# *Hamburg – A Global City?*

## A case study on Hamburg's producer services and cultural industries

Bachelor Thesis

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## I. Abstract

This bachelor thesis examines a city's interlinkage in the globalizing processes and aims at answering the research question: *To what extent can Hamburg be qualified as a Global City in terms of its localization of global producer services and cultural industries?* Global cities are defined as local nodes of the corporate service sector and the cultural economy, which are associated in a global network. Following this, an in-depth analysis of Hamburg's performance on the economic and cultural dimension will be provided in order to clarify its global city status. It will be innovative in two respects: Firstly, it will provide an incorporation of both dimensions (economic and culture) into its analysis in order to provide a more comprehensive and less biased estimate of a metropolis' global city status, a practice that has not been conducted in the literature so far. Secondly, it will apply this dualistic approach to the city of Hamburg. Even though it is the second largest city in Germany (according to population numbers), Hamburg has not yet been subject of detailed investigation by global city researcher. In a SWOT-analysis the strength, weaknesses, opportunities and threats of the producer service sector and the cultural economy are outlined in order to determine their basic situation; the sectors' integration in the global networks are discussed mainly on basis of the *Globalization and World Cities Studies Research Network* (GaWC) dataset and the data generated by Kratke (2010). By linking the local conditions with the global perspective on both sectors, the not fully developed functional status of Hamburg as a global city becomes clear; it is a global city 'in the second row'. Derived from this finding, recommendations for a better involvement in the global networks are provided.

***Key words:*** Global cities, producer services, cultural industries, Hamburg, Globalization and World Cities Research Network

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## III. List of abbreviations

| | |
|---|---|
| GaWC | Globalization and World City Research Group Network |
| R&D | Research and development |
| FDI | Foreign direct investment |
| EU | European Union |
| SME | Small and medium-sized enterprises |

## 1. Introduction

‘The most important cities are those that *connect the global with the local* in that they operate as places in which daily activity patterns, trade in goods and services, information and communication networks and corporate-control networks come together’ (Burger, Van der Kaap, & Wall, 2013, p. 7)

Today, more than 50% of the earth’s population lives in cities, resulting in an ongoing concentration of economic and cultural activities in fewer locations. These processes in metropolises are pushed by globalizing forces that affect cities and their citizens. ‘Globalization can be thought of as a process (or set of processes) which embodies a transformation of the spatial organization of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact – generating transcontinental or interregional flows and networks of activity, interaction, and the existence of power’ (Held, McGrew, Goldblatt, & Perraton, 1999, p. 19). These networks of interaction do not only involve individuals and multinational corporations, but also cities. As Löw, Steets, and Stoetzer (2008) outline, the Global City Model regards cities as crucial part of a world-spanning system of competing locations. Thereby, the globalizing forces concentrate in a limited number of metropolises. Cities on similar hierarchical levels (and not on different hierarchical levels) are analyzed. Those cities resemble each other in their integration into the international division of labor and are interlinked in a global functional and spatial network. The emerging city network is more and more seceded from the regional and national context (Löw et al., 2008). Within this network, global cities conduct a control function due to their agglomeration of finance and communication structures. In the context of a globalizing economy, a system of cities is developing. These cities are commonly thought of as the centers of the globalizing economy. The concept developed in the context of urban studies and human geography and was shaped by Saskia Sassen’s popular writings on urban sociology, according to which New York, London and Paris are regarded as the ideal-typical global cities (Sassen, 2001). The related term *world city* introduced by John Friedmann and Goetz Wolff (1982) is often used as a synonym but has different features. In addition, various indices and rankings try to measure metropolises’ global city stats. The most famous is the Globalization and World City Research Network (GaWC), a study group of scientists from different universities that developed a hierarchy of global cities. They examined 562 cities’ integration into the global city network, among them Hamburg. The study is starting point for a great part global city literature and of outstanding reputations and is basis for this research as well (see for example Hoyler (2002), Taylor (2011), Beaverstock (2011)). Further examples are the global power city index by the Institute for Urban Strategies at The Mori Memorial Foundation in Tokyo or the global city competitiveness index, published by The Economist Group.

By comparing Sassen’s (2001) and Friedmann’s (1986) ideal type global/ world cities and the results drawn from the indices’ and rankings’ top lists of cities, an intersection of the core global cities in the hierarchy (led by London, Paris, New York) becomes visible. But there are differences regarding the location of cities slightly under theses major global cities (P. J. Taylor, 2012). Nevertheless, all cities are affected by the globalizing forces, the competition between its locations and the possible gains of co-operations, regardless of their total size (Scott, 2001). Over the years critical voices have been raised, saying that the traditional finance-economic oriented approach of research, introduced by Friedmann (1986) and Sassen (2001) and performed by the GaWC, is not sufficient in determining global cities; the corresponding conception bias needs to be compensated (Bourdieu, 1985; Samers, 2002). Kratke (2001, 2006, 2010; 2004) introduced culture as a new dimension, which supplements the conventional economic centred discussion about global cities.

Regarding Germany, one of the strongest economies in the world and with a great export-orientation, only Frankfurt/ Main and Berlin have been subject to specific global city research

(Beaverstock, Hoyler, Pain, & Tylor, 2005; Hoyler & Pain, 2002; Kratke, 2001). Hamburg, as the second largest city has not been discussed in global city research comprehensively but it has been considered in the context of global commodity chains and port-related services (Hesse, 2006; Jacobs, Ducruet, & P., 2010; Parnreiter, 2015; Verhetsel & Sel, 2009). As the idiom 'Hamburg, das Tor zur Welt' (Hamburg, the gateway to the world) indicates, the Hanseatic city in Northern Europe with its world-famous port might be a crucial node in the global system of competing locations, too. Nevertheless, Hamburg is neither the political centre of Germany (which is Berlin), nor its financial centre (this role takes Frankfurt/Main). But is it a crucial node for the global economy and culture? In order to answer this issue systematically, this bachelor thesis aims at answering the following research question:

*To what extent can Hamburg be qualified as a Global City in terms of its economy and culture?*

This research is conducted in order to locate the city of Hamburg in the network of global cities. The more it qualifies as a global city, the higher its value as a strategic node in the global networks of the economy and culture. Being such a crucial node shows a location's importance in the global economy and culture and its competitiveness vis-à-vis other cities. A city like Hamburg, that utilizes the opportunities that arise in the context of globalizing forces, such as the location of multinational companies, is likely to profit from the new geographical order of markets (Friedmann, 1986). Analyzing Hamburg's position in the global networks means analyzing its position in the competition among the best sites in the world and its future opportunities to play a leading role. Or to put it in the words of Kratke 'Many European metropoles [amongst them Hamburg] would like to be classified as global cities in order to enhance their reputation in the framework of interurban competition'(2010, p. 1777). Thereby, chances to climb up in the hierarchy of global cities are revealed and threats to its position are outlined.

The city of Hamburg is none of those cities that are labeled as ideal type global cities by the scholars in this field of research, like Sassen (2001) and Friedmann (1986), and is not discussed in all of the above named rankings and indices. Nevertheless and due to its importance as one of the German major economic hubs and its port related function as an international gateway (Porter et al., 2009), it can be expected that Hamburg plays not a leading role (next to New York, London and Tokyo), but has a relevant role in the global economic networks. Furthermore it is expected that Hamburg's culture is overshadowed by cities like Berlin, which are magnets for creativity and multiculturalism and have not such an industrial base as Hamburg has (J. Taylor, 1999).

The focus of this research is on two dimensions: the economy, as the classical point of analysis in urban studies, and the culture, which gained centre stage in the last years. The theoretical approaches by John Friedmann's (1986) *World City Hypothesis* and Saskia Sassen's (2001) *Global City Model* are basis for the economic dimension of the analysis, while the analysis of the cultural dimension relies on Kratke's (2010) *Global Media Cities*. Thus, it is a theory applying approach of research, which assigns theoretical models to the case of Hamburg.

In a first step, Hamburg's economy and culture are investigated in a SWOT-analysis in order to gain insights into their strengths, weaknesses, opportunities and threats. For this purpose, public reports from the Hamburg chamber of commerce are studied among others. This builds the groundwork for the city's ability to be active on global markets and to link to global circuits, which is the second step in the analysis. The data on Hamburg's quality as a global city are, then, generated from empirical studies conducted by the GaWC (2002) and by Kratke (2010). In summary, the thesis is innovative in two respects: Firstly, it provides an incorporation of both dimensions (economic and culture) into its analysis in order to provide a more comprehensive and less biased estimate of a metropolis' global city status. Secondly, it will apply this dualistic approach to the case of Hamburg, which was not object to distinctive global city analysis, yet.

In chapter two, the theoretical frameworks are discussed, which are only briefly covered in this introduction. A detailed description of the used methodology can be found in chapter three. The SWOT-analysis of Hamburg’s economy and culture is presented in the fourth chapter, which is followed by the investigation of Hamburg’s interlinkage into the global economic and cultural networks. In the concluding section, chapter number five, the most important findings are summarized. Recommendations for a prosperous development of the city of Hamburg as an attractive site for economy and culture given are given in section six and finally, limitations of this thesis are indicated in the seventh chapter.

## 2. Theoretical Framework

The second part of this thesis is intended to provide the reader with the conceptual background, on which the following analysis is build on. Therefore, the relevant models on the global city concept are identified in the form of a literature review in order to determine the features of global cities. These features are essential parts of the analysis on Hamburg's integration into the global city network. Due to the dualistic approach, the theoretical frameworks for both dimensions are outlined and discussed. At first, the basics of world city and global city research are introduced. Following this, each of them is illustrated separately. Then, the role of culture in global city research is discussed. After the conceptualization, a working definition on global cities is given and the research question is further redefined in correspondence with the given theory.

### 2.1. Global City and World City Research

In urban studies, there are two options in analyzing major cities: The demographic tradition characterizes cities according to their population, and the functional tradition evaluates a location's integration into the global system of competing and cooperating cities. The latter will be the focus of this thesis and can be divided into four research areas (Löw et al., 2008). The basics for the modern global city science was laid by Geddes (1915), Hall (1966) and Hymer (1972), who worked towards a hierarchy of cities based on their socio-economic interlocking (Acuto, 2011). The second research focus sees global cities (here called *World Cities*) as centers of control over the flow of capital around the globe. Therefore Cohen (1981), Friedmann and Wolff (1982) and Friedmann (1986) are the first who set cities in the context of the globalizing economy and multinational companies (Engelhard, 2005). A third explanation provides Saskia Sassen (2001) with her *Global City Model*, according to which cities are sites for the production of professional corporate services. A fourth important area in global city studies builds the empirical research conducted by the Globalization and World Cities Study Group and Network (GaWC), which aims at identifying the external links (and thus the integration) of major cities into the global economy by analysing the location of multinational corporate service companies, and is therefore in line with Sassen's (2001) theoretical model.

### 2.2. Economic features

This conceptual analysis is built on the literature overview provided above, which gave the four approaches in contemporary global city literature. Two of them, the *World City Hypothesis* by Friedmann (1986) and the *Global City Model* by Sassen (2001) turned out to be the most commonly used concepts in this field of urban studies (Derudder et al., 2012). Despite the fact that Friedmann uses the label world city and not global city, his model is worth to be studied because they are very close to each other and used interchangeably in parts of the literature. Nevertheless, a clear conceptualization and brief comparison for both is provided in order to come to a well founded conclusion which model is the best for the purpose of studying the global city status of Hamburg.

#### 2.2.1. World Cities

The World City concept was introduced by Friedmann (1986) and Friedmann and Wolff (1982) and defines a world city as a control node in the transnational network of global capital flows. The concept builds upon seven interrelated hypotheses (based on Gerhard (2004):

(1) The geographical transition into a capitalist world economy with its dispersion of production and new division of labor leades to structural changes in cities.
(2) The global capital utilizes major cities within the new geographical order of production and markets. Links between these cities are manifested in a hierarchy of world cities.
(3) The control function of world cities appears in the characteristics of production and labor market.
(4) International capital is concentrated and agglomerated in these prime locations.

(5) World cities attract migrants from all over the world.
(6) The downside of the capitalist economy can be observed in world cities' geographical and social polarization.
(7) The growth of world cities leads to social costs that exceed most cities' budgets.

For the empirical application of his model, Friedmann (1986) defines criteria that characterize world cities: They are site for headquarters of multinational corporations, they constitute important financial centres, and major transportation hubs, they are site of international institutions and show a rapid growth of professional corporate services, they are centres of industrial production and host large populations.

### 2.2.2. Global Cities

As Gerhard (2004) outlines, the World City research went through several stages of development since the 1980's and focalizes on the economic dimension. Thereby Saskia Sassen's Global City model can be seen as a continuation of the Friedmann's world cities that incorporate the economic changes in the late 1980s and 1990s (Hoyler, 2004). The main argument presented in her popular book is that globalization leads to two apparently mutually exclusive trends: dispersal and concentration. In the last decades production and manufacturing were strewn about the whole globe. In order to control the decentralised activities of producing and selling abroad and manage the emerging global corporate networks, new highly specialized financial and producer services were in need. Thus the global economic order shifted towards this new sector, the producer services. Firms providing these services tend to establish in clusters in a few cities. These strategic nodes of service production are characterized by concentrated property and economic control (Engelhard, 2005). Sassen (2001) defines a global city as a strategic production node which is location to corporate services. These firms link cities through intra-firm communications and offices, which build up a network of cities.

It becomes clear that both theories analyze contemporary major economic centers and their global network according to the location of multinational firms (Derudder et al., 2012). However, Friedmann's focus lies on centers of dominance and power established by transnational companies, while Sassen concentrates on corporate service providers that produce the essential inputs for global control (see Table 1). In this thesis, Sassen's model is used because it constitutes a more realistic image of the reality. Despite Friedmann's work having undisputed significance, it is written in the context of the mid 80's where the economic situation was different to the contemporary events.

| | World Cities | Global Cities |
|---|---|---|
| Key author | Friedmann (1986) | Sassen (2010) |
| Function | Powerhouse | Centre for servicing of global capital |
| Key agents | Multinational corporations | Producer service firms |

Table 1: The world city and global city concept, based on Derudder et al. (2012)

By reviewing the crucial approaches as presented above, the conception bias towards financial-economic characteristics of urban research becomes visible (Bourdieu, 1985; Samers, 2002). Therefore scholars started to think about other dimensions of the global city concept. Kratke (2010) raised a new issue: the production of culture and the location of the media industry, which supplements Sassen's theory and the empirical research conducted by the GaWC. His main idea is that the cultural economy is essential for the globalization of cities, a sector that agglomerates in local nodes and operates in global networks similar to professional corporate service firms.

### 2.3 Global Cities and culture

Following this, a limitation of the global city analysis to the location of professional producer service firms will deliver a biased picture of location's global city quality. Without a doubt, culture and cities are closely connected. More precisely, the creative industry contributes to the competitiveness of cities to a great extent by triggering growth processes. Today, it ranges among the most promising sectors, a trend that will continue in the near future. John Florida (2008) outlines three requirements for cities to attract the creative: the presence of human capital (knowledge), technological capacity and development (innovation), and social acceptance of differentiation (openness). Pratt states that 'culture figures as a significant […] aspect of the debates about global cities' (2012, p. 265) and determines the conceptual and empiric relationship between the cultural economy and the global city, which has been marginalized by Friedmann (1986); Friedmann and Wolff (1982) and Sassen (2001). As Pratt (2012) argues, cultural activities become more important in place marketing and place branding and for the purpose of attracting foreign direct investment. Thus, the model of producer services building strategic nodes is complemented by the cultural economy. Knox (2002) puts it similar by defining global cities as 'sites of the most leading global markets, […] sites of clusters of specialized, high-order business services, […] sites of the most powerful and internationally influential media organizations […] and culture industries'.

But there are divergent positions about where specifically to locate the cultural economy. Some researchers argue for an inclusion of the design and adverting industry into the corporate service sector (Beaverstock, Smith, Taylor, Walker, & Lorimer, 2000; Kratke & Taylor, 2004). But Sassen (2001) and Pratt (2012) emphasize the distinctive nature of the cultural industry and prefer to separate the corporate service sector and the culture and media industry. Due to the 'different office geographies' of the producer service sector and the cultural economy (P. J. Taylor & Walker, 2002, p. 34), both are examined separately in this thesis. The most important theoretical contributions come from Kratke (2006, 2010; 2004), who sees the cultural economy as a key driver of the globalization of cities and therefore uses the term global media city. Thereby, he defines the media city as a centre of cultural and media activities at different geographical levels, like nodes in a network.

### 2.4. Working definition and research questions

By reviewing the theory, it becomes clear that a simple analysis of Hamburg's economy in light of Sassen's Global City model is not sufficient for defining its global city status. It must be combined with the global media city model, adding culture as a second dimension. As a working definition for this thesis, global cities are seen as local nodes of the corporate service sector and cultural economy, which are associated in a global network. This is a minimal definition of the concept and identifies only those attributes *necessary* for the purpose of this research, but may impose a loss in resonance of the concept. Consequently, the research question needs to be further redefined. The economic dimension can be narrowed to the location of global producer service providers in Hamburg which is in accordance with Sassen's (2001) *Global City Model*; while the cultural dimension refers to the location of companies belonging to the culture economy, following Kratke's (2010) research (see Table 2). Therefore, the emerging specification of the research question for this thesis is:

*To what extent can Hamburg be qualified as a Global City in terms of its localization of global producer services and cultural industries?*

In order to answer the main research question it is worth discussing the following sub-questions, which guide this thesis:

1. *How are the producer service sector and the cultural economy in Hamburg positioned? What are their strengths and weaknesses, opportunities and threats?*

The first sub-question gives insights into the overall situation of the two sectors and provides the basis for analyzing their global interconnectedness. Several public reports and scientific writings are examined in terms of their content. Results are structured according to strengths and weaknesses that are conditioned by the sectors' actors, and the emerging opportunities and possible threats, which are caused externally by other actors or trends. A more detailed explanation on this SWOT-analysis can be found in the subsequent methodology section.

2. *To what extent are Hamburg's producer service sector and the cultural economy integrated into a global network?*

The second sub-question is at the core of this research and intends to discuss the producer service's and cultural economy's connectivity to the global networks, thus, their function as nodes in the global service provider and cultural economy nexus. The empirical research conducted by Kratke (2010) is used to examine Hamburg's cultural globality, while the producer services' global integration is assessed on basis of the city's network connectivity derived from the GaWC.

| **Author** | **Concept** | **Dimension** | **Specific sub-dimension** |
|---|---|---|---|
| Sassen | Global City | Service economy | Localization of global producer service providers |
| Krätke | | Culture | Localization of global cultural industries |

Table 2: Conceptualizing the Global City

# 3. Methodology

In order to conduct an innovative analysis, which incorporates the dualistic approach of analysing the two sectors' local basic situation and their global interconnectivity, the methodological considerations have to be depicted. The provided description should familiarize the reader with the methodological approach and enable other researchers to reconstruct this study in a similar manner. At first, a detailed description of the research design is given. Subsequently, the data collection method is presented. Lastly, the method of data analysis including the operationalization is discussed.

## 3.1. Research design

The research questions of this thesis are answered by means of a combination of qualitative and quantitative data analysis. While qualitative data analysis is the 'nonnumerical examination and interpretation of observations, for the purpose of discovering underlying meanings and patterns of relationships' (Babbie, 2012, p. 557), quantitative data is commonly referred to the 'numerical representation and manipulation of observations for the purpose of describing and explaining the phenomena, that those observations reflect' (Babbie, 2012, p. 557). A combination of both, quantitative and qualitative data is needed in order to 'advance the understanding of German world cities [here Hamburg] beyond the quantitative dimension of inter-city relations' (Parnreiter, 2015, p. 2) and to avoid '[...] the lack of forthright, process-based findings' (Beaverstock, 2011, p. 216). Therefore, quantitative datasets from the GaWC (2002) and Kratke (2010) are supplemented by a document analysis based on reports from the Hamburg chamber of commerce and scientific articles. Thus, the study is purely observational in character. This research aims at outlining the particular dimensions of interest and applying them to Hamburg. Thus, this is not a theory verification but a theory applying approach of research. More precisely, it is a case study, which allows for an in-depth examination of the city, which may be an instance of a phenomenon (the global city) and its related dimensions. Thus, a theoretical model will be linked to a real-life context. Due to the city's uniqueness, the results drawn from the case study are very limited in their representativeness and cannot be used to gain knowledge about other cities. But representativeness is not what this research strives for, it is more about characterizing Hamburg's global city status. Nevertheless, the detailed methodological description should enable other researchers to apply this execution to other cities.

## 3.2. Data collection

The performance of the local producer services and the cultural economy in Hamburg are analysed on the basis of a number of public reports, mainly published by the Hamburg chamber of commerce (Handelskammer Hamburg). Additionally, relevant reports from the Hamburgisches WeltWirtschaftsinstitut, the Freie und Hansestadt Hamburg and the World Economic Forum were used and supplemented by scientific articles written by Parnreiter (2015), Blind, Wachsen, and Weber (2011), Verhetsel and Sel (2009) and Porter et al. (2009) among others. The Hamburg chamber of commerce represents businesses located in Hamburg vis-a-vis politics and administration. It publishes branch specific reports, evaluations and recommendations, which are intended to reflect the situation of the producer services and cultural industries, too. These reports are supplemented by documents from two organisations and the city of Hamburg, which are also active in evaluating the development of Hamburg's economy, and attributed by scientific writings related to the sectors.

After investigating the local perspective on the sectors, the focus shifts towards the global connectivity of Hamburg's businesses and the city's position within the global city network. This analysis is based on quantitative datasets from the GaWC (2002) and the data collected by Kratke (2010). The former analyzed the location of 46 major corporate services companies in cities all over the world (and in Hamburg). These companies are globally active in accounting, advertising, banking/ finance and law and their agencies. To give an estimate of a city's global service capacity the researchers used among others trade directories, professional magazines, internal partner listings and World Wide Web searches, a method that is called 'scavenging research'. The resulting dataset represents the location of major producer service firms (separated in accounting advertising, banking/ finance and law) in more than 55 cities. Thus, the data is secondary and unobtrusive. Based on the dataset, cities are classified as alpha, beta, gamma or no global cities depending on their score on service companies' location in that city. This information can be seen as the part providing information about Hamburg's level of integration into the global city network and their function as nodal points in the global economy. The producer services' global integration is evidenced by data on accounting, finance/ banking and legal services. In addition, three frequency distributions calculated on the basis of the GaWC dataset are used to gain more detailed information about Hamburg's integration into the global city network. This includes, at first , Hamburg's proportional interlinks with other cities by P. J. Taylor and Walker (2002). Secondly, the overall global network connectivity of German cities in 2008, based on Hoyler (2011), which enables to see Hamburg in relation to other German cities. And lastly, the adjusted global network connectivity and relative connectivity change in 2000 to 2008 by Hoyler (2011) are included in order to evaluate the development of Hamburg's global integration from a historical perspective. The cultural industry's global connectivity is represented by GaWC data on advertising service providers located in Hamburg and Kratke's (2010) research on global media cities. He applied the 'scavenging research' method developed by the GaWC to 33 globally active media producing companies that have offices in different cities all over the globe. The quantitative analysis is qualitatively supported by scientific articles and reports outlined above.

### 3.3 Method of data analysis and operationalization

Having outlined the research design and the data collection, the approach of data analysis and the corresponding operationalization need to be illustrated (for an overview see Figure 1). Before the methods of analyzing the integration of the producer service sector and the cultural economy into the global networks are discussed, a systematic examination of both sectors will be provided in order to set their local framework. This takes the form of a SWOT-analysis.

The SWOT-analysis was initially an instrument of the strategic management of businesses. It is used to characterize companies within the context of their strategic orientation or project evaluation. Thereby a two-fold comparison between the intern strengths and weaknesses with extern chances and threats enables a transparent evaluation of their position. More precisely, strengths should be build up, weaknesses should be eliminated, opportunities should be exploited, and the effects of threats should be mitigated (Dealtry, 1992, p. 2). Recently, the method is used by public institutions to outline the factors relevant to strategic planning processes (ibid.). Thereby, SWOT-analyses designed for regions are either globally oriented or sectoral/ thematically differentiated (Bergs, n.d.). In this thesis the sectoral differentiated approach will be used in order to analyse Hamburg's corporate service sector and cultural economy in a systematic fashion.

The strengths and weaknesses will be structured by five facets, which bring together the branch's location factors and its specifics.  In geographies it is possible to distinguish between the factors hardware (or physical infrastructure) and software (or social capital) (see for example Caragliu, Del Bo, and Nijkamp (2013); Russo and Fischer (1995)). For the purpose of this analysis, these two factors are complimented by the sectors overall economic situation, the demographics, and its corporate structure and focal points.  The sections on the (1) *overall economic situation* provide a brief overview of the sector's performance and is illustrated by productivity, employment and revenue statistics. Knowledge about the sectors basis is crucial for its further analysis. The descriptions of a sector's (2) *hardware* gives insights into its physical capacities like infrastructure, land and energy. In contrast to hardware, (3) *software* comprises soft factors like networks, communication and cooperation patterns within and across sectors, as well as innovative capacities. In addition, data on

Hamburg's *(4) demographics* includes those characteristics of the population, that are critical for the sectors. Next to the total population and the overall number of employees, their education and expert knowledge play a role. *(5) Corporate structure and focal points* are examined in order to gain insights into the ascending and descending sub-markets and their internal organisation. Thereby, it can be expected that the seven facets overlap to a certain degree because of their interrelatedness. Important to notice is that it is not possible to describe all seven facets in detail. Instead, only the information, significant according to the data sources is provided.

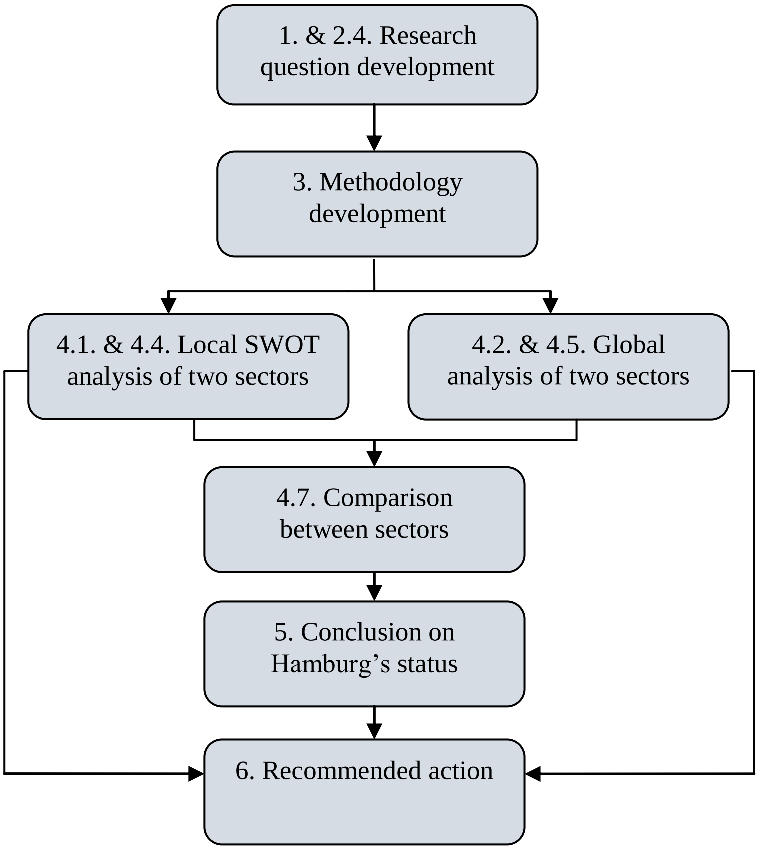


Figure 1: Structure of the research

The opportunities and threats are conditioned by external actors or trends, therefore it is reasonable to structure this part according to the PESTLE analysis. Like the SWOT-analysis, is a tool of businesses' strategic management but it focuses on the environment wherein the company is located. Because these factors are beyond the control of the sectors' actors, a systematic monitoring and assessment is needed in order to take advantage of the emerging opportunities and avert threats (Pastle Analysis, 2015). The analysis of the two sectors will be structured according to the political, economic, social, technological, legal and environmental factors that constitute the environment of the producer services and cultural economy in Hamburg. (1) *Political factors* include all political activities that shape the economy or its sectors in specific, such as fiscal policy, taxes and trade tariffs. (2) In addition, the economy is influenced by general *economic factors* that affect the business environment like inflation rate and interest rates. (3) *Social factors* characterise the people living and working in the region. This includes age demographics and culture, education and lifestyle. The advancement in networking and communicating, technology, research and development and their integration into the economy are analysed for (4) *technological factors*. (5) *Legal factors* might ease doing businesses and protect its output or complicate activities due to high standards in consumer, safety or labour laws. Those aspects which are attributable to the surrounding environment are (6) *environmental factors* and cover environmental regulations, customer values and the geographical location (Pastle Analysis, 2015). By analyzing the extent and nature of the location of global producer service firms and their offices in Hamburg, it is possible to characterize the sector's integration into the global network. Thereby three indicators based on the GaWC data set are used: the number of offices of global accounting, legal, and banking/ financing service providers located in Hamburg is counted (advertisement is excluded); the proportional interlinks the sector has with other cities are presented; and the change in Hamburg's connectivity over time is illustrated (see Table 3).

For the analysis of the cultural economy, the presence of global media producing enterprises in Hamburg is counted, as presented in Kratke's (2010) research. Additionally, the number of global advertisement service offices in Hamburg is taken into account. There is no data available for the proportional interlinks with other cities and the change in its connectivity over time. The procedures used to determine the data, which constitutes the indicators, are simple frequency distributions.

<table>
<tr><th>Concept</th><th>Author</th><th>Dimension</th><th>Specific sub-dimension</th><th>Indicators</th><th>Measurement</th><th>Data Source</th></tr>
<tr><td rowspan="5">Global City</td><td rowspan="3">Sassen (2001)</td><td rowspan="3">Service economy</td><td rowspan="3">Corporate service sector</td><td>Presence of global service providers (accounting, financial/banking, legal)</td><td>Counting the number of offices and evaluating their level of presence (high, medium, low, absence) (Table 4)</td><td>GaWC</td></tr>
<tr><td>Interlinks with other cities</td><td>Proportional interlinks (weak, medium, strong link) (Table 5)</td><td>GaWC</td></tr>
<tr><td>Change of connectivity over time</td><td>Change in adjusted global network connectivity from 2000 to 2008, good: positive changes , bad: negative changes (Table 7)</td><td>GaWC</td></tr>
<tr><td rowspan="2">Krätke (2010)</td><td rowspan="2">Culture</td><td rowspan="2">Cultural economy</td><td>Presence of global media producer</td><td>Counting the number of enterprise units (Table 8)</td><td>Kratke (2010)</td></tr>
<tr><td>Presence of global advertisement services</td><td>Counting the number of offices and evaluating their level of presence (high, medium, low, absence) (Table 8)</td><td>GaWC</td></tr>
</table>

Table 3: Operationalizing Global Cities

### 3.4 Concluding remarks

The third chapter of this thesis was intended to provide the reader with an overview of the methodological approach that is followed for answering the sub-questions. More precisely, the two-fold nature of this case study, which demands a combination of quantitative and qualitative data, was discussed. The local producer services and the cultural industries in Hamburg are examined by a SWOT-analysis, thus the sectors' internal strengths and weaknesses, as well as external threats and opportunities are outlined. Because the former features are determined by the sectors' actors themselves, but the latter are conditioned externally, different factors are applied to structure the analysis. Thereby, the first sub-question is answered by means of the analysis of several public reports. The second sub-question, on the other hand, is based on the quantitative research conducted by the GaWC (2002), its resulting calculations by different scientists and Kratke's (2010) investigation on global media cities. In each of these, Hamburg is merely one out of many examined cities. But by bringing together the results of the data sets and reports in addition to the supporting academic literature, Hamburg's quality as a global city in terms of the two sectors can be defined.

# 4. Analysis

The fourth chapter provides an in-depth analysis of Hamburg's quality as a global city and is divided into seven sections: a SWOT-analysis of the producer service sector and its global connectivity, a SWOT-analysis of the cultural economy and its global connectivity, two sections about the local-global-nexus of each sector and a comparison between the global involvement of the producer service sector and the cultural economy.

## 4.1 SWOT-analysis of the producer service sector

Producer services are also known as higher-value producer service because of their knowledge intensive character (Welsch, 2000). Thereby, four sub-groups of producer services can be identified: business and professional services, financial services, insurance services and real estate services (OECD, 2000). Producer services sell their services 'as inputs to the production process of various industries' what distinguishes them from consumer services (Beyers, 2007). They have become crucial for the economy since the 1980's and 1990's when more and more companies became active abroad. Producer services' knowledge- intensive and non-routine services are required by businesses operating in unfamiliar markets (Parnreiter, 2015; Strambach, 1997). On a larger scale, they significantly contribute to innovation processes, facilitate growth and employment and push the knowledge-based structural transformation in cities (Hamburgisches WeltWirtschaftsinstitut, 2012; Strambach, 1997). The spatial disparity of corporate services is a result of the linkage to their customers, which are usually knowledge-intensive and specialised producer and concentrate in few locations (Parnreiter, 2015). As a result, it can be expected that globally operating companies and their corresponding producer service firms and subsidiaries are located in the same site. Thus, producer services reflect the local economic structure. Cities like Hamburg can increase their competitiveness by providing favourable conditions like infrastructure and cluster initiatives, which enables producer services to utilize localization advantages, knowledge-spillovers and face-to-face contacts to clients.

The subsequent analysis assesses whether the basis for a strong and globally integrated producer service sector in Hamburg is given. The internal strengths and weaknesses, and external opportunities and threats are discussed. A summary of the SWOT-analysis of the corporate producer service can be found in Appendix A.

**Internal strengths**

*Overall economic performance*: Hamburg's producer service sector is in a very stable and promising position and is the growth motor of the city (Hamburgisches WeltWirtschaftsinstitut, 2012). Among German cities, Hamburg has the highest output (nearly 30 billion € in 2011), the second highest number of employees working in this sector (290,000 in 2011) and takes the second place in productivity, see Figure 2. The Hamburg chamber of commerce counts 19,246 professional producer services in Hamburg in 2008, whereby approximately 4,000 additional providers located in the city just between 2008 and 2014 (Handelskammer Hamburg, 2008, 2013). Reasons for the high number of establishments in Hamburg are due to historical reasons. The majority of the located service providers started their business activities in Hamburg and has grown together with the city (Parnreiter, 2015).

*Hardware*: The high number of establishments can also be explained by Hamburg's prime infrastructure. The city is easily accessible via different means of transportation and it has a well developed local traffic system (Freie und Hansestadt Hamburg, 2007). On the one hand, an easy access increases Hamburg's overall competitiveness and especially its industries, whereof the producer service sector as a depending branch benefits. On the other hand, it affects the sector directly because short ways within the city contribute to maintain healthy customer relationships and cherish face-to-face contacts (Parnreiter, 2015).

*Software*: The geographical proximity conditioned by Hamburg's good hardware contributes to a higher degree of networking between service providers and their clients on the one side, and between different providers on the other side. Particularly noteworthy is the strong, local rooted connectivity between the industry and service providers. Hamburg's companies predominantly buy services supplied in the city, meaning that relationships are flat and functional (Parnreiter, 2015).

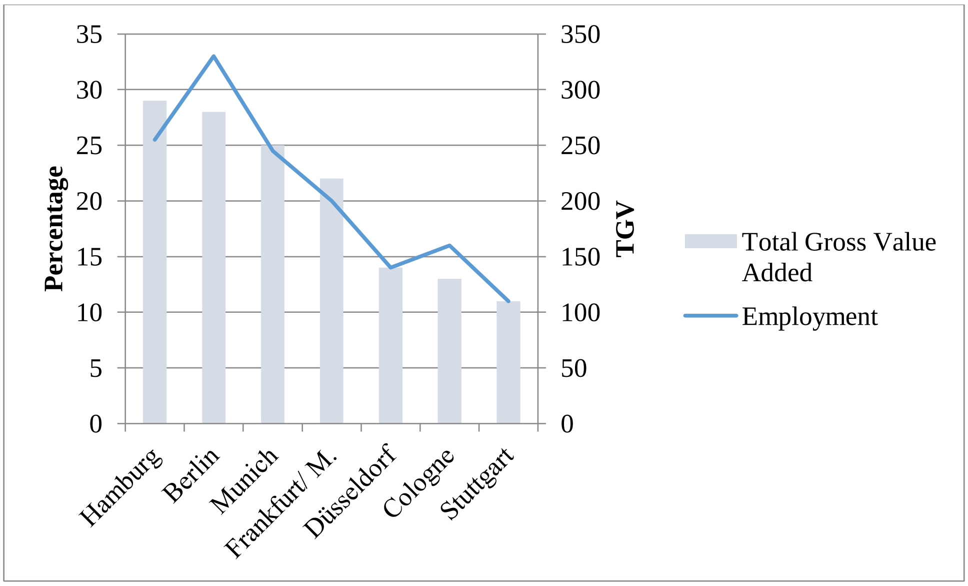


Figure 2: Total Gross Value Added (left) and employment (right, in 100.000) in business, financial, insurance and real estate services in selected German cities (2011), based on DeStatis (2015) and (Parnreiter, 2015)

*Demographics*: The positive image of the city as a cosmopolitan metropolis and the high quality of living put the city at an advantage. It attracts additional companies and the required high skilled human capital. The overall high level of productivity and above average incomes act as magnet for both businesses and people (Handelskammer Hamburg, 2008, 2014a).

*Sector's focal points/ corporate structure:* The sector takes a leading position in several markets: the many information and communication services with its sub-markets, insurance, consulting and services related to the port (Blind et al., 2011; Hamburgisches WeltWirtschaftsinstitut, 2012; Handelskammer Hamburg, 2014a; Verhetsel & Sel, 2009). Because of the city's diversified economic structure and the production of many high value added processed products, service providers are enabled to become active in various fields and specialize in these. An additional region-specific advantage is the functional differentiation of labour between the city and its hinterlands. While the city of Hamburg is characterised by an accumulation of knowledge intensive producer services, the manufacturing sectors utilizes advantages of periurban areas (Hamburgisches WeltWirtschaftsinstitut, 2012).

**Internal weaknesses**

*Overall economic performance:* Despite the fact that Hamburg still takes top positions among the sites for producer services in Germany, its productivity increased to a lesser extent than expected in the last decade (Hamburgisches WeltWirtschaftsinstitut, 2012). One reason for this might be the even more advanced concentration on knowledge intensive business services in other cities. Munich's economic policy, for example, facilitates technologies and innovations more effectively and is more active in establishing cluster initiatives. Their specialized businesses increasingly demand more high quality services compared to Hamburg (ibid.).

*Hardware:* Hamburg's hardware constitutes no weakness for its producer service sector. Instead, it benefits from its well developed infrastructure (see strengths above).

*Software*: The below-average research and development spending of Hamburg's economy hinders services to innovate. As a result, service providers cannot fully expand their knowledge and portfolio (Handelskammer Hanburg, 2010).

*Demographics*: The demographics of Hamburg's citizens are no weak points for the city due to increasing numbers of inhabitants and its attractiveness (see strengths above).

*Focal points/ corporate structure:* Many locations in Germany, and specifically Hamburg, are characterised by a heterogeneous economy and a majority of small and medium-sized enterprises. In the consulting branch, for instance, one of two businesses are individual consultants (Handelskammer Hamburg, 2014a). The SME turned out to be a stabilizing factor in times of crisis, but they are often less innovative compared to global players (Handelskammer Hamburg, 2014a). Thus, Hamburg's SME services carry out consistent work, but producer services located in other sites might be more advanced in their knowledge and facilitate businesses with more differentiated services and business strategies.

**External opportunities**

*Political factors:* Opportunities arise from the circumstances that Hamburg has a traditionally strong trading policy and is a city-state. On the one hand, growth in the service sector depends upon the location of specialised enterprises in the city, which can be facilitated by targeted structural policy. Beneficial is the promotion of clusters, which bring together the operating industries and service providers, enabling spill-over effects in the agglomeration zone. The Hamburg Senate successfully established some of these corporate networks, above all the Hamburg aviation cluster, Life Science Nord or the logistic initiative Hamburg. The latter contributed to tap the full potential the port affords for the growth of port related services in Hamburg, one of the city's service focus areas. A continuing public support for the already established clusters and new initiatives for further cluster formation are opportunities to enhance the knowledge driven structural change in Hamburg and support the promising producer service sector. On the other hand, the city has one major advantage: It is a city-state and combine competences from two governmental levels, the federal state level and the city level. The free room in its policy allows for an exact adoption to the urban needs. As an example, the university policy at federal state level reveals the opportunity for a city-specific educational profile, a self-determined nature-protection and landscape management, which are adapted to its particularities.

*Economic factors:* The globalization process with its dispersing and agglomerating forces as described by Sassen (2001) bears the most important opportunity for the Hamburg producer service sector: the trend towards outsourcing knowledge intensive and non-production activities and the corresponding demand for highly specialized corporate services. The broad industrial base in Hamburg provides several new markets and additional clients. Services that cover the new developing knowledge intensive and highly specialized corporate needs open up new markets with further growth potential. Among the prosperous service sub-markets in Hamburg, its harbour plays a crucial role. It is an international place for transhipment of imports and exports which gives the city a competitive advantage over other cities. Its development bears a great potential for the local corporate service providers because high turnover port directly contributes to keeping Hamburg's position as the prime location for maritime-related producer services (Verhetsel & Sel, 2009).

*Social factors:* The sector's success depends greatly on the availability of human resources and their characteristics, which are shaped by the re-urbanization trend and the demographic change. In contrast to many other cities and despite low birth rates, retirement and the aging population in Germany, Hamburg profits from a growing population (Handelskammer Hamburg, 2011). Especially young adults who studied in the city stay there and educated professionals move to Hamburg because of the high earning prospects. It is important to utilize the agglomeration of high-skilled personnel and a growing population in order to build up the knowledge intensive service sector (Hamburgisches WeltWirtschaftsinstitut, 2012).

*Technological factors:* There is some room for improvements in the utilization of knowledge intensive industries in the city. The attractiveness of the business location Hamburg could be combined with a more branch specific range of producer services. The agglomeration of businesses and people offers a high potential for networking, which is crucial for innovation processes and the knowledge driven structural change (Hamburgisches WeltWirtschaftsinstitut, 2012).

*Legal factors:* In addition to the concentration on local activities and local clients, the use of the EU directive on services in the internal market could be more extensively. Despite the special nature of services, exporting Hamburg's service products constitutes an opportunity unjustly disregarded by many producer service providers (Handelskammer Hamburg, 2013).

*Environmental factors:* Hamburg's engagement in the protection of its environment, the saving of energy resources and the production of green energies resulted in its classification as the 2011 Umwelthauptstadt (capital of the environment). The emerging markets in renewable energies open up new fields of business activities for the producer service sector. Further investments in infrastructure provide additional opportunities (especially for corporate services with clients in the logistics sector) and increase the cooperation with clients through short distances. Environmentally friendly and cost-efficient means of transportation like better railways connections to other centres of economic activities and the harbour as a global hub should receive priority in support and are preferable to road and air traffic.

**External threats**

*Political factors:* Producer service providers in Hamburg lack public support by the Hamburg chamber commerce. While there are initiatives on EU level (like parts of the European Social Fund) and on national level (BMWi programme for opening up new markets) to integrate service companies into the global markets, there are no city specific programmes in force, neither by the Hamburg Senate nor by the chamber of commerce. As an example, the support for participation in foreign trade fairs was cancelled in 2013 (Handelskammer Hamburg, 2015). Although the Hamburg Senate heavily supports certain clusters, other prosperous agglomerations of businesses are not officially funded (Porter et al., 2009). Because Hamburg's service sector is broadly based, this puts certain parts of the branch at a disadvantage.

*Economic factors:* Despite the high productivity of the sector and low unemployment rates, the many small and medium-sized producer service companies in Hamburg face difficulties with regards to financial support: The levels of FDI are below-average despite very low interest rates (Freie und Hansestadt Hamburg, 2007). As a consequence, service providers are too reluctant to invest and growth levels remain below the potential, which may constitute a disadvantage in the longer term. The disadvantages accompanied by the city's small sized business structure run the risk of excluding them from internationalization and clear the way for a few global players.

*Social factors:* The metropolitan region of Hamburg offers more than 20 universities and more than 70.000 students live there. But reports and surveys among Hamburg's entrepreneurs demonstrate that Hamburg's university landscape is not sufficiently specialized and suffers from unsatisfactory personal and financial resources (Freie und Hansestadt Hamburg, 2007; Handelskammer Hanburg, 2010). Despite growing population numbers, high-skilled personnel like accountants are in demand and there might be an imminent shortage of skilled labour.

*Technological factors:* The technological advancement of the producer service industry is indirectly and directly affected by the lack of university and non-university facilities in applied research and development. The gap between theoretically created knowledge developed in universities and its application in businesses can be seen in the low number of transfer facilities and organizations, which connect science and economy (Handelskammer Hanburg, 2010). Consequently, Hamburg's innovative capacity and thereby the competitiveness of its dependent service sector is limited.

*Legal factors:* Despite Hamburg's status as a city-state, its administrative infrastructure depends on factors determined by the German federal government. The World Bank's review reveals that the ease of doing businesses is becoming worse in Germany, this goes especially for business regulations. The study outlined additional threats: it becomes increasingly difficult to start a business, the costs of labour are rising and the documentation effort is higher than in other countries (especially since the introduction of the minimum wage), the tax system is time consuming, employment laws are strict and investor protection is decreasing. Foreign Ownership and Foreign Direct Investment are confined by several regulations (World Economic Forum, 2008).

*Environmental factors:* There are several issues at stake that cleave the interest of Hamburg's (producer service) businesses and related actors on the one hand, and citizens and organizations on the other hand. Permanent topics are the deepening of the river Elbe so that even the largest container ships can head into Hamburg's port (which is great for the port-related services), or the discrepancies in the city's space and housing policy. While representative office blocks in good locations are vacant, citizens with small and mid-range incomes face difficulties in finding housing.

In order to answer the first sub-question about the producer services, the general pre-conditions of the producer services must be synchronized with the local circumstances in Hamburg. As outlined above, producer services are knowledge-intensive and non-routine in character. They play a crucial role in the innovation processes of their clients, stimulate growth and employment and facilitate the knowledge-based structural transformation in cities. It has been argued towards locating producer services and clients in the same site, preferably in clusters, to utilize localization advantages, knowledge-spillovers and face-to-face contacts. The producer service sector in Hamburg is well-positioned in general, since it turned out that the many service providers work as a growth motor. The high degree of networking within the sector and with its clients enables a strong connectivity to the local industry. The increasingly complex production processes force businesses to outsource knowledge-intensive and not production related tasks to external service providers. This provides an opportunity for Hamburg's producer services to open up new markets. Nevertheless, its capacity to drive innovations forward is restricted by faltering financial flows. The rates in FDI in services are at a very low level. This is accompanied by the equally limited spending in R&D which limits the already weak innovative capabilities of the majority of small and medium sized service providers. The in many areas already successful cluster policy needs to adopt the particular needs of the service sector to a higher degree in order to take full advantage of the localization advantages, such as close cooperation and communication, next to the growing educated population and the well-established infrastructure.

### 4.2. How global is Hamburg's producer service sector?

After discussing the sector's strengths, weaknesses, opportunities and threats, this part will focus on its global involvement and answers the second sub-question. It provides an analysis of the location of globally active service providers in Hamburg, outlines the corresponding enterprises links' with other cities and the change in global connectivity over time.

In his writings on global commodity chains in Hamburg, Parnreiter (2015) finds evidence that some local producer service firms fulfil management functions for their globally active clients and therefore the city constitutes (what Sassen describes as) a strategic production node, 'From market research to after-purchase communication, from a legal due diligence to the management of cash flows, from opening up a bank account to retirement administration, PSFs [producer service firms] in Hamburg supply many services which are needed by their clients to successfully run their businesses' (Parnreiter, 2015, p. 7).

But are all kinds of service providers located in Hamburg to an equal extent? The summarized results for Hamburg in Table 4 show that the city hosts a considerable number of multinational accounting service offices, some globally active banking and financial institutions but no legal services at all. All five global accountancy companies are located in Hamburg: Coopers & Lybrand and Ernst & Young International have their national headquarter or a large office in the city; KPMG and Arthur Andersen have typical offices in Hamburg, Price Waterhouse has a local office there. Banking and financing services are fairly often represented. Four out of 14 global banking/ finance institutions have an office in Hamburg. The Dresdner Bank Group has typical office; Barclays, the Citibank and ABN-AMRO have local offices there. None of the investigated globally operating legal enterprises is located in Hamburg. Based on this, the GaWC classifies Hamburg as a Beta+ world city and is therefore comparable with Rome, Dallas or Cairo.

| **Service** | **Presence of offices** | | | | |
|---|---|---|---|---|---|
| | 3= high presence | 2= medium presence | 1= low presence | 0= absence | *Total* |
| Accountancy | 2 | 2 | 1 | - | 5 |
| Banking/ Finance | - | 1 | 3 | 10 | 14 |
| Law | - | - | - | 11 | 11 |
| *Total* | 2 | 3 | 4 | 21 | 30 |

Table 4: Location of multinational corporate service providers in Hamburg, based on GaWC (2002)

P. J. Taylor and Walker (2002) used the above described GaWC data on corporate service providers to construct symmetrical relations between cities. Table 5 shows a summary of Hamburg's proportional interlinks with other cities divided into three categories (determined by the researcher of this thesis). The data reveals the regional focus of corporate service providers in Hamburg: Within the group of cities that have strong links to Hamburg are eight out of 12 metropolises European cities, two are even located in Germany, being Düsseldorf and Frankfurt. Two of the cities are from North America (New York and Toronto) and only one Australian and Asian city (Sydney and Tokyo). In contrast to this, the groups featuring low or medium connectivity to Hamburg are more evenly spread across the world. The strong link to other European cities may be a result of the common European economic and monetary area and the service directive (Directive 2006/123/EC of 12 December 2006 on services in the internal market). The fact that two out of 12 cities that are closely connected to Hamburg, are German cities, is consistent with a study by the Hamburg Chamber of Commerce. It approves the above mentioned regionally limited operational range of Hamburg's corporate service firms. In 2012, 54% of the sector's clients base come from the region (Handelskammer Hamburg, 2013). Although the data based on P. J. Taylor and Walker (2002) includes only globally active services, while the latter incorporates the total sector, it can be ascertained that geographical proximity and the level of business activities go hand in hand for Hamburg's service providers.

P. J. Taylor (2011) and Hoyler (2011) argue that this regional orientation is repatriated to Germany's horizontal urban system, in which corporate service providers establish themselves in various cities. This stands in contrast to many other states like France or United Kingdom, which are characterised by centralism towards Paris and London, which have a salient dominant position. In Germany, enterprises do not agglomerate in a single metropolis but in various specialised key hubs. This polycentrism of business services in Germany is attributable to the federal political organization, as well as the regional specialization and division of labour within the country (Hoyler, 2011; P. J. Taylor, 2011). Thus, metropolitan functions are spread among several competing urban areas (Parnreiter, 2015). Following this, many service providers have offices in more than one city in Germany and this may be a reason why a modest number of multinational accountancy and banking/

finance enterprises are located in Hamburg. It is likely that legal services orientate themselves towards Berlin, where legislation is enacted.

| **Levels of Hamburg's proportional interlinks with other cities** | | |
|---|---|---|
| 0,11-0,15 = weak link | 0,15-0,2 = medium link | <0,2 = strong link |
| Atlanta, Beijing, Berlin, Boston, Dallas, Geneva, Houston, Johannesburg, Miami, Minneapolis, Osaka, Rome, Shanghai, Washington | Bangkok, Barcelona, Budapest, Buenos Aires, Caracas, Chicago, Copenhagen, Hong Kong, Istanbul, Jakarta, Kuala Lumpur, Los Angeles, Manila, Melbourne, Mexico City, Montreal, Moscow, Munich, Prague, San Francisco, Sao Paulo, Santiago, Seoul, Singapore, Stockholm, Taipei, Warsaw, Zurich | Amsterdam, Brussels, Düsseldorf, Frankfurt, London, Madrid, Milan, New York, Paris, Sydney, Tokyo, Toronto |

Table 5: Hamburg's link to other cities based on the location of multinational service providers, based on P. J. Taylor and Walker (2002)

According to Hoyler (2011) the functional and regional specialization on cities leads to a network of German cities, which are characterised by close linkages. But how interconnected are these cities, and especially Hamburg, on a global scale? As Table 6 shows, among the German cities Hamburg is the third best linked city to 'the global circuits of advanced corporate servicing' right behind Frankfurt/ Main and Berlin (Hoyler, 2011, p. 152). On a world scale, Hamburg takes place 60 in the global network ranking and is rightly known as the economic centre of Northern Germany (P. J. Taylor, 2011). Hamburg and the German capital are ranked close together but Hamburg's and Frankfurt' levels of connectivity are clearly at different levels. The financial hub features a completely different quality in incorporating global business activities compared to Hamburg.

| **City** | **Gross connectivity** | **Proportionate connectivity** | **Global City rank** |
|---|---|---|---|
| Frankfurt/ M. | 48,165 | 0.50 | 32 |
| Berlin | 37,825 | 0.39 | 55 |
| Hamburg | 35,574 | 0,37 | 60 |
| Munich | 33,482 | 0,35 | 67 |
| Düsseldorf | 30,575 | 0,32 | 76 |
| Stuttgart | 26,295 | 0,27 | 91 |
| Cologne | 14,499 | 0,15 | 166 |

Table 6: Overall global network connectivity of German cities in 2008, based on Hoyler (2011)

While the analysis above discussed the presence of multinational corporate services in Hamburg and its links with other cities, now recent developments in Hamburg's global connectivity need to be investigated and future trends need to be outlined. From 2000 to 2008 Hamburg records a negative change in its global network connectivity of -0.02 absolutely and -1.04 in relative terms (see Table 7). The absolute and relative decline in the integration of Hamburg (and most other German cities) in the global network is in contradiction to the overall picture. According to Derudder et al. (2010, p. 1870) there is a general tendency for cities towards gains in their connectivity in the global network. In this light, 97 out of 132 investigated cities improved their connectivity in the last decade. Thus, Hamburg, Frankfurt/M. and other cities are overtaken by Shanghai, Beijing and Moscow, which demonstrate high rises in their global interlinkage (ibid.). These cities utilize the opportunities offered by globalization to a much higher degree than Hamburg.

| City | Adjusted GNC 2000 | Adjusted GNC 2008 | Absolute Change | Relative Change |
|---|---|---|---|---|
| Berlin | 0.35 | 0.36 | 0.01 | -0.49 |
| Stuttgart | 0.24 | 0.25 | 0.01 | -0.56 |
| Munich | 0.37 | 0.35 | -0.02 | -0.86 |
| Hamburg | 0.37 | 0.35 | -0.02 | -1.04 |
| Frankfurt/ M. | 0.58 | 0.52 | -0.06 | -1.48 |
| Düsseldorf | 0.38 | 0.31 | -0.07 | -1.63 |
| Cologne | 0.23 | 0.15 | -0.08 | -1.76 |

Table 7: Adjusted global network connectivity (GNC) and relative connectivity change 2000-2008, based on Hoyler (2011)

This unfavourable development is confirmed by a survey among Hamburg's entrepreneurs in 2014. Many of them see that Hamburg is only to a limited extent prepared for the forthcoming challenges. The current ability of the local economy (including producer services) to compete on world markets is evaluated as being rather well, but the global competitiveness is expected to be rather poor in the future. The Hamburg Chamber of Commerce and scientists for international economic relations at the University of Hamburg confirm Hamburg's decreasing internationality (Deutsche Welle, 2015; Handelskammer Hamburg, 2014b).

With view on sub-question two, the degree of the producer sectors' integration into the global network, it can be stated that the sector is indeed globally connected, but only to a limited degree. As argued in this section, some of the local producer service providers fulfil management functions for globally active clients. Due to the considerable number of accounting firms, this service constitutes a focus in Hamburg's economic structure. According to the GaWC, the city can be labelled as a Beta+ global city and takes place 60 among the best linked cities worldwide, meaning that its functions as a strategic service production node are not fully developed. But nevertheless, Hamburg plays an important role in the global service network and can be placed next to other major cities. The sector is characterised by its geographical proximity to clients. The shorter the distance of a city to Hamburg, the closer are the links that Hamburg's producer services have. This stems from the German horizontal urban system with its polycentric economic structure. In recent years, Hamburg has deteriorated in its global connectivity, a negative trend that is expected to continue.

### 4.3. From analysing the local corporate service sector to its global connectivity

This part forges the bridge from the local SWOT-analysis of the corporate service branch to its involvement into the global service network. It has been argued that due to Germany's polycentrism and decentralized economy structure, globally active corporate services are not concentrated in one node (as it is London for UK), but there are several functionally differentiated service nodes in Germany. Additionally, Hamburg's service sector is composed of many small and medium sized enterprises, which are predominantly local oriented. Even if these companies would be internationally active and linked into the global network, they are not covered by the GaWC research (since it focuses on the largest global firms only).

Now the three sub-markets accounting, banking and financing, and legal services need to be discussed further. First of all, the high number of accountancy companies can be reducible to the broad economic base of the Hanseatic city. The high corporate density in and around the city indicates a rich number of possible clients. Because bookkeeping becomes more and more complex and expensive for companies, they tend to outsource it to specialized service companies. These have expert knowledge and use economies of scale to provide their services at reasonable prices (Parnreiter, 2015). Therefore, the strong presence of accounting services in Hamburg confirms Sassen's (2001) theories about companies' need for producer services in order to manage global business activities. The fact that the offices of global accountancy services are evenly spread across Germany (see GaWC, 2002) might indicate the importance of face-to-face contacts in accountancy despite modern communication technologies. Turning to the second investigated sub-market, the moderate presence of financial and banking offices of global enterprises in Hamburg can be easily explained by the dominance of the financial metropolis Frankfurt/ Main, which is (next to London) Europe's financial centre and headquarter of the European Central Bank. While 25 globally active banking services are located in Frankfurt/ Main, further offices can be found very sparsely in other German cities (GaWC, 2002). This indicates that financial services in Germany are not spread evenly across the country and are not polycentric in character, but clustered in one location. Thus, financial and banking services can be considered as an exception in the German economic structure. Lastly, not only Hamburg, but also all other Garman cities lack the presence of global legal service providers. Because laws are specific to their countries, it is reasonable to assume that legal services have clients from abroad, but work within their country's borders and to a lesser extent on a global scale, at least in Germany. Therefore nearly no global legal services are located in German cities at all (GaWC, 2002). This tendency is partly approved by Parnreiter (2015). In an interview, the partner of a international law firm made the following statement '"[… ] there are some (big law firms) which deliberately came to Hamburg because of the strength and the international orientation of the city's economy … (but other) big offices here already were big offices which then did not belong to a global network, which have grown here in their own right as local firms"' (Parnreiter, 2015, p. 10). Therefore it can be expected that there are legal service firms that established offices in Hamburg, but these are either grown in Hamburg or are not connected to the global corporate service network.

With view on the SWOT-analysis, Hamburg's weak position in its service profile is approved by the GaWC findings: While Frankfurt/ Main is pioneer in financial/ banking and legal services, and Düsseldorf performs outstanding in providing accounting services, Hamburg is throughout average in all three services. The mediocre global connectivity of Hamburg's corporate branch might be partly conditioned by its insufficient locational factors like the lacking university facilities, public and financial support as well as a low international recognition together with a local focus of Hamburg's industry. Amongst others, these weaknesses might keep global active service companies from establishing offices in the Hanseatic metropolis. As described above, the Beta+ global connectivity is likely to decrease further. It has developed negatively in the last decade and companies expect a shrinking internationality and global competitiveness in the future.

To sum up the results of the provided discussion, none of the two sub-questions can be answered in a simple way. The SWOT-analysis reveals the sector's importance for growth in the city, its high degree of networking and strong connectivity to the local industry. On the other hand, it lacks R&D and innovative capacity. These factors limit the structural change towards a globally oriented and knowledge based economy. The city will be in danger of being increasingly dominated by Eastern cities, which utilize the advantages of the globalizing economy to a higher degree and demonstrate more will to open up (Derudder et al., 2010).

### 4.4. SWOT-analysis of the cultural economy

In the last years, policy makers started to draw its attention towards the cultural economy (or industry), which is recently accepted as a branch on its own. Today, the cultural industry is a continuously expanding branch of the economy and an important job creator (Wedemaier, 2009). Policy makers realized its enormous growth and innovation potentials and began to coordinate their activities. The German Ministry of Economy defines the cultural industries as 'those businesses, which are predominantly profit-oriented and deal with the creation, production, distribution and/or medial dissemination of cultural and creative goods and services" (Deutscher Bundestag, 2007, p. 340). The total branch encompasses architecture, visual arts, design, film, literature, music, press, radio, software and games, theater, dance and advertising (Hamburg Kreativgesellschaft, 2015). The cultural industry is concentrated in cities because they provide certain advantages: the availability of human capital which brings knowledge and skills, technological capability and advancement (innovative ability), as well as social openness (Florida, 2005). Next to that, the spatial proximity of companies (especially in clusters) facilitates the exchange of knowledge (spillover effect) and contributes to developments in innovation and technology. The cultural industry as one of the most prosperous branches stimulates growth in cities and takes a leading role in the knowledge driven structural transformation of the economy (Wedemaier, 2009).

The following analysis assesses whether the basis for a strong and globally integrated cultural industry in Hamburg is given and includes an assessment of its internal strengths and weaknesses, and external opportunities and threats. Thus, the first sub-question for the cultural economy will be answered. A summary of the SWOT-analysis of the corporate producer service can be found in Appendix B.

**Internal strengths**

*Overall economic performance*: Figures and statistics prove Hamburg's strong position as one of the top locations for the cultural economy. In 2008 seven percent of all employees worked in this sector, this is equivalent to more than 70.000 jobs in 15% of Hamburg's businesses (Hamburg Kreativgesellschaft, 2012; Nitt-Drießelmann et al., 2012). Thus, Hamburg has the second highest percentage of employees working in the cultural sector in relation to its population, right after Munich and even before Berlin and Cologne (see Figure 3).

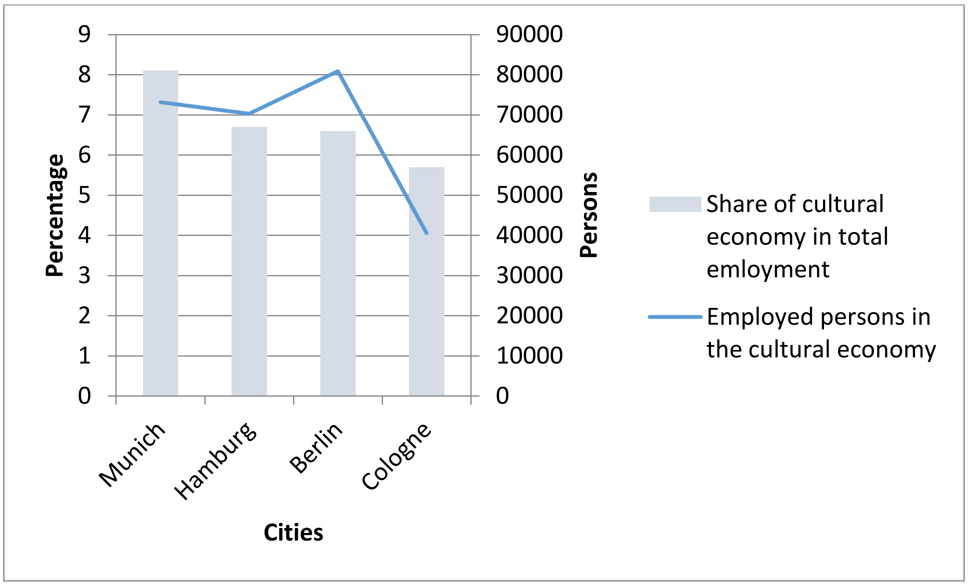


Figure 3: Share of the cultural economy in total employment in percentage (left) and employed persons in the cultural economy in total (right) in 2008, based on Nitt-Drießelmann et al. (2012)

However, the sector contributes with merely 10.6 billion euro annual turnover to the economic force of the Hanseatic city, which is 2.8% of its overall economy (Nitt-Drießelmann et al., 2012). Concerning the number of total turnover in the branch, Hamburg outperforms Cologne, Berlin and

Munich (Hamburg Kreativgesellschaft, 2012). The importance and enormous growth potential become apparent in the expansion rate of 9.7% for the period from 2003 to 2008 (Hamburg Kreativgesellschaft, 2012).

*Hardware*: As described in the section on producer services (see above), Hamburg's well developed infrastructure is an advantage for its economy and, thus, for the cultural economy. Due to its small scale business structure, easy accessibility and face-to-face-contact are even more important to actors in the cultural industries.

*Software*: Experts witness Hamburg cultural industries' high capacity to stimulate technological and social innovation (Hamburg Kreativgesellschaft, 2012). In amalgamation with creativity, highly competitive products and processes are created, such as in the games and software market, one of Hamburg's most successful submarkets.

*Demographics*: There is no lack in diversity and breadth in the city's cultural economy, which is additionally characterised by an agglomeration of *cultrepreneurs* (Hamburg Kreativgesellschaft, 2012; Overmayer, 2010). These individuals embrace creativity and entrepreneurial thinking (Lange, 2007) and are attracted by Hamburg's international and open flair. Their preferred locations are creative milieus, which developed above all in St. Pauli and Ottensen (Overmayer, 2010). The former district is the place for the cluster initiative *gamecity: Hamburg* (see Figure 4), a place of inspiration and a meeting point for cultural industries where creativity and technology coalesces (Plum & Hassink, 2014).

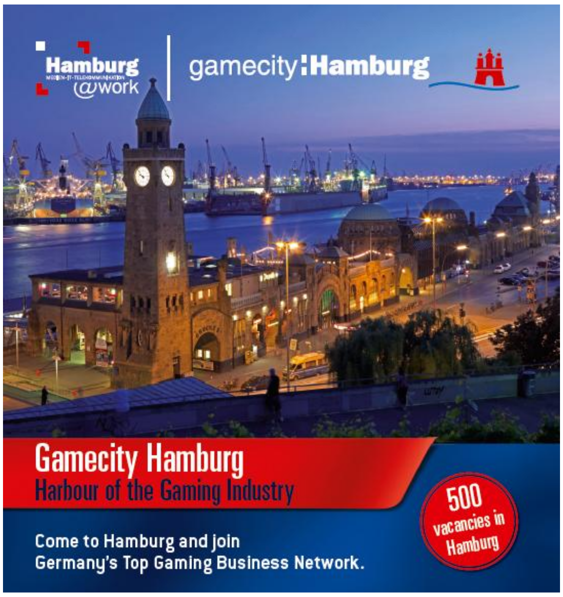


Figure 4: Official marketing for the *gamecity: Hamburg* (Ingame, 2013)

*Focal points/ corporate structure*: Next to the gaming market, a focus is on advertisement, the design economy and the press market (Nitt-Drießelmann et al., 2012). Among the most printed national newspapers, 15 out of 20 are published in Hamburg (Henninger & Mayer-Ahuja, 2005). It becomes clear that the city has a sharp profile in media and IT, which have certain overlaps with the producer service sector. Hamburg's clear profile approves the common position among researchers that there is no single top creative cluster in Germany, but regional cultural focal points (Barthelmes, 2008).

**Internal weaknesses**

*Overall economic performance*: Hamburg experiences very low growth rates in some of its minor sub-markets like radio broadcasting and in book trade, both are expected to become less and less important due to the digitalization. But more consequential is the shrinking turnover in the two largest segments, advertisement (-10.6% from 2003 to 2008) and in the press market (-43.4% from 2003 to 2008) (Nitt-

Drießelmann et al., 2012). As a consequence, Hamburg's leading position in turnovers over other German cities shrinks continuously since 2004 (Hamburg Kreativgesellschaft, 2012). The overall increase in employees in Hamburg with 9.7% is low compared to other cities, too. Nevertheless this number is part of a contrasting development: While there is a surplus in jobs each year, the revenues are growing slower and slower. As a result, productivity in the some important sub-markets in the cultural economy is shrinking (Nitt-Drießelmann et al., 2012).

*Hardware*: Hamburg's hardware constitutes no weakness for its cultural economy. Through rapid transportation and short distances close client-supplier relations are possible (see strengths above).

*Software:* Hamburg's cultural economy is working on more efficient means of communication and networking within and across the sector to increase its social and technological innovative capacity. Therefore, its software is no weakness.

*Demographics*: Hamburg's cultural actors are engaged in opening new creative milieus, to avail new space and enable further creative business activities, and to attract more cultrepreneurs. It is up to the city of Hamburg to support the growth potential with a suitable special policy (see opportunities and threats below).

*Corporate structure/ focal point*: Hamburg's focus on several descending branches, such as the book market or press market, entails a disadvantage. In times of digitalization, it is likely that these branches will more and more close down, which means a loss in creative businesses and jobs.

**External opportunities**

*Political factors:* An opportunity is the recently initiated public programme (Leitbild Hamburg: Wachsen mit Weitsicht) to facilitate a full development of the creative capabilities and the recently established city institution Hamburg Kreativ Gesellschaft, which supports the urban cultural economy. Here, the public administration department works on various fields of activities for the first time and has room for improvements. The political attention could be used to enhance Hamburg's attractiveness for creative businesses by the means of seven soft and hard instruments: a user-oriented infrastructure; dynamic and open development procedures; a new active land policy; clear legal frameworks; appropriate financing and promotion; and communication, mediation and cooperation (Lange, Von Streit, & Hesse, 2011).

*Economic factors:* The economic development and structural change in Hamburg provides opportunities to secure the leading role of the cultural economy in the Hanseatic city. Firstly, Hamburg is continuing from a position of strengths. The cultural sector profits from the city's economical prosperity, which enables free room for creativity, such as additional public support by the Hamburg Senate or privately financed cultural promotion by businesses or citizens. In recent years, the city moved towards becoming a centre of digitalization and is considered to be the web 2.0-capital (Hamburg Kreativgesellschaft, 2012). Realizing the digitalization will continue to open up new markets and clients for the cultural economy. Especially information and communication businesses that operate in the social-media branch and Hamburg's prosperous games industry will experience chances to growth in future and utilize the economic transition (ibid.).

*Social factors:* The high value of living in the city attracts creative minds and is confirmed by the worldwide Mercer quality of living ranking, in which Hamburg ranks 16 (MERCER, 2015). Even more important for a better development of the cultural economy and the location of creative milieus is an open and tolerant urban climate. Despite of Hamburg's openness and multiculturalism, experts see various opportunities here (Barthelmes, 2008; Hamburg Kreativgesellschaft, 2012). Districts like the Münzviertel (see Figure 6) or the Brandshof Areale (see high pressure area on right hand side in Figure 5) could develop into centres of creativity in the near future (Overmayer, 2010).


Figure 5: 'Weather map' of the creative milieus in Hamburg. High pressure areas (H) are creative milieus and low pressure areas (T) are districts with low cultural activities (Overmayer, 2010)

*Technological factors:* A further opportunity is the cross-linking of different sub-markets to utilize synergies between the different actors and the given agglomeration economies (Barthelmes, 2008). Thereby networking should not be limited to the local level, but extent to other foreign creative milieus and creative clusters. A first step was taken by the cultural cooperation with the region of Skane in South Sweden (Kulturbehörde Hamburg, 2010).

*Legal factors:* As mentioned above, the producer services could utilize the EU service directive for more exports to a higher degree. The same goes for the cultural economy. Apart from the presence of some global players, the majority of small and medium sized enterprises restrict their business activities to the regional or national level. Expanding new markets can be supported by an active foreign trade promotion scheme and a clear legal framework. Information about complex issues like copyright laws at home and abroad might help here.


Figure 6: The Münzviertel – Active district development in Hamburg-Mitte (Stadtteilinitiative Qartierstreffen Münzviertel, 2015)

*Environmental factors:* Hamburg's engagement in environmental protection and greening the city enhances the quality of living, which in turn attracts more creative minds and increases the benefits of agglomeration forces. Thereby, an environmentally sound restructuring can open up new income generating possibilities for the cultural sector, for example in the design or marketing branch.

**External threats**

*Political factors:* Due to the very specific nature of the cultural economy, it cannot be managed by conventional structural instruments by the Hamburg business development agency (like top-down approaces or standard cluster programmes). Until a few years ago, the sector was even completely excluded from all public support (Hamburg Kreativgesellschaft, 2012). The recently initiated programme and the responsible facility *Kreativ Gesellschaft Hamburg* are not sufficiently reducing external factors that restrict the cultural economy in its growth potential and innovative capacity.

*Economic factors:* The cooperation between businesses in the cultural economy and banks is unsatisfactory. The available financing options do not meet the demands of the creative actors (Hamburg Kreativgesellschaft, 2012). An insufficient liquidity is at the expanse of the sector's growth potential: start-ups are not founded, businesses do not expand into new markets, and research and development stagnate.

*Social factors:* The high standard of living in the city goes hand in hand with a high pricing level. Next to high costs of living, the lack in affordable space concerns especially self-employed and small businesses, which prefer to locate in the vibrant downtown for more inspiration and collaboration with other cultrepreneurs (Hamburg Kreativgesellschaft, 2012). The lack of available and financeable space is a real threat for the location Hamburg because businesses of the cultural economy are likely to move to more business friendly sites. In Berlin, for example, living costs are lower, it has a higher level of internationality and innovative capacity, and a more dynamic and tolerant climate (Barthelmes, 2008). As an example, the Axel Springer SE as one of the largest European digital publishing companies, moved from the Hanseatic city to Berlin and relocated some hundred jobs towards the German capital (Nitt-Drießelmann et al., 2012).

*Technological factors:* The relocation of businesses of the cultural economy as a consequence of unfavourable locational factors constitutes a real threat to Hamburg's position as a major creative city. The more actors move away, the lower its technological and social innovative capacity will be. Therefore a massive leaving of cultural businesses and creative self-employed needs to be stopped before it could even start.

*Legal factors:* The legal framework aims at protecting the rights of all involved participants and enables a clear legal situation for doing business. Nevertheless, the above described strict regulations in Germany may constitute a threat to the location of the cultural economy in Hamburg.

*Environmental factors:* Environmental protection and the cultural economy are not in contradiction to each other. Although, the sector is still an economic operator that consume resources and pollute the gains of an environmentally friendly policy are important (see external opportunities above).

In order to answer the second part of sub-question one, the following success factors of cultural industries deeds to be taken into account: the availability of human capital which brings knowledge and skills, technological capability and advancement (innovative ability), as well as social openness (Florida, 2005). In addition, the spatial proximity of culture producing companies in cities (and ideally in clusters) enables a continuous exchange of knowledge and skills, drives developments in innovation and technology forward and thereby contributes to the knowledge driven structural transformation (Wedemaier, 2009). It has been argued that Hamburg attracts a lot of cultrepreneurs, which prefer to come together in the several creative milieus in Hamburg and combine technological innovations with creativity in a highly productive fashion. But the availability of human capital, and thereby knowledge and skills, might decrease in the next years. It becomes apparent that the high pricing level acts as a deterrent for the many small and medium sized enterprises. With the relocation of companies and self-employed, innovative ability is withdrawn to other cities like Berlin, which represents a culture of openness. Following these insights, it can be argued that the cultural economy is a substantial economic sector in the Hanseatic economy that is likely to grow further but is restricted by several factors. With view on answering the first sub-question, both sectors are well positioned in general. Nevertheless there is room for improvements for both in order to improve their future perspectives and to enable an opening up for more global integration.

### 4.5. How global is Hamburg's cultural economy?

This part outlines the cultural economy's involvement in the global culture producing network (sub-question two). Thereby, a locational analysis of globally operating media firms and advertising companies is used.

According to Kratke (2010), globally operating media firms develop networks of branch offices, affiliates and holding firms that are dispersed across various cities worldwide. These cities, he argues, are the centres of cultural production. His analysis is composed of the sites of 33 global media industry enterprises (both global players and smaller businesses) and their business units. The resulting ranking is built on the number of business units located in one city. With view on the headquarters' location in the world, a tendency of towards Europe becomes clear. Ten global media firms are established in the United Kingdom (mainly London), eight in Germany (different cities), nine are companies located in North America and some others can be found in the Netherlands, France (Paris) and the Scandinavian countries. The ranking comes to a result, which is partly in contrast to the ranking based on the location of globally operating corporate service providers: Next to the typical global cities like New York and London, the study also defines Munich, Berlin and Amsterdam as centres of cultural production. But to what extent is the city Hamburg integrated into this global network? In total, there are 14 global media firms present in Hamburg, which have 52 corporate units within the city. Thus the city ranks 10th amongst the best connected media cities worldwide and can be labelled as a Beta global media city. It is at eye level with cities like Copenhagen and Madrid. Compared with other German metropolises, Hamburg performs well, too. Only Berlin and Munich as Alpha world media cities do better. Although Munich has nearly twice as many units as Hamburg (see Table 8), Hamburg and Berlin locate a similar number of media producing companies. Frankfurt/ Main and Cologne are far behind the other three cities. An example for the presence of globally active media producing company is the BIGPOINT GmbH with its head office in the *gamecity: Hamburg*. Its business units are present in Berlin, Malta and São Paulo. Many other headquarters of world's leading developers of games are established in the Hanseatic games cluster (Plum & Hassink, 2014).

| City | Number of enterprise units | Number of global firms present | Level of network connectivity | Global City Rank |
|---|---|---|---|---|
| Munich | 96 | 20 | Alpha | 5 |
| Berlin | 70 | 19 | Alpha | 6 |
| Hamburg | 52 | 14 | Beta | 10 |
| Frankfurt/ Main | 37 | 14 | Beta | 18 |
| Düsseldorf | 33 | 9 | Gamma | 25 |
| Cologne | 28 | 14 | Gamma | 31 |

Table 8: Location of global media enterprises in German cities, based on Kratke (2010)

The above provided analysis focuses on the locational network of global media producing industries, which include print, audiovisual and online media producing firms. This is complemented by the GaWC research on the locational network of global advertisement companies.

| **Service** | **Presence of offices** | | | | |
|---|---|---|---|---|---|
| | 3= high presence | 2= medium presence | 1= low presence | 0= absence | *Total* |
| Advertisement | 1 | 0 | 5 | 5 | 11 |

Table 9: Location of multinational advertisement businesses in Hamburg, based on GaWC (2002)

The results presented in Table 9 reflect Hamburg's strong position in this sub-market and demonstrate its international orientation. Five out of eleven global advertisement firms have a local office in Hamburg. These are Grey Worldwide, DMB&B (MacManus Group), JWT (Thomson), Lowe Howard-Spink and Publicis. Abbot Mead Vickers (BBDO) has its national headquarter or a large office in the city. The remaining five advertising companies are not present in Hamburg.

To sum up, various media producing companies, advertising services and associated offices locate in Hamburg, which is labelled as a beta global media city. Hamburg performs well in comparison to other cities' localization of media producing enterprises, but it is not on the same level as Munich and Berlin are, these are Germany's Alpha global media cities.

### 4.6. From analysing the cultural economy in Hamburg to its global connectivity

By combining the local SWOT-analysis of Hamburg's cultural economy and its integration into the global network, a limited international orientation becomes apparent in this sector, too.

As the GaWC research on the location of global advertisement firms' offices demonstrates, other German cities like Frankfurt and Düsseldorf perform distinctively better in their location of advertising services than Hamburg. This finding is replicated in Kratke's (2010) research on the location of media producing companies, according to which the city is the third best connected global media city within Germany, right behind Munich and Berlin. Hamburg's position behind other cities is in contrast to its turnover and employment statistics. Among the discussed cities, Hamburg's creative economy has the highest turnover proceeds and the second highest number of persons employed in the sector. But with view on the global connectivity of media producing companies, cities like Berlin and Munich, which have lower turnovers, demonstrate stronger international links and are labelled as alpha global media cities. Thus, Hamburg has a very strong position in the local media industry, but could be involved in the global media producing network to a higher degree. For the sub-sector of advertisement a comparison between the amount of turnover and global connectivity is not possible, since there is no data on the turnover for Düsseldorf and Frankfurt. Both scored highest among the German cities here. Additionally, other sub-markets (like architecture, visual arts, design, theatre and dance) are not included in location analysis. Nevertheless, it can be assumed that these branches are local oriented too, because of their predominantly small-spatial structure. They are characterised by a high share of self-employed persons, many working for marginal compensation due to often changing clients (Hamburg Kreativgesellschaft, 2012).

### 4.7. The corporate service sector and the cultural economy compared

What differences and similarities exist between the producer service sector and the cultural economy concerning their integration into a global network?

Despite the very different nature of the producer service economy and the cultural economy, a unified picture emerges. Both sectors are characterised by the presence of some big companies that are active in certain countries and established a network of offices all over the world. But a large part of the two economies are dominated by many small sized enterprises and self-employed persons. This goes especially for consultants, designer and artists. It is likely that these small size businesses are not integrated into a global network like multinational corporations are. They are networking on a local level and utilize personal contacts and geographical proximity to their clients.

Hamburg's media producing branch is the 10th best connected worldwide. If one looks on the total number of 39 cities that are qualified as global media cities, Hamburg is in the first third. In the global network of producer services, the metropolis ranks position 54 out of 182 global cities. Therefore Hamburg is in the upper third in both sectors. In the inner German competition, there are two cities outperforming Hamburg in the producer services and cultural economy. For the former, Frankfurt/Main and Berlin locate more offices of global corporate services, especially in banking/ financing and legal services. Regarding the global perspective Hamburg performs well in accounting, and well in insurance, consulting and port related services. For the latter, Munich and Berlin attract more media producing enterprises, but Hamburg is nevertheless relatively strong in global advertising and media production. With view on the second sub-question, Hamburg is truly qualified as a beta global city in terms of its producer service sector and cultural industries. But its functional quality as a node in the world-spanning network undoubtedly leaves room for improvements, which are conditioned by some of the sectors' lacking general conditions as outlined above in the SWOT-analysis.

## 5. Conclusion

This bachelor thesis aims at clarifying Hamburg's global city status and answering the research question: *To what extent can Hamburg be qualified as a Global City in terms of its localization of global producer services and cultural industries?* Thus, Hamburg's strategic position in the competition among locations as crucial nodes in a global network is identified. Based on a two-fold appraisal, its producer service industry and cultural economy were discussed by means of a SWOT-analysis in order to identify its internal strengths and weaknesses, and reveal external chances to improve its position and avoid possible negative developments. By linking these local conditions to its integration into the global producer service and cultural network, conclusions about Hamburg's quality as a global city are drawn.

Thereby this thesis contributes to closing the gap in academic literature on global cities in the second row. In contrast to cities like New York, London or Tokyo, which have been subject to comprehensive investigation, knowledge about mediocre cities and their interlinkage into global networks is limited to the general research conducted by the GaWC. The data generated by the research group fails to understand the networks of cities beyond their quantitative dimensions (Parnreiter, 2015). Therefore a new approach was used in two ways: Firstly, the qualitative analysis of the local sectors, mainly based on public reports by the Hamburg chamber of commerce, was linked to the sectors' connectivity into the global circuits, which was measured by the GaWC. Secondly, the traditional Global City model by Saskia Sassen (2001) was combined with the more innovative Global Media City model by Kratke (2010) in order to reduce the financial-economic bias and deliver a more comprehensive picture of metropolises in globalization.

In spite of the 'different office geographies' of the producer service sector and the cultural economy in general (P. J. Taylor & Walker, 2002, p. 34), it has been demonstrated that Hamburg qualifies as a beta global city on both dimensions. Therefore Hamburg cannot be placed next to cities like London or Paris, but next to other mediocre global cities. The assumption about Hamburg's proper performance on the economic dimension can be approved, while the city has surprised on the cultural dimension, meaning, that other centres of creativity like Berlin are on eye level with the Hanseatic city.

Hamburg's producer services significantly contribute to its prospering economy and is characterised by a high degree of networking and a close cooperation with the local industry. The changed corporate demands benefit the outsourcing of knowledge-intensive tasks to Hamburg's specialised producer services. This is approved by the strong presence of global accounting services in the city. Nevertheless, the sector's increases in productivity are shrinking, which is related to low R&D spending and lacking innovations. The city's business environment leaves much to be desired: the quality in education and the availability of financial resources limit the sector's ability to utilize locational advantages, to grow further and to shift the focus from the local industry to global markets. It has been demonstrated that the extent of Hamburg's global activities is related to the geographical proximity of a city. As a consequence, its interconnectedness to European and German cities is higher compared to linkages with cities on other continents. A crucial role plays the German horizontal urban system with its polycentric economic structure which leads to the development of a functionally differentiated network of cities. The sector's regional focus is at the expense of its quality in global connectivity and the city is in danger of being dominated by other cities, which utilizes the opportunities of the globalizing economy to a much higher degree. Therefore, the assumption that the emerging city network is more and more seceded from the regional and national context (Löw et al., 2008) cannot be applied to the case of Hamburg. Due to the under-represented location of financial/ banking services and legal services, Hamburg's label as a Beta+ global city illustrates its restricted nodal function in the global service network and the free room to improve the city's ability to link the local with the global.

Turning to the second dimension, it has been demonstrated that Hamburg is a great site for the cultural economy. It attracts many cultrepreneurs, which assemble in the several creative milieus in the city and successfully combine creativity with technology to stimulate innovations. As it is for the producer service sector, the cultural economy has a predominantly small scale corporate structure. Nevertheless, many global active media producing firms and advertising companies are located in Hamburg, meaning that the city can be characterised as a Beta global media city. The local orientation of Hamburg's economy becomes evident in this sector as well: While Hamburg is leading in its turnout and number of employees; it is outperformed by Munich and Berlin which are more globally oriented. Thus, Hamburg has a strong local position, but an expendable global connectivity, an insight that is valid for both sectors.

## 6. Recommended action

In order to improve Hamburg's position in the competition among urban economic agglomerations and to strengthen its integration into the global service and cultural circuits, the introducing quote is retaken:

'The most important cities are those that connect the global with the local in that they operate as places in which daily activity patterns, trade in goods and services, information and communication networks and corporate-control networks come together' (Burger et al., 2013, p. 7)

It is then supplemented by a second quote:

'Problems associated with urban agglomerations have usually been solved by means of creativity, human capital, cooperation (sometimes bargaining) among relevant stakeholders, and bright scientific ideas: in a nutshell, 'smart' solutions' (Caragliu et al., 2013, p. 66)

Recommended action, or 'smart solutions', for a higher integration into the global producer service market and the world-spanning system of the cultural economy requires an active participation of all involved actors. Not only global players and small and medium enterprises located in the Hanseatic city are in the position to bring about changes, but also policy makers like the Hamburg Senate, and related organizations such as the Hamburg Chamber of Trade and Commerce or the Hamburg Kreativ Gesellschaft play a crucial role. Therefore, the following recommendations involve a broad target audience. It seems to be more and more recognised that cities need to focus on their own capabilities and strengths. It is neither promising to copy other cities' urban development planning and replicate cluster projects. Nor it is valuable to rely on expensive and attention carving lighthouse projects (Lange et al., 2011).Therefore 'smart solutions' for Hamburg rely on the existing status quo for both sectors, which has been set in the analysis chapter before and the requirements outlined in the academic literature. The recommendations should pave the way for an action plan for a stronger integration of Hamburg into the global city network. This plan requires concrete guidelines for each group of actors, which should build on the following recommended actions.

The producer service sector in Hamburg is already well established but its involvement in global markets is decreasing and action is needed in the following areas:

- *Public support programs*. In order to stimulate economic activity in foreign markets, the amount and quality of public support must be raised (Lange et al., 2011). Thereby, the existing strong interlinks with European markets should be reinforced, but additionally new markets should be opened up. Especially Eastern cities have demonstrated their will to rush to new markets and improve their global network connectivity (Derudder et al., 2010). Targeted means to promote foreign business activities like the support of fair visits or the provision of business platforms should give incentives to producer services. Next to a general support policy for the sector, specific and comprehensive programs for the most promising service sub-markets are in need. It is useless to invest in attracting businesses of legal or financial services because they locate in other cities' well established clusters. Instead Hamburg should focus on its prosperous and competitive branches such as the information market or port related services, which are expected to boost the Hanseatic economy in the next years (Verhetsel & Sel, 2009). A targeted public support in combination with a proactive cluster policy for prosperous branches will contribute to strengthen Hamburg's service profile further.

- *More FDI.* The basic prerequisite for the development and networking of global cities is globalization. One of its features is the global flow of money and an increase in foreign direct investment (Sassen, 2001). The lacking FDI in Hamburg's service economy means that less foreign producer service locate in the city, and those located in Hamburg are partly excluded from the international capital market. Following the lower liquidity, established businesses are reluctant to invest; they cut their R&D spending and do not open up for new markets. In order to attract more foreign investment the city of Hamburg should follow two strategies: the enhancement of its extern awareness as a global city in order to call more international attention to itself, and the improvement of the location factors to convince investors of Hamburg's attractiveness as a business site for global active services. An outstanding university landscape and highly skilled personnel are of greatest importance for the knowledge intensive producer service sector and should accordingly be of highest priority in Hamburg's policy.

It has been demonstrated that Hamburg's media producing firms and businesses in the advertising industries are already well positioned in the global network. In order to strengthen their position and to not lose further ground in the competition with cities like Berlin, action must be taken. Next to the already globally engaged sub-markets, it is important to strengthen the majority of small businesses and self-employed persons in the creative economy.

- *Improvement of financing opportunities*. Traditional economic support does not involve the cultural economy and until a few years ago, there was even no public support scheme for the cultural economy in Hamburg at all. Therefore appropriate financial and support models need to be established in order to promote the opening up of foreign markets, and the investment in research and development for more innovation and development. In interlinking the local cultural economy with its global creative circuits, the liquidity of small businesses plays a crucial role. A high liquidity can be achieved by different financial tools, e.g. the provision of micro credits tailored for the specific requirements of the small-scale enterprises (Lange et al., 2011). Up to the present day, only the Investment Bank Berlin Brandenburg offers micro financing to cultrepreneurs and technology companies (Lange et al., 2011). This tool needs to be replicated in other federal territories and especially in Hamburg.
- *Suitable sites and properties*. It has been demonstrated that the high pricing level in Hamburg is one of the most pressing threats for its cultural industries. The lack of living and working accommodations reduces the city's attractiveness to cultrepreneurs immensely. But human capital is one of the requirements to strengthen the urban cultural economy (Florida, 2005). Here, the city of Hamburg is in the position to provide the required areas and make use of unutilized land. But a sensible urban land policy needs to take into account that creative milieus cannot be designed on the drawing board, but develop in their own dynamics (Hamburg Kreativgesellschaft, 2012). Nevertheless, the development of appropriate frameworks facilitates creativity and innovation. Promising districts like the Münzviertel or the Brandhofs Areale require further attention and support by the relevant actors.
- *More networking*. Closer cooperation and exchange between the creative minds in Hamburg utilize the city's agglomeration advantage, facilitate spill over effects and lead to a growth of knowledge and expertise. A concrete example of appropriate frameworks is the establishment of creative coworking-space, a flexible and jointly used workplace for cultrepreneurs. These centres of creativity provide appropriative space at reasonable prices, coaching and workshops (Lange et al., 2011). It stimulates communication within sub-markets and across sub-markets, as well as with other markets and thus, contributes to realizing innovations (Florida, 2005).

The local-global- nexus of Hamburg's cultural economy can become stronger if both, small businesses and global players are present in the networking area, or coworking-space. Because large global media firms have a world-wide network of offices, they build a bridge between the local cluster and the global network (Kratke, 2010). Above that more cooperation with extern foreign businesses and cities is even more important. Examples like the Hamburg-Skane collaboration should be replicated and expanded.

- *More self-governance and co-governance*. The Hamburg public administration department breaks new ground with the establishment of the *Hamburg Kreativ Gesellschaft* and the corresponding program. The requirements are demanding and growth-promoting policies are expected. Nevertheless, it should be noted that traditional top-down measures are inappropriate to promote the local and global position of the cultural economy because of its peculiarities. Instead, self-governance (communicative self-organization and self-controlling) and co-governance (networking and public-private partnerships) should be used as public support approaches and should constitute the framework for all future cultural economy programs (Hamburg Kreativgesellschaft, 2012). Competences and tasks should be ceded to other actors like companies and organisations, whose cooperation is aimed to become closer and closer. Hamburg's political-administrative system needs to adapt to the methods and practices of the cultural industries. More transparency, openness, and ability to respond are requested (Lange et al., 2011).

## 7. Limitations and further research

The knowledge of Hamburg's global city status gained in this thesis is mainly restricted by two factors.

First of all, the analysis of Hamburg's global connectivity is based on the research conducted by the GaWC. Thereby the research network examined only the four major sub-markets accounting, banking/ finance, advertising and legal services. But city-specific focal points next to these four sub-markets remain unnoticed. As a consequence, cities that may have highly competitive sub-sectors, are closely linked to their corresponding global networks, and are qualified as a an alpha global city in this regard, are nevertheless labelled as a Beta, Gamma or no global city due to their mediocre location of the four given services. For this thesis, it might be the case that Hamburg is a fully functional node in one of the global service sub-sectors. Or to put it differently, there might be 'different office geographies' (P. J. Taylor & Walker, 2002, p. 34) in other sub-sectors. But they are simply not captured by the GaWC research and consequently not subject to investigation. Moreover, 'different places can fulfil different functions within an urban network, and places that are central with respect to one function are not necessarily central with respect to other functions' (Burger et al., 2013, p. 7). According to Jacobs et al. (2010) for example, some cities (Hamburg, Rotterdam and Antwerp amongst others) do not rank high in the GaWC roster, but turned out to be prime port locations. Their well developed harbour clusters are said to encase the local and the global businesses with port functions (Borrás & Jacobsson, 2004, p. 106). More precisely and with view on port-related services, Hamburg plays a leading role primarily due to its location of large shipping firms, such as Hapag-Lloyed (Verhetsel & Sel, 2009, p. 246). These shortcomings can be offset by including more sub-markets in the GaWC research. This is work- and time consuming but will deliver a better estimate of city's global city status and increase its content validity of the concept.

A second restricting factor in this thesis is the absence of statistics on the cultural economy's proportional interlinks with other cities and its development in the last decade. The fact, that this information is available for the producer service sector but not for the cultural economy makes the comparison between both less valid. In addition, the analysis of the cultural economy is limited to the advertising market and the media producing enterprises. Other sub-markets like architecture, visual arts, design, theater and dance are excluded and neither covered by the GaWC (2002) nor by Kratke's (2010) research. As it is for the producer services, a global nodal function of Hamburg in one of these sub-markets cannot be precluded. Further research is needed here, too.

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## 9. Appendix

A: Summarized SWOT-analysis of the corporate service sector

| Internal analysis | Strengths | Weaknesses | External analysis | Opportunities | Threats |
|---|---|---|---|---|---|
| Overall economic performance | Solid position in output, employees, productivity, number of establishments | Low increases in productivity | Political factors | Targeted structural policy, cluster promotion, broad range of competences as city-state | Lack of public support |
| Hardware | Well developed infrastructure | No weakness | Economic factors | Outsourcing of knowledge-intensive non-production activities to producer services | Lack in FDI |
| Software | High degree of networking and local connectivity | Below average R&D spending | Social factors | Growing population, agglomeration of high-skilled personnel | Unsatisfactory educational landscape |
| Demographics | High attractiveness | No weakness | Technological factors | More branch specific producer services through networking | Gap in knowledge transfer |
| Corporate structure/ focal points | Leading position in several sub-markets, functional differentiation of labour between city and hinterlands | Majority of SMEs | Legal factors | Utilisation of EU service directive | Too complex regulations and tax system |
| | | | Environmental factors | Opening up of new markets and better infrastructure | Various issues between businesses and citizens |

B: Summarized SWOT-analysis of the cultural economy

| Internal analysis | Strengths | Weaknesses | External analysis | Opportunities | Threats |
|---|---|---|---|---|---|
| Overall economic performance | Strong position in employees and turnover | Low growth rates in major sub markets | Political factors | Recently initiated public program and institution | Conventional structural instruments and insufficient public support |
| Hardware | Well developed infrastructure | No weakness | Economic factors | Digitalization | Inadequate financing options |
| Software | Amalgamation of creativity and innovation | No weakness | Social factors | Development of creative milieus | Relocation to other cities because of better location factors |
| Demographics | Agglomeration of cultrepreneurs | No weakness but engagement in opening up new creative milieus | Technological factors | Networking | Possible loss in technological and social innovation |
| Corporate structure/ focal points | Sharp profile in media and IT | Profile in descending branches | Legal factors | EU service directive | Strict regulations |
| | | | Environmental factors | New markets | No threat |