main problem areas concerning their daily work with foreign scientists: the *low pay* of scientists in Germany, *language problems* (as most of them don't speak any German and only need English for working), and the *tight and expensive housing market* in Munich.

4.3.2.2 Entrepreneurs and self-employed migrants

In this group are migrants who are active in the knowledge intensive and in the creative sectors. The motives why entrepreneurs or self-employed migrants settle in the Munich city region are diverse: they come either for a job offer or for family related reasons. What they have in common is that they have - in order to make a living - to get access to the markets in the Munich region or in Germany and to find customers for their products. Thus, they have very different priorities and see Munich from a very different viewpoint than the other groups.

One entrepreneur emphasised the orientation in technology and Munich “as a hub” for venture capitalists which makes the region a *good location for his business* – this would be the main *attracting factor* to him. Another entrepreneur who works as a consulter stresses the *good infrastructure*, the *supportive entrepreneurial thinking* and the proximity to other European countries as positive factors of Munich as a business location. On the whole, the positive location factors of Munich cited by the highly skilled self-employed migrants in the knowledge intensive sectors are similar to those named by the managers (see chapter 4.2). However, their view also reveals important insights into the weaknesses of Munich as a business location. One point of critique is the *heavy taxation* and the *inflexibility of government officials*. Starting a business in Germany is more complicated than in many other European countries. Furthermore, Germany is in their opinion overregulated and too bureaucratic.

Whereas the interviewed self-employed knowledge workers were able to maintain or improve their social and economic status through migration this was not the case for all of the self-employed in the creative industries. Some had severe problems to get access to the market in Munich albeit they worked successfully in their home countries. But due to the small number of self-employed migrants in the creative sectors generalised statements for the reasons of this cannot be drawn. One reason might be that they are more reliant on local customers where *language problems* play a bigger role than in an international environment and that for selling cultural products on a regional market access to networks seems to be of pivotal importance.

4.3.2.3 Advantaged highly skilled migrants

Most of the migrants in this group have experienced continuing upward mobility through job changes, the have highly paid jobs and positions in higher management. Some stressed their international background which can help the career. *Job related motives* for migration dominate among this group. Quite often Munich is the final stage of an international business career.

Some of the discussion partners of this study come very close to the elite form of highly skilled migration described by Beaverstock (2002, 2005) – migrants who have educational titles from elite schools and make use of global multi-cultural networks. Their reasons for migration are mostly based on the advancement of their careers. The *job offer* can therefore be said to be the main attracting factor to them. Still they named other reasons that seemed to important to them (like the *quality of life*) and which account for the length of a stay.

To this group belong e.g. also dual career couples who moved for partnership and marriage in combination with job related reasons. Especially for dual career couples it is important that both can find a highly qualified job on the local labour market.

Also expatriates belong to this group of migrants who work for international firms in Munich as well as migrants in management positions who came on their own but also work for big international companies. The nine interviewed migrants who work for a big European institution in Munich do also belong to this group. They all come from European countries as well as Canada.

In comparison to the other groups they share the highest economic capital. They can rely on an international network of business contacts and they enjoy privileges like an English speaking work environment.

Their often very limited knowledge of German does not hinder their career prospects as the whole communication in the European institution as well as in the international firms takes place in English. In case of the expats, the company normally has sponsored relocation agents to find them a flat and they companies provided them help opening bank accounts etc. Due to their high economic capital, this group has no problems on the Munich housing markets.

Most of them stress the *high quality of life* in the Munich region concerning leisure and cultural activities. In this way soft factors contribute to the retaining of the migrants in Munich.

4.3.2.4 Less advantaged highly skilled migrants

The most important attribute of this group is that despite their middle class background and international degrees and careers, they do not experience an upward mobility through migration. Either they are less successful than the group of privileged migrants to mobilise their high educational capital on the Munich labour market or they have problems on the *housing market*. The reasons for migration of these interviewees are social and/or occupational in nature. They come from European countries as well as from India. Very often their knowledge of German is limited which is a bigger problem in small and medium-sized businesses as they have more customers from within Germany.

One Indian migrant experienced a downward mobility and have to get used to a less luxurious lifestyle – due to the low pension he will receive, he will go back to India. One Italian migrant experienced that her career path is not straightforward enough for the German labour market and in some cases she experienced that her knowledge of German is insufficient, especially when she applies at small and medium sized firms which are more regional oriented. In this regard, the German job market seems to be less flexible.

Especially third-country migrants' experience problems due to their limited visa. Therefore, was decided to put them into the group of less advantaged migrants despite their high economic and social capital and good position in the labour market. They only have limited access to the housing market due to the fact that landlords are less likely to accept tenants with limited residence permits.

4.3.3 Reasons for coming and staying in Munich

In the discussions with the highly skilled migrants it became apparent that most of them had already lived abroad and that Munich was not the first foreign city where they were living and working. The motives for being mobile in the first place had been discussed in the last ACRE-report (von Streit et al., 2008).

Former contact with Germany, or spending a year in Germany as a student, or the knowledge of the German language play important roles for finally choosing Germany as a destination. Thus, knowledge of the culture and the language seems to be of pivotal importance for migration decisions and refer to the *biographical background* of a person.

4.3.3.1 Job offers and family related reasons as most important factors

Especially in the literature on highly skilled migrants, the main drivers which are discussed are improved working conditions, pay und opportunities for enhancing the career. Less accentuated are more personal factors in the literature.

The discussions with highly skilled migrants in the Munich city region have shown that the drivers for the settlement are much more diverse and complex and do not necessarily relate to their expertise only.

As the two most important factors can be seen an attractive job offer and family related reasons. Some of the migrants have chosen Munich solely for work related reasons; the city itself did not play a role at all. This is for example the case for scientists and people employed at the universities. They got a job offer that would benefit their career, so they decided to accept it. Especially for couples, a well developed job market makes a decision to settle in a town easier, as they are not dependent only on their current jobs. Therefore, the *job market* can be named as one very important location factor.

In other cases the decision has nothing to do with the job or business but the highly skilled migrants came to Munich for purely family related reasons. For example, they married a German man or woman and the couple decided to settle in Munich. Partners have an important role in the decision making process.

In many cases, it was a combination of motives: a job offer together with personal reasons.

Social networks also play an important role in the choice of Munich because they provide information about the city region, which subsequently lower the costs of a move. This explains why people tend to migrate to countries to which a network has been established. Therefore, it has been claimed that “it can be safely said that networks rank among the most important explanatory factors for migration” (Arango, 2000, p.291).

This fact could also be retrieved in the interviews with the migrants in the Munich region. Many of them had contacts to people living in Munich: relatives, friends or colleagues who helped them in their first time in Munich.

4.3.3.2 Attracting and retaining factors

In the following chapters, important attracting and retaining factors will be discussed (other than job and family related factors which attract migrants to come to Munich), starting with hard factors.

Housing market

The majority of interviewed highly skilled migrants lives in the city of Munich and even the majority prefers inner city locations. There is no general answer to the question how accessible the housing market of Munich is for them. Its accessibility depends on the economic and social capital of the migrants. Highly privileged migrants have no problems at all and depending on where they have lived before they experience the offer and the price level. As one international experienced professional explains: *"After living in London, I was astonished how cheap Munich is, really like, I was just blown away."*

Less privileged migrants name the same problem areas as the German creative knowledge workers in the ACRE report 5.7 (Hafner et al. 2008): high living costs and the unavailability of affordable housing in the Munich city region. As explained in chapter 4.3.2.4 they have only limited access to the housing market.

Furthermore, there is a lack of offers of furnished residences which can be rented and reasonable residences which can be rented on a short term basis. This is mainly relevant for researchers and students for which the housing problems are the biggest obstacle in Munich. Affordable housing for researcher and students would make Munich more attractive for this group.

As all of the interviewed persons are staying in Munich despite the tight housing market, it can only be assumed that the housing market is no decisive attracting factor. But it might play a role when thinking about taking a job somewhere else.

Childcare and international schooling

The availability of childcare and international schooling seems of pivotal importance to attract highly skilled migrants. Almost all discussion partners with children stressed the importance of good schools and most of them are sending their children to international schools. This was an issue for advantaged highly skilled migrants in particular. But also for the highly skilled Indians an international education in English is very important. There are respective schools in Munich, only the amount of offered spots for children is limited and therefore not evaluated as being sufficient.

The supply of childcare institutions was referred to as being insufficient – especially by migrants coming from countries with a high degree of childcare provision, like France. For women it marks a problem that the waiting lists for day nurseries are overcrowded and that they cannot rely on the children taken care of when they want to start working again.

Other hard factors

Another hard factor that has been mentioned by some migrants as being important is the technical infrastructure, especially the *public transport* in Munich was complimented for its accuracy and therefore its reliability. In this context the *international accessibility* has to be mentioned which seemed to be important to some migrants – one French person enjoyed the

fact that it is quite easy and fast to travel to Paris by train within six hours. Good flight connections can be a plus for a city, too, as it makes it easier for the migrants to visit their relatives and friends. But also in a professional context a good international accessibility can be an advantage – this was mentioned especially by self-employed migrants. They were the only ones to talk about the *taxation system* in Germany and Munich, which seemed to be more of a disadvantage for Munich as the tax charge is quite high.
As it has been shown, researchers do not chose a city but they chose a university. Munich is attractive for them due to the numerous universities which have excellent research facilities. However, the *quality of research institution* and cutting-edge research are the most important pull factors for scientists.

Soft location factors
Those migrants, who have come to Munich exclusively for job-related reasons, are in general very satisfied with the high *quality of life* of the city. It can be stated that the overall satisfaction with the city is very high among all groups of migrants. The soft location factors named by the highly skilled migrants are not different from those named by the German creative knowledge workers in the ACRE report 5.7. However, the *security* and *cleanness* of the city is mentioned more often by the migrants - security is an issue especially for migrants who have children.

The following quote nicely summarises the soft location factors of Munich:

> *The city itself, I like the safety factor, it is very safe, very secure. I like the cleanliness of the city, it´s a very clean and organised city. I like the general approach to life in Munich, that means that you have people in the city that smile and are friendly which is very positive. I like the weather, you have almost four seasons, you have warm summers and cold winters. I like the architecture in Munich which is very attractive. I like the cultural aspects of Munich, there are a lot of Museums and theatres, all the life-entertainment system is very attractive. So that's what I like about Munich. If we go to the region it´s the lakes, the Starnberger See, the Chiemsee, the Tegernsee, or the others around you can reach in half an hour, the mountains, the beautiful landscapes, nice air, nice weather, you have excellent food it´s fantastic. (Samir, Iranian, 48 years. knowledge intensive, married, 2 children)*

This quote also addresses site-specific factors as the climate, the cultural offer and the landscape surrounding Munich. In this context the size of Munich is another relevant aspect. Some emphasised that it is possible to go everywhere by bike and there is no need to have a car. Munich as human scale city has therefore another advantage, compared to other, bigger cities. Still, this view depends on the housing location of the migrants – some who live in suburbs did not mention this aspect as they have to commute by car or rail and cannot profit from the close distances.

Open Munich and "Florida factors"

Concerning the question if Munich is an open and tolerant city, the statements of the discussion partners were contradictory. Some describe Munich as an open and tolerant place which is more international than other German cities and where they easily made friends. None of the highly skilled migrants has experienced open racism. However, coloured migrants have experienced that in Munich or Germany the notion where people come from is still very much tied to the colour of the skin. The coloured migrants make the experience that they are treated differently than the white population. In this respect Germany seems to be very different from typical immigration countries like Canada and this reflects how much still citizenship is based primarily on the principle of Jus sanguinis in the heads of the people. But in most cases, the diversity of the city was not mentioned at all.
Still it can be stated that the interviewees referred to some of the "Florida factors" (like cultural diversity), but they did not seem to influence the decision for coming to or staying in Munich.

4.4 Summary: Main location factors from the perspective of different target groups

This chapter aims at presenting the combined results of work package 5-7, namely evaluating the significance of location factors for different target groups achieved by the method of triangulation (see chapter 3.2).

The main location factors of the different target groups which have been described in detail in chapter 4.1 - 4.3 are summarised in table 4.9. This matrix aims at elucidating the significance of different location factors for different target groups.

The results of the integration of the different perspectives of the surveyed target groups will be presented in several theses which aim at revealing the importance of hard and soft factors as well as personal trajectories in attracting and retaining the different target groups in the region of Munich. Another focus will be laid on the interplay of these factors in the decision making process of workers, managers and highly skilled migrants to settle and/or stay in the region of Munich.

Table 4.9 - Important location factors of the target groups

		Hard factors		**Soft factors**		**Personal trajectories**	
		Attracting	Retaining	Attracting	Retaining	Attracting	Retaining
Workers	Creative	Job Employment opportunities		Proximity to natural environment Overall friendliness Diversity of leisure and entertainment		Born here Family lives here Studied in the city Proximity to friends	
	Knowledge intensive						
Managers / Employers	Creative	?	Proximity to customers / strong economic setting Proximity to educational institutions / universities Availability of qualified staff Transport connections		High quality of life (culture, leisure, environment) Stimulating urban environment (companies in city centre only) Networks (sector-specific events) Positive image (liberal, tolerant)	Born here Family lives here Studied in the city Social / professional networks	
	Knowledge intensive	?	Availability of qualified staff Strong economic setting / proximity to clients Proximity to universities/ Research institutions Transport connections		High quality of life (culture, leisure) Attractive surrounding countryside Positive image of Munich		
Highly qualified migrants	Researchers	Quality of research institutions / universities Job			High quality of life Security Surrounding area	Biographical experience, family reasons, social networks	Family reasons, social networks
	Entrepreneurs Self employed	Business location, job market, international accessibility	Availability of highly qualified workers Infrastructure		High quality of life Security cleanliness, surrounding area		
	Privileged	Job offer	International schools	Surrounding area?	Security, cleanliness, surrounding area, human scale city		
	Less privileged	Job market	International schools		Security, surrounding area, cultural diversity		

Source: Own survey

4.4.1 Hard factors are more important than soft factors

Hard factors play an important role for the target groups for either their decision making process for coming to the region of Munich (creative knowledge workers, highly skilled migrants) or for retaining them in the region (creative knowledge enterprises).

Workers

According to Richard Florida, creative knowledge workers are drawn to places providing a range of lifestyle amenities, and have decided demands in relation to accommodation, the residential environment, and how they can spend their leisure time. Florida (2002, 2003) supplements these factors with factors such as social diversity, openness to minorities, a high level of ethnic-cultural diversity, and a prevalence of a bohemian culture. For Munich's creative knowledge workers, these latter factors play only a very subordinate role. In the case of the creative knowledge workers in Munich, a hard factor, namely the place of work, plays the most important role in the decision to live in Munich for over two thirds of those surveyed. In case of those workers who came to Munich from outside the Munich region, it can thus be concluded that the job or the good employment opportunities are the most important factor for their decision to settle in the Munich region. Another important reason is that of personal trajectories, like family reasons or that the respondents come to Munich to study or that they value the proximity to friends. However, also for this group of workers who have always lived in the region of Munich or who came here for study reasons, their job or the diversified labour market of the Munich region is an important factor to retain them in the region. One important finding is that the majority of those who have obtained their highest degree in Munich stay in Munich because of their job. This means that if the labour market can absorb the graduates of the region, they are willing to stay.

Managers

In the academic debate there has been a shift towards a growing emphasis on 'soft' location factors like 'the look and feel' (Helbrecht, 2004) of a location, tolerance and ethnic diversity, (semi) public meeting places like bars and restaurants where people of the same sector can be met (Pratt, 2004). This potential shift in location preferences of enterprises is associated with the transformation from a production oriented Fordist economy to a post-Fordist knowledge-based economy. The results of this study do not confirm that soft location factors have become more important than other factors in business location strategies – although they do play a prominent role (see 4.4.3).

Hard location factors do not play a major role for managers for the decision of founding a business in Munich; here personal trajectories proved to be far more important. Nevertheless, the managers stress several hard location factors which they regard as highly important for their success in the Munich region and therefore hard factors are important for their decision of staying in the Munich region. These factors are well known from neoclassical theories. In case of the knowledge intensive sectors these hard factors comprise above all the availability of highly qualified labour, the proximity to clients, universities or research institutions, excellent transport connections and an overall strong economic setting which makes finding new clients easier. The proximity to other firms of the same sector was not mentioned in the interviews, but it can be assumed that this must be attributed to the special location requirements and work organisation of the management consultancy sector.

Concerning the location requirements of the creative sectors the literature says that these sectors primarily look for soft location factors like creative milieus (Roberts, 2006), urban atmospheres and a tolerant and diverse population in their location strategies. The results of the surveys point to the fact that these soft factors are more important for the creative industries than for the knowledge intensive industries (see 4.1.3) but also the managers from the creative sectors rate hard factors as more important for them than soft factors. Five hard factors are of particular importance for them: First, due to the organisation of work and the flexible production system in most sectors of the creative industries, the availability of personnel, freelancers and specialists is very important for them. Second, proximity to clients is of high importance, especially for the small and medium-sized firms in the creative industries. The proximity to universities and educational institutions ensures qualified personnel and makes direct cooperation possible. Another important point is that the educational institutions contribute to another factor, namely the creation of personal contacts and networks between the different protagonists in the creative industries (see 4.1.2). For the bigger firms of the creative sectors as well as freelancers who frequently have to travel, accessibility of the location represents a central aspect. Lastly, the strong economic setting is an important outline condition for the activities of the creative firms in the region of Munich.

Migrants

For the highly qualified migrants hard location factors - namely in the case of privileged and less privileged migrants the job, in the case of the researchers the quality of research institutions and in the case of the self employed migrants or entrepreneurs Munich as a business location - play in combination with personal trajectories (see 4.1.2) the most important role in attracting them to the Munich region. The locational needs of the group of entrepreneurs or self-employed migrants are very similar to those of the group of managers. They value highly the international accessibility, the availability of highly qualified workers and the good infrastructure in the Munich region.

In case the migrants have children, also the availability of international schools can be decisive for their decision of coming to the region.

4.4.2 Personal trajectories play an important role in the decision making process to settle in a new place or to establish a business there and they play a role as a retaining factor

Personal trajectories, factors which are not sufficiently covered by the existing literature, are for all three target groups major attracting as well as retaining factors.

Workers

After the job, the second most important aspect why creative knowledge workers have come to the city or stay in Munich is that of personal trajectories. About 36 per cent of the creative knowledge workers who were surveyed stated that they live in Munich primarily because they were born there or because their families live here or being close to friends as the decisive reason for living in Munich. Other reasons are the relationships forged whilst studying or that they followed their partner. Personal trajectories are more important for knowledge workers than for creative workers. Twice as many highly qualified people (16 per cent) than creative people (8 per cent) live and work in Munich because they are born here. By contrast, for creative people the reason that they have studied in Munich is more important for them (9 per cent) than for highly qualified workers (4 per cent). These results suggest that personal relationships and networks built up whilst studying are more important for creative workers than for knowledge intensive workers to assert them on the market. This is also plausible when we take into account that more freelancers can be found in this group (Hafner et al., 2008).

Managers

In the case of creative knowledge firms all small and medium sized younger companies (it does not apply to the big firms and so-called global players) reported that personal and family reasons tipped the balance towards locating to Munich. Either the founders grew up in Munich or they came to Munich to study. This result confirms the high importance of being rooted in a city, of private reasons and of existing networks for business location strategies. This is especially the case for the creative sectors. For the business founder or freelancers in the creative industries no other city came under consideration for them as that they had already lived in Munich, and to some extent had studied here too. It was therefore private rather than commercial reasons that drove the decision for the location of the business. Nevertheless, it is an important factor that the agency founders, above all in the start-up phase, were able to use existing private and professional contacts in Munich, which they had built up whilst they were students, for acquiring orders. The same applies for lone freelancers, who likewise relied on their contact network of former employers and clients in the Munich region at the beginning (von Streit et al., 2008).

Migrants

Especially in the literature on highly skilled migrants, the main drivers which are discussed are improved working conditions, pay und opportunities for enhancing the career. Less accentuated are more personal factors in the literature. Our results have shown that that the drivers for the settlement are much more diverse and complex and do not necessarily relate to their expertise only. Apart from job related reasons personal trajectories are highly important for their decision making process of coming to Munich. In many cases the decision has nothing to do with the job or business but the highly skilled migrants came to Munich for purely family related reasons. For example, they followed their partner. In most cases, it was a combination of motives: a job offer together with personal reasons. Another important role is played by social networks. They provide the newcomers to Munich with information about the city region, which subsequently lower the costs of a move. Thus, already existent contacts make the decision to move to a certain place easier (von Streit et al., 2009).

4.4.3 Soft factors are especially important as retaining factors

As has been shown, hard factors in combination with personal trajectories play the most important role in drawing creative knowledge workers and highly qualified migrants to the region of Munich. However, once they are here, soft location factors gain importance as retaining factors. In the case of managers, soft location factors like the high quality of life are an important factor to attract highly qualified personnel from all over Germany to their Munich location.

Workers

Typical soft location factors do play a role for their decision to live and work in Munich but they are less important than job related reasons and personal trajectories. Undoubtedly, soft factors contribute to the general high satisfaction with the quality of life in Munich and are important factors to tie them to the Munich region. For around 20 per cent of the creative and the knowledge intensive workers soft location factors play the most important role for their decision to live and work in Munich. The most important soft factors are the proximity to natural environment, the overall friendliness of Munich and the amenities Munich offers in respect to leisure and entertainment. A rather subordinate role in the decision to opt for Munich as a place to live is played by factors such as “openness to different types of people”, “gay/lesbian-friendly” and “internationality of the population” which Richard Florida categorises as important for the context of the USA. Interestingly, for the creative workers typical Florida factors are less important than for the knowledge intensive workers (Hafner et al. 2008).

Managers

It can be stated that typical Florida factors like tolerance or cultural diversity turned out to be quite unimportant for the managers in both sectors.

The most important soft location factors for all sectors are the high quality of life primarily achieved by cultural and recreational offers and the surrounding countryside. For the freelancers, the self-employed as well as the managers these factors are important retaining factors. Managers with staff see soft location factors in a different light: On account of the high quality of life, none of the sectors has problems in bringing qualified staff to the Munich location. Consequently, this soft location advantage becomes harder in that the high quality of life in Munich makes it easy for companies to attract qualified personnel to the location. This shows that the clear demarcation between hard and soft factors becomes blurred in the creative knowledge industry.

Another important factor is image: Munich has a positive image both throughout Germany and internationally, and is associated with the Oktoberfest, beer gardens, lakes or mountains. This positive image is an effective asset for the recruitment of qualified personnel in both sectors. It must be stated that the creative industries do not regard Munich as less creative than e.g. Berlin.

Especially for the creative industries the results of this study point to an increased sensitivity to place. This is in line with the literature that stresses the importance of place specific qualities in the location strategies of the cultural industries, like semi public spaces where people can meet, including bars and cafes and which make frequent random or planned face-to-face encounters possible (Pratt, 2000) and vibrant and distinctive neighbourhoods.

The empirical results confirm that a creative environment – or the feel-good-factor – for creative firms and their staff is a relevant location factor. The “look and feel” (Helbrecht, 2001), i.e. how good one feels at a particular location, plays an important role. This “feel-good factor”, which enables creativity, can be present in the lively atmosphere of inner city districts. Inner city locations are chosen for two other reasons: firstly, creative staff expects a lively, urban environment and secondly, the organisation of work in the creative industries influences strongly the location decisions of firms. A location in the city centre is in the interests of the firm, since here one may expect more flexibility from staff regarding their working hours, because it is easier to combine paid work and other areas of life, and the total working hours can be increased. This is another example that a soft location advantage becomes harder.

Finally, networks and sector specific events are another important soft factor for the cultural industries. A common feature of production work in the cultural industries is the prevalence of unstable employment relations such as part-time, temporary and freelance work (Scott, 2000). These unstable employment relations lead to intensive social networking activities among skilled creative workers, in order to be up-to-date on current labour market trends and in order to find collaborators, customers and employers. On top of this personal contacts which can be either private or professional play a decisive role in the acquisition of orders (von Streit et al. 2008).

Migrants

Soft factors are important retaining factors also for migrants and influence the decision to stay in Munich. They are generally very satisfied with the high quality of life in Munich. The security and cleanliness was emphasised by many migrants – security is mainly an issue to migrants with children (most of them being privileged highly skilled migrants). Some less privileged migrants mentioned a low cultural diversity. Although they never experienced open racism, they felt treated differently because of the colour of their skin. Otherwise, the typical Florida factors were seldom mentioned and seem not to matter to most of the migrants.

4.4.4 The overall satisfaction with the Munich region is high despite of high cost of living

All target groups are in general very satisfied with the quality of life in the region of Munich. Over four fifths of the creative knowledge worker said they are very satisfied when they were asked to rate their satisfaction with their life in Munich or the Munich region. This high level of satisfaction is astonishing when we take into account that 98 per cent of them feel that Munich is very expensive or expensive.

The same is true for the surveyed managers: although they complain about high wages and high costs of living in the region, their overall evaluation remains highly positive.

5 EVALUATION OF THE MUNICH REGION: LOCAL CONDITIONS AND POLICIES

The following chapter aims at identifying the major strengths and weaknesses of the Munich region in relation to its capacity to accommodate the creative and the knowledge intensive sectors. In order to evaluate the potential of Munich to accommodate the creative knowledge economy, especially those hard and soft conditions will be analysed which turned out to be of major importance for the various target groups. Furthermore, an analysis of measures and policies that are considered to be impacting either positively or negatively on the hard and soft conditions of the Munich city region shall be provided.

5.1 Evaluation of Munich from the national and European perspective

Munich can be considered as an established centre of the knowledge intensive industry as well as knowledge intensive services (Krätke, 2007) in the German as well as in the European context. It can also be considered as a leading centre of the creative industries in Germany (Hafner and von Streit, 2007).

A comparison of the state of the creative industries by the ACRE programme carried out under a previous work package (Kovács et al., 2007) has shown for the creative industries as a whole the shares of employment vary between 6 and 14 per cent in different European metropolitan regions. The employment in the creative industries in the Munich region is 8 per cent, as much as e.g. in the city region of Amsterdam (Barcelona 12 per cent). Concerning the knowledge intensive (service) sectors the shares of employment are much higher. The employment in knowledge intensive (services) accounts for 21 per cent in the region of Munich (Amsterdam 18 per cent, Barcelona 10 per cent). This means that some 28.5 per cent of all employees in the Munich region work in the creative knowledge sector, in the city of Munich almost one third of all employees (32 per cent) works in these sectors. However, it must be noted that several high tech sectors which are particularly strong in the Munich region like automotive, ICT, aerospace, biotechnology are not included in this data as the ACRE programme does not research production oriented activities.

A disproportionate number of employees in the Munich region works in knowledge intensive business to business services, such as consultancy and planning – and these activities generated most new jobs in recent years. Nevertheless, manufacturing continues to account for almost a quarter of jobs in the Munich region (LH München, 2009). These jobs are, however, mostly in high-technology industries which are R&D intensive (Sternberg and Tamásy, 1999).

Munich's current economic position in the national and European context can be attributed to the existence of numerous clusters classified under high-tech and knowledge intensive industries (including automotive, ICT, biotechnology, aerospace), the knowledge intensive service sector (including finance and insurance) and the creative sector (including media and new media, software, internet publishing). They form the innovative growth poles of the region. Studies have shown that the clusters do not only comprise links among enterprises in the respective sectors, but also embrace links to the numerous research and educational institutions in the Munich area, by the networks of SMEs and large enterprises, as well as links to commercialisation protagonists (for the example of microelectronics see Stenke 2002, 2008; for the media sector see Biehler et al. 2003 or Mossig, 2004; for biotechnology see Ossenbrügge and Zeller, 2002).

According to the above mentioned comparative analysis of the European cities involved in the ACRE research project in terms of their respective development paths and their position in terms of their capacity to accommodate creative knowledge, Munich performs well in this comparison (Kovács et al., 2007). The following factors contribute to this positive evaluation: Munich has a long tradition as centre of power, culture and trade and it is a national and international economic decision making centre. Second, it is associated with small firm development and shows a long-run regional diversity. Third, Munich has a specialisation in high tech activities and heavy manufacturing has never been a dominating sector in Munich. Fourth, it is a good location as node of relevant communication networks, which have played a meaningful role in its development. Fifth Munich is internationally known as historical - cultural centre with a preserved urban core. Sixth it has well developed governance structures and the financial and organisational resources for modernisation are available as well as an active, well-organised and financed innovation and technology policy. According to Kovács et al. (2007) Amsterdam and Barcelona would be expected to have the best chances for economic success and creative and knowledge intensive industries, followed by Munich and Dublin which lag behind in tolerance and low levels of pluralism.

It must be stated that the deductions of Kovács et al (2007) merely provide a framework for the more detailed discussions of the findings derived from research undertaken by the various target groups. Moreover, the strength and weaknesses derived from the creative knowledge sector itself are different than those conditions analysed by Kovács et al. (2007) and perhaps even more important: the results of work package 5 to 7 point out that some of the conditions of Kovács et al. (2007) are regarded as less important by the creative knowledge sector itself, than by the researchers. This applies especially to the conditions tolerance and pluralism.

5.2 Hard factors

The most important regional conditions in Munich, both positive and negative, to emerge from the research previously undertaken largely concern traditional hard location factors. Hard factors are related to classic location conditions such as transport infrastructure, cost of living, employment availability and the presence of a skilled and educated labour pool amongst many others. For the discussion below the most important conditions from the perspective of the creative knowledge sector have been identified. Due to their different perspectives, the target groups have placed varying emphasis on the different conditions.

5.2.1 Availability of highly qualified labour and the importance of universities

The educational level of the population in the city of Munich is high in comparison to other German cities. More than 20 per cent of the working population had a university or polytechnic degree in 2005 (e.g. Stuttgart 19.9%; Berlin 13.4%; Hamburg 12.1%). In the year 2000 the per centage had been just 17.7% (INSM, 2006).

Moreover, Munich‘s high number of highly qualified employees is largely attributable to the city‘s ability to educate its local talent. Munich has eleven universities, colleges, and universities of applied science, with about 90,000 students (see table 5.1). This makes Munich the second-largest university centre in Germany, after Berlin.

Table 5.1: Universities in the Munich region

University	Number of students
Ludwig-Maximilian university	46,203
Technical University Munich	19,887
Bundeswehr University	2,903
Munich Institute of Higher Education for Politics	936
Munich School of Philosophy	447
Academy of Fine Arts	689
University of Music and Performing Arts	757
Munich Academy for Television and Film	386
Munich University of Applied Sciences	13,037
Stiftungsfachhochschule München	1,688
Munich Business School	152
Total	87,085

Source: Bavarian State Office for Statistics and Data Processing, 2006

Many of the city‘s specialised educational establishments are tailored to the fields of activity in which creative people tend to work like the Academy for Television and Film or public and private educational institutions specially tailored for the needs of the creative sectors.
In addition to the universities, Munich has a high density of public research establishments in the natural sciences, economics and social sciences: about 25 institutes of the Max Planck Society, the Fraunhofer Society, the Helmholtz Association and the Leibniz Association have settled in Munich.

The research previously carried out (von Streit et al. 2008) shows that the availability of highly qualified labour is the key regional asset from the perspective of creative knowledge firms. Such conditions served as a core motivation for creative knowledge firms to locate and even more relevant, to stay in the Munich region regardless of company origin or size. Creative knowledge firms also regard the proximity to universities and educational institutions as important asset: firstly, because these institutions secure a constant supply of skilled workers and secondly, because the spatial proximity to research and educational institutions enables co-operation and the transfer of knowledge. High taxation and high costs of labour are of medium or even weak importance for the creative knowledge sector as the positive conditions by far outweigth the negative ones.

One major future challenge is that from an international point of view, Germany's education system compares poorly to that of the other advanced countries as one of the latest OECD studies has shown. In the international comparison, Germany is still producing too few graduates. At 4.8 per cent of gross domestic product (GDP), Germany's education expenditure is drastically smaller than that of other countries, such as the US or Denmark, where up to 7 per cent of GDP is invested into education.

5.2.2 The Munich labour market

Munich’s economic predominance in Germany is attributable to, amongst other things, the high level of employment: in absolute figures, with 1,002,179 employees subject to social insurance contribution, Munich is the second largest employment location in Germany after Berlin. In relation to the population, Munich remains the place in Germany with the highest level of employment (LH München, 2009).

Munich’s broad variety of knowledge-intensive and creative industries provides highly skilled workers with a very absorbent labour market. Furthermore, jobs in the relevant sectors of industry are spread across a very large number of companies; one can speak from the perspective of highly qualified workers of very densely packed labour market. This opportunity rich labour market means that highly qualified individuals in the region run little risk of being unemployed for any length of time.

The earlier sections have shown that the availability of employment remains core strength in terms of attracting creative knowledge workers and migrants to the Munich region. And it is a major asset to retain the almost 11,000 students who graduate each year from Munich’s universities and polytechnics (not included in this number are the graduates from the many other educational institutions) in the region.

Also for the highly skilled migrants, the Munich labour market is the most important incentive to come to the Munich region. For them, however, language barriers are the most important barrier to build a career, especially in Munich’s SMEs.

5.2.3 Costs of living and housing; social infrastructure

As a prospering economic location, the Munich region records a positive population development and has been in the recent years a sought-after location for companies to establish themselves and for start-ups. Linked to this positive development are the land prices which are particularly high compared to other German cities. The high land prices also affect rents. For initial rental of flats prices exclusive of heating were about 13 Euro per square metre in 2008 (Frankfurt: 10 Euro; Berlin 7.5 Euro). The high rents are an indicator of scarcity. In particular, Munich lacks accommodation for rent that falls into the lower and middle price range. The interplay of supply and demand does not fit in Munich for rented accommodation. This mismatch is surprising at first sight, since from 1970 to 2001 the population rose by only about 100,000, whereas the number of homes increased by around 240,000. However, the number of households rose markedly in this period: a growth of 28 per cent was recorded from 1970 to 2003. One cause of this is the trend towards the ‘singles’ society. The second significant cause is the growing demand for space in urban society. The living area per inhabitant has risen in the last few decades from 24 to around 38 square metres. (Popp and Wiegand, 2003). Amongst the highly qualified employees in the growth sectors, there is a willingness to pay high rents. The wages in the Munich region are in general higher than in other regions of Germany. This is also reflected in the high purchasing power per capita which is over 30 per cent higher than the German average and well ahead of other German cities (LH München, 2009). Nevertheless, the high costs of living pose serious problems for those who gain only an average or low income. As previous research has shown (Hafner et al., 2007) the earnings achieved by the majority of creative knowledge workers can in relation to the high costs of living in Munich at best described as average. Furthermore, studies have shown that the income situation of the creative workers has a broad spread, ranging from very high to frequently precarious levels of income (Hafner and von Streit, 2007). Freelancers above all achieve only below-average income in many areas of the creative industries in Germany (Betzelt, 2006). Thus, media officials see the high costs of living as a major reason that creative freelancers who depend on instable incomes might leave the region for locations with less high cost of living like Berlin.

Virtually all the target groups researched regard the high cost of living and in particular the high costs of housing as the major weakness of the Munich region. 98 per cent of the creative knowledge workers think that rents and mortgages in Munich are expensive or very expensive. Less privileged migrants have mainly the problem of getting access to the housing market. The same holds true for researchers as their salaries are quite low in Germany (especially for doctoral candidates) in comparison to other countries.

Nevertheless, all target groups are satisfied with the quality of housing and their neighbourhoods. Thus, major problem areas are the availability of affordable housing as well as the high costs of living in the city and region of Munich.

In general, all target groups are satisfied with the social infrastructure in Munich. What could be ameliorated in their view is the availability of high quality childcare as well as the number of international schools which are an important condition for highly skilled migrants.

5.2.4 Office space and places for the creative industries

Munich belongs to the most expensive office locations in German. Only Frankfurt is even more expensive (LH München, 2009). This poses serious problems especially for start-ups and smaller firms in the creative industries. Previous research has shown (von Streit et al., 2008, von Streit, 2009 forthcoming) that common strategies of business founders to tackle this problem are either to start the business from home or that several freelancers share office space and facilities to save costs.

Previous research (von Streit et al., 2009) showed that particularly inner-city districts are preferred by both established creative companies and creative organisations with lower financial means. Due to gentrification processes in the inner city and as there are almost no industrial wastelands from former periods to be found within the city limits, Munich is confronted with the problem of scarce free space in the inner city and must deal with creative and cultural organisations that might leave the city for a lack of opportunity and support as well as high leasing prices.

5.2.5 Transport

Munich has a very good accessibility by road, train, and plane. With the construction of the new airport in 1992, a high-capacity international airport became available. Since business started, the number of flights and passengers has risen continually. From 12.7 million in 1993, the figure rose to well over 26.4 million passengers in 2004; the number of flights went up from 192,200 in 1993 to 383,100 in 2004 (Hafner, Schier and von Streit, 2005). In the passenger statistics, as a passenger airport Munich airport ranks second after Frankfurt on the Main. Munich is connected to the high speed railway system and Munich's central station is the second busiest in the country, offering 350 trains everyday. Furthermore, Munich has an efficient public transport system with a dense metro network and tram system. However, especially the S-Bahn (urban railway) which connects the city with the region needs to be expanded and upgraded, firstly because it has not kept pace with the growth of residential settlement in the region, and secondly because congestion is an increasing problem in the Munich region (Kagermeier et al., 2001).

Transport issues turned out to be of major importance for the creative knowledge sectors.

Munich's central location and good links to the national transport infrastructure, with well-developed rail, road and air networks, were stressed by the respondents. Above all, the international airport with numerous national and international direct connections offers clear location advantages compared with other locations in Germany such as Berlin or Düsseldorf. What should be ameliorated is the connection to the airport. The insistence on accessibility proves that despite of the internet and modern communication means, creative knowledge work still relies heavily on physical hardware and infrastructure.

Three-quarters of the creative knowledge workers are satisfied with the city transport system. Especially the highly qualified migrants highlighted the high quality of public transport and bicycle lanes in Munich which contribute to their notion of Munich being a human scale city.

5.3 Personal trajectories

Whereas hard and soft factors are well established objects of investigation, the role of personal factors is less accentuated in the literature. Personal trajectories turned out to be a core attracting and retaining factor in the decision making of the various target groups analysed (see chapter 4). Personal trajectories comprise a wide range of personal factors like born here, family lives here, proximity to friends, partner moved here etc.

After the job, the second most important aspect why creative knowledge workers have come to the city or stay in Munich is that of personal factors.

In the case of creative knowledge firms all small and medium sized younger companies (it does not apply to the big firms and so-called global players) reported that personal and family reasons drove their initial decision to locate in Munich. This result highlights the high importance of being rooted in a city, of private reasons and of existing networks for business location strategies. This is especially the case for the creative sectors. Thus, private rather than commercial reasons drove the decision for the location of the business. Nevertheless, it is an important factor that freelancers and business founders, above all in the start-up phase, were able to use existing private and professional contacts in Munich, which they had built up whilst they were students, for acquiring orders (von Streit et al., 2008).

Although personal trajectories are by no means Munich-specific, the business environment as well as the versatile and absorbing labour market provides the conditions to retain graduates and business founders in the region.

5.4 Soft factors: Cultural and recreation offers and the surrounding countryside

Although hard factors turned out to be of central importance in determining the overall attractiveness of the city region in terms of its capacity to attract and retain creative knowledge workers and firms, soft conditions emerged as being especially important for retaining the targets groups in the region. In general, all target groups appreciate the high quality of life in the Munich region. For the creative knowledge sector the high quality of life is an important asset to attract highly qualified personnel from all over Germany to their Munich location. This example shows that the clear demarcation between soft and hard factors becomes blurred in the creative knowledge economy in many respects. Furthermore, the different soft conditions are of varying significance for different target groups.
For the discussion below the most important conditions from the perspective of the creative knowledge sector have been identified.

According to Richard Florida (2004, 2005a, 2005b) soft location factors such as a thriving urban atmosphere or a wide variety of cultural and leisure facilities are important for attracting and retaining creative knowledge workers. These groups are said to look for an urban ambience, which is regarded as fertile ground for creativity and diversity. Talented individuals are especially attracted to cities with vibrant music scenes, street level culture, active nightlife, and other signifiers of being cool. Consequently, according to Florida, the key to attracting and retaining creative knowledge workers lies foremost in the sphere of consumption (Scott, 2006).

Munich is well known for its excellent cultural and leisure facilities and its high standard of living in general. This is at least the image of Munich which is continually reproduced in city rankings (LH München, 2009). Indeed, Munich offers a wide variety of cultural and leisure opportunities, and the Isar River as well as many parks and green spaces in the middle of the city provide an exceptionally wide range of sporting and recreational opportunities. At the moment the banks of the river Isar within the city limits are being renaturalised to make the riverside a more attractive place.
The surroundings of Munich too are widely appreciated: the Alps are very close, and there are many lakes in and near the city. The high quality of life is also related to the fact that with 9 criminal offences per 100,000 inhabitants, Munich has the lowest crime rate of all large cities in Germany (INSM, 2006).
The city offers plenty of cultural amenities, especially the formal institutions of 'high culture'. The varied museum scene is financed primarily by the state of Bavaria or by state-run institutions and by foundations and the Bavarian capital also has many municipal museums.

Alongside museums, theatres, opera houses and concert halls are considered to be centres of the creative formation and presentation of cultural knowledge. Munich also has a lively theatre scene, with about 100 theatres and venues for musical performance. Although Munich has the image of being rather a relaxed city, Munich nightlife offers over 6,000 licensed establishments in the city and in the inner city in particular, many clubs and bars have opened in recent years and the inner city has been revitalised as a place for going out. Young people have begun to occupy places and streets in summertime which has led to conflicts with residents. Also large-scale projects like the Kunstpark Ost and its follower the Kultfabrik is an example for Munich's nightlife offers (see box).

The temporary re-zoning of streets and public squares is another visible sign that public space and street culture have become more important in the last decade. Examples are the Corso Leopold, a street festival, which takes place twice a year on the otherwise busy Leopoldstraße, the „Strand“, a beach party at the Cornelius Bridge over the Isar in summertime, and the Munich Blade Night, which attracts thousands of bladers when the weather is good.

Kunstpark Ost and its follower the Kultfabrik

When food supplier Pfanni relocated its production to the northern German state of Mecklenburg-West Pomerania, the vacated factory premises were converted to a huge leisure and event center. In September 1996, about 30 clubs, bars and restaurants, about 60 artists‘ workshops and 30 or so small firms opened for business. Concerts were held here at regular intervals, as were flea markets specialising in art and antiquities. Easily accessible by public transport thanks to its close proximity to Munich‘s east-end station, the facility attracted large numbers of visitors, especially at weekends. For many years, a quarter of a million visitors a month were nothing unusual. Project maintained a strict profit orientation as a going concern. In early 2003, the Kunstpark was dissolved to make way for new office buildings. Simultaneously, however, new facilities based on a similar strategy sprang up in the immediate vicinity: the Kultfabrik and the Optimol-Werke. Boasting 90,000 m2 of hall space, the new park remains one of the largest party venues in Europe. A concert hall, an art forum, Europe‘s tallest indoor freeclimbing hall, commercial enterprises, visual artists, a kindergarten and the whitebox exhibition center rub are located in this area (Hafner and von Streit, 2007)

On the whole all target groups are very satisfied with soft conditions in Munich. Especially the leisure and cultural facilities as well as the surrounding countryside are seen in a favourable light. However, contrary to the arguments of Florida, the soft conditions of the Munich region do not appear to play any significant role in the initial attraction of creative knowledge workers to Munich, they play above all an important factor for retaining them in the region. For the highly skilled migrants, factors like security and cleanliness, conditions which German workers seem to take for granted, contribute strongly to their positive evaluation of the Munich region.
As said before, managers regard the high quality of life as well as the positive image of Munich region as important assets to attract highly skilled workers to their location. For some sub sectors of the creative industries, soft conditions play an important role for the choice of their micro location within the region.

5.5 Summary: Evaluation of the Munich region

The following table provides a general evaluation of the core strengths and weaknesses of the Munich region to accommodate the creative knowledge sectors. The conditions have been derived from the research undertaken by the various target groups and the table presents the core factors influencing the decision making process of those target groups.

Table 5.2 - Evaluation of the Munich region according to different location factors

	Importance of the factor for the respective target group		
	Strong importance	Medium importance	Weak importance
Hard factors			
Factor 1 (availability of highly qualified labour)	2☺ ☺		
Factor 2 (costs of labour)		2A ☹	2B😐
Factor 3 (taxation)		3B☹	2☹
Factor 4 (office availability and rents)	2 ☹ ☹, 3B ☹		
Factor 5 (proximity to customers, strong economic setting)	2 ☺ ☺	3B ☺ ☺	
Factor 6 (universities, research and educational institutions)	2☺ ☺, 3A		
Factor 7 (availability of jobs)	1, 2, 3A: ☺ ☺		
Factor 8 (international accessibility)	2, 3B, 3C: ☺		
Factor 9 (public transport, bicycle lanes)		1, 2, 3: ☺ ☺	
Factor 10 (availability of housing and prices)	1, 2, 3A, 3B, 3D: ☹ ☹		3C ☺
Factor 11 (costs of living)	1A ☹ ☹, 1B☹, 2☹, 3A ☹ ☹, 3B ☹, 3D ☹		3C ☺
Factor 12 (availability of childcare and international schools)		1, 2, 3C, 3D☹	

Table 5.2 continued

	Importance of the factor for the respective target group		
	Strong importance	Medium importance	Weak importance
Soft factors			
Factor 1 (quality of life)	1, 2, 3B, 3C: ☺ ☺		
Factor 2 (surrounding countryside)		1, 2, 3B, 3C: ☺ ☺	
Factor 3 (cultural and recreational offers)	1, 2, 3: ☺ ☺		
Factor 4 (professional networks)	2A ☺	2B☺	
Factor 5 (safety)		3C ☺ ☺	1 ☺ ☺
Factor 6 (attractive premises)	2A ☺	2B ☺	1, 3 ☺
Factor 7 (tolerance, openness, diversity)			1, 2A, 3☺
Factor 8 (image of the city)	2☺	3B ☺	
Factor 9 (attractive neighbourhoods)	1, 2, 3: ☺		
Personal trajectories			
Factor 1 (born here)	1	2	
Factor 2 (family lives here)	1, 3C, 3D	2	
Factor 3 (relatives, friends live here)	1A, 3C, 3D	1B	3A
Factor 4 (studied here)	1, 3B, 3C	2	3A
Factor 5 (followed partner)	1, 3C, 3D		

Source: Own survey

Table 5.3 - Key

Evaluation of the factor by the respective target group
1,2,3: ☺ -> means that the factor is positive for all three groups
1,3 ☺ -> means that the factor is evaluated positive of group 3; for group 1 no evaluation is available

☺ ☺	Very positive	
☺	Positive	
😐	Neither positive nor negative	
☹	Negative	
☹ ☹	Very negative	
Target groups		**Codes**
1 Employees	Creative	1A
	Knowledge intensive	1B
2 Employers/managers	Creative	2A
	Knowledge intensive	2B
3 International migrants	Researchers	3A
	Entrepreneurs and self-employed	3B
	Privileged highly skilled migrants	3C
	Less privileged highly skilled migrants	3D

5.6 Implications of the results in relation to existing policies

The following chapter will deal with the question of whether existing policy measures are specifically tailored to suit the creative knowledge sectors. As has been shown, for highly qualified knowledge workers a differentiated and opportunity-rich labour market is the most important motive for living in Munich. Consequently any policy aimed at fostering the establishment and nurturing of firms in the knowledge-intensive and creative sectors is always simultaneously a policy for highly qualified people. Many of the policy measures of the Free State of Bavaria as well as the city of Munich follow this direction. Firstly, both actors tried to foster economic development through infrastructure provision: this concerns roads, traffic management, public transport, the relocation of the airport in the 1990s as well as housing projects. Secondly, technology policy and university support, as well as policy on education and science.

Given the fact that especially those hard factors remain of core importance in the decision making process of firms and workers in their initial decision to locate in the Munich region those policies should be given special attention.

Munich has benefited greatly from the technology and innovation policies of the state of Bavaria since the 1950s. In the 1950s and 1960s, the stimulation of the armaments industry through the award of public sector contracts has played an important role for the many firms in the region. From the 1980s up to the present, the conservative government of Bavaria (CSU) has set up several programmes for targeted support of innovation and technology: the money is spent on R&D, training, infrastructure, support for start-ups and technology transfer, to make Bavaria an attractive location for the high-tech industry. Since 2006, the *Cluster Initiative* (Bavaria's cluster campaign) has implemented a subsequent stage of Bavarian innovation and economic policy. The cluster campaign is a new feature of the modernisation strategy, designed to enhance Bavaria's role as a top location for business. Its aim is to build state-wide networks interlinking business and scientific potential in 19 defined clusters of industry and competence, and thus to activate innovation and productivity potential in these clusters. Although the efforts of the cluster initiative are directed at the entire territory of Bavaria, many of these investments will again benefit the city and the Munich region, since it has the highest concentration of knowledge-intensive firms, universities and research institutions. For example, the cluster management of the audiovisual media and games cluster is located in Munich. Compared to initiatives before, the funds provided here are much smaller. The support of large scale projects has new been replaced by modest support of project ideas, communication processes and dialogue between relevant actors (Hafner et al., 2007).

Due to Munich's intensive integration into global markets and thus high levels of competitive pressure, active cluster management is one of the central tasks in order to strengthen the competitiveness of the metropolitan region.

Compared with the state of Bavaria, the activities of Munich as its capital city appear modest – particularly as the city does not have the same financial means as the state of Bavaria. But there are some measures taken by the city of Munich, especially by the Department of Labour and Economic Development, to promote a knowledge-based economy. The measures essentially focus on supporting start-ups and enterprise networks, as well as providing space or buildings. Another focus of the city education policies are vocational schools (for a detailed discussion of the different measures see Hafner et al. 2007).

The availability of affordable housing remains a core challenge for the further development of the region. The relocation of the airport as well as the fairgrounds to the outlying boroughs and the closing of military bases as well as the relocation of the central rail facilities offered new opportunities for the tight inner-city real estate market to expand. The city was able to develop new industrial estates and several new neighbourhoods. Nevertheless, the housing situation is still difficult: a real housing shortage does not exist but housing is very expensive and cheap housing is difficult to find.

Two programmes aim at providing adequate living space for people who are disadvantaged on the housing market and for those on middle incomes. In 1994 the municipal programme known as the ‘Munich Model’ came into being, which enables those on middle incomes who are looking for housing to find cheaper housing (both owned and rented) in the city. With this model, the intention is above all to keep families with children in the city. Also in 1994, the city council launched ‘socially just land use’ (*Soziale Bodennutzung*), in order to ensure the promotion of good-value housing and state-subsidised housing. The ‘socially just land use’-model means that private property owners share in the consequential costs of infrastructure that the city has to provide as a result of the granting of new construction rights (e.g. kindergartens, open spaces and green spaces), and in the financing of state-subsidised housing (Metzler and Zademach, 2003). The city plans to subsidise housing with 625 million Euros form 2007 to 2011 (LH München, 2009). However, until now the taken measures have not been successful in terms of alleviation of the strained housing market.

Policies that are directed toward the relatively well developed soft consumption orientated conditions of the region comprise the high public expenditure on the cultural sectors which might, however, be reduced when tax revenues fall due to the ongoing crises.

So far, apart from some small scale initiatives - there are no measures from the city of Munich specifically tailored for the needs of the creative industries.

6 CONCLUSIONS

6.1 Summary of results

One major result of the work packages 5-7 is that despite Florida's claims, hard factors remain of central importance in the decision making process of firms and workers to come or stay in the Munich region. In the case of the creative knowledge workers in Munich, the place of work plays the most important role in the decision to live in Munich for over two thirds of those surveyed. In case of those workers who came to Munich from outside the Munich region, it can thus be concluded that the job or the good employment opportunities are the most important factor for their decision to settle in the Munich region. For the highly qualified migrants also the job plays - in combination with personal trajectories - the most important role in attracting them to the Munich region. From the perspective of the creative knowledge firms the availability of highly qualified labour is the key regional asset. Together with other hard factors like transport and a good business environment, such conditions served as a core motivation for creative knowledge firms to locate and even more relevant, to stay in the Munich region regardless of company origin or size. Creative knowledge firms also regard the proximity to universities and educational institutions as an important asset: firstly, because these institutions secure a constant supply of skilled workers and secondly, because the spatial proximity to research and educational institutions enables co-operation and the transfer of knowledge. High taxation and high costs of labour are of medium or even weak importance for the creative knowledge sector as the positive conditions by far outweigth the negative ones.

High levels of dissatisfaction were expressed by virtually all target groups with regard to the tight and expensive housing market as well as the high costs of living in the region of Munich.

The second important result of this study is that Munich's soft conditions like the high quality of life, the cultural and recreational offers as well as the surrounding countryside were generally perceived as being regional strengths and proved to be above all retaining factors for all target groups. In the case of managers, soft location factors like the high quality of life as well as the positive image of Munich are an important factor for them to attract highly qualified personnel from all over Germany to their Munich location.

The third important finding of the previous research is the importance of personal trajectories. Personal trajectories turned out to be a core attracting and retaining factor in the decision making of the various target groups analysed. Personal trajectories comprise a wide range of personal factors like being born here, family lives here, proximity to friends, partner moved here etc. After the job, the second most important aspect why creative knowledge workers have come to the city or stay in Munich is that of personal factors. As more than half of the creative knowledge workers surveyed can be described as very tied to the Munich location, they can – with regard to their mobility behaviour and in their sense of connection to a place –

neither be assigned to belong to a transnational class nor the creative class of Richard Florida. In the case of creative knowledge firms all small and medium sized younger companies (it does not apply to the big firms and so-called global players) reported that personal and family reasons drove their initial decision to locate in Munich. This result highlights the high importance of being rooted in a city, of private reasons and of existing networks for business location strategies. This is especially the case for the creative sectors. Although personal trajectories are by no means Munich-specific, the business environment as well as the versatile and absorbing labour market provides the conditions to retain graduates and business founders in the region. Consequently, personal trajectories are also linked to other hard factors like the presence of numerous universities and educational institutions in the Munich region as they attract student to the region in the first place.

6.2 Path dependency, cluster theories or soft location factors?

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

A lot of Munich's current economic success can be attributed to the existence of numerous clusters in the respective sectors. As has been shown elsewhere (von Streit et al., forthcoming) the path dependency concept offers good explanations for the development of clusters in the region of Munich, and the concept cautions against that clusters can be created by policy from scratch.

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

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

Contrary to Florida’s arguments, the place of work plays the most important role for Munich’s creative knowledge workers in the decision to live in Munich. This leads to the conclusion that cities should not solely put their emphasis on policies orientated towards the sphere of consumption. As Scott (2006: 11) reminds us: “Any city that lacks a system of employment able to provide these individuals with appropriate and durable means of earning a living is scarcely in a position to induce significant numbers of them to take up permanent residence there, no matter what other encouragements policy makers may offer. Concomitantly, the mere presence of ‘‘creative people’’ is certainly not enough to sustain urban creativity over long periods of time. Creativity needs to be mobilised and channelled for it to emerge in practical forms of learning and innovation (…)”.

Despite all legitimate critique on the arguments of Florida, his merit is that he has brought the importance of highly qualified people and their needs to the fore. As the results of this study show, the availability of qualified labour is indeed the most important condition for Munich’s creative knowledge firms and they regard the positive soft conditions of the Munich region as an important asset to attract and retain those workers.

Furthermore, the work practices in the creative knowledge economy contribute to the growing importance of soft conditions. Work especially in the creative industries is organised in projects – or by project-based enterprises (Grabher, 2002, 2004) and characterised by many non-standard working practices, such as long hours, work in the evening and weekends, work from home (von Streit, 2009). Here, a connection can be made between the working practices and preferred residential locations and work places of the creative knowledge workers and firms: if the boundaries between home, leisure and work are becoming more fluid through the spatial and temporal flexibilisation of work, then short distances, a district in which one likes to live and work, and which offers a mix of offices, restaurants, shops, service providers, cultural opportunities and living within a small area, become all the more important. In Munich, inner city districts above all offer these qualities, and thus correspond best to the working patterns and lifestyles of this group. In addition, of course the “look and feel” (Helbrecht, 2004) and the urban atmosphere of these districts play a role as a source of inspiration for their work (von Streit, forthcoming).

6.3 Possible recommendations and open questions

As policy issues will be the central focus of the next work package, only some preliminary findings will be presented in the form of statements.

- Policy should not forget about hard factors

Given the pertinence of hard factors, a policy mainly orientated towards the sphere of consumption cannot ensure sustained growth and a robust creative knowledge sector. One main factor which contributes highly to the competitiveness of the Munich region is the high number of creative knowledge firms in the respective clusters which give new impetus to other firms to settle in the region and create the thick, opportunity rich labour market creative knowledge workers are looking for.

- A broad knowledge base is a decisive factor to secure Munich’s competitiveness

As the results of this study show, the availability of highly qualified workers is one of the main assets of the region. Therefore it is recommended that Munich promotes itself more actively as a student city and a region of science.

- Lack of governance and co-operation between different actors in the region

Given the fact that the surrounding countryside is one of the most important soft condition of the Munich region, the increasing traffic associated with work and leisure that is being produced on account of the increasingly dispersed settlement structures have become a burden. To tackle these problems more efficiently a closer co-operation of regional actors (city and municipalities of the region) is necessary.
Furthermore, the increasing outplacement and relocation even of higher-value functions of the knowledge-based economy into the region leads to a patchwork-like location system with a dispersed structure which is faced with individualistic political decision-making structures in local government. Through the structural change towards the regional location network with significant commercial settlements that are scattered over the surrounding area, the city of Munich is gradually losing opportunities for shaping economic policy. In numerous local authorities, isolated development strategies are implemented. Instead of co-operating, the city and the municipalities compete for knowledge intensive institutions. The sum total of individual decisions driven by instances of local egoism is very likely not to automatically increase the overall benefit to the region.

- Precarious work in the cultural industries

Many of the workers in the cultural sector are precarious or freelance labourers without certainty. The development of compatible social welfare systems which address the needs of this growing insecure labour force is needed. This is in the interest of cities as the detrimental effects of this growing incompatibility will especially be felt on the local level.

- Challenges for the governance of the creative industries

Up to the present, Munich has not developed policy strategies for the smaller units of the creative industries. The extremely heterogeneous structure of the creative companies and individual actors is also reflected in their differing demands and requirements for their physical environment. Large companies and global players have different location requirements than architects, designers or professional philharmonic musicians. On the one hand, urban development must therefore address the creation of new locations for internationally active companies, for which attention and visibility, prominence and image are key location factors. On the other hand, particularly in the field of creative urban development, Munich has up to the present failed to create inexpensive spaces with experimental and niche character for start-ups as well as artistic and cultural endeavours without a commercial orientation as valuable resources for the establishment of creative milieus. Particularly in inner-city districts, which are preferred by both established companies and creative organisations with lower financial means, it is a major challenge for economically prosperous cities like Munich to precisely differentiate the spatial requirements and needs of the companies and actors in order to implement regulatory instruments and incentives. What are suitable instruments in this respect?

- More research on the interrelatedness of sub-sectors is needed

Culture and creativity have become vital for cross sectoral innovation and the creation of new products and the sectors are more strongly interlinked at different stages of the production chain. This is for example obvious in the games industry and software sector. However, a deeper knowledge of the interrelatedness of the different sub-sectors of the creative and the knowledge industries would be helpful to design measures which could support the cross sectoral innovation between the creative and the knowledge sub sectors in a region.

- Just image or reality?

Munich does not have the image of being a very ‘diverse’ city from a cultural point of view. Nor does Munich have an image of being an especially creative or thriving city for sub-cultures and of being a city where new trends are set. The image of Munich is that of a very wealthy, relaxed city almost like a big village. However, this picture was not entirely confirmed by the creative firms surveyed: they regard Munich not less creative than for example Berlin, although there were also respondents who described Munich as over-regulated, clean and saturated. Furthermore, the results of this study show that creative workers and creative firms give conditions like tolerance and diversity less weight than academic discourses suggest. There are several questions connected to this: How important is image in this respect also in academic research? How do we define creativity? Which forms of creativity can be differentiated? Do forms of technical, economic and artistic creativity need one another? Can sustainable economic success be achieved only if all forms of creativity are available in a city?

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