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## Networks in Berlin's Music Industry – A Spatial Analysis

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# Networks in Berlin's Music Industry – A Spatial Analysis

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Vrije Universiteit Amsterdam, 23-27 August, 2005

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# Networks in Berlin's Music Industry – A Spatial Analysis

In addition to a distinct regional concentration of the branch in a few, large metropolitan areas in Germany, Berlin shows inner-regional concentrations of the music industry and its players linked with the value chain as well as branch-relevant institutions.

By means of a written survey of companies in the media and IT industries in Berlin and Brandenburg plus expert interviews, an analysis of the Berlin music branch, regarding its spatial as well as organisational concentration and how this concentration is perceived by companies, has been carried out.

This analysis found that creative milieus are of particular importance as they perform the role of being the driving force in developing the field of music.

Therefore this paper examines spillovers into this industry, as a first step of spatial concentration in terms of networks of music companies, institutions, and the specific and innovative milieu and the geographical dimension of knowledge.

Furthermore, evidence has been found through the use of economic and socio-cultural indicators, that the intraregional „influence companies' choice of location. Urbanisation economies become especially apparent for the region in the examination of Berlin's music industry with their inter-sectoral integration and cross-sector stimulus to settlement and formation of companies.

## 1. New Industries call for New Model

In respect of their spatial characteristics of economic activities, the development of new models is easily understood when considering the background of the economic structural transformation from an industrial to a service and knowledge society. Old concepts no longer suffice for the explanation of settlement decisions, due to the fact that new factors have not been taken into account. Economic activities are characterised by a paradox: In a network of global, multi-faceted communication possibilities via the World Wide Web, e-mail, fax, etc., personal contact between players has not become less important, rather has led to a central competitor and location advantage. Personal contact and the exchange of specific knowledge is indispensable in places where research, development, construction or the design of complex production processes has to be coordinated between players.

This generated a number of approaches in the scientific community that want to track the paradox. The focus of the observation is a matter of creativity, innovative milieus and their positioning in the city. Integrated in the discussion on postmodernism, a large number of approaches have been published to explain the dynamics of regional development since the 1980's. In doing so, these models are based in a social and cultural context and consequently differ from their predecessors. Such questions as what importance these approaches attribute to city correlations, what branches are given special attention and how the music industry is integrated in this context, should be clarified in the following model.

## 1.1 The City in Postmodernism

A debate on the city in postmodernism resulted from the thought to depict the socio-political framework in this paper. Also, the term urbanity will be qualified in connection with the discussion of the post-modern city: on the one hand out of the perspectives of culture and economy that contribute to the material production of urbanity (economy of symbols), and on the other hand in the discussion of an urban lifestyle. The term urbanity is important, because it will become clear in the following, that precisely the companies in this branch rely on their embeddedness<sup>1</sup> in an urban setting and therefore prefer such for their location. It is then apparent, in what type of conflicting fields the examined companies move and how they contribute to urbanity production.

The development toward service and knowledge societies accompanied by increased flexibility and developed technology does not only change the economy as a whole, but also new demands have been and continue to be made for company locations. In this context, the postmodern, flexible specialisation model Los Angeles School (SCOTT, 2001) is to be credited with the approach that examines the transformation from an industrial to knowledge society, in its specific spatial and regional characteristics, and formulates a theory of a post-modern city. According to the Los Angeles School, the simultaneity of seemingly counter processes takes centre stage in the post-modern city: the re- and de-industrialisation, the return of the contradiction of third and first worlds in the growing metropolis and the concept of hyper-reality. This leads to a social, economic and spatial polarisation that defines city life today (cp. SOJA & SCOTT, 1996: 31et seqq). Furthermore, the connection of the economy to culture is central for the approach and is significant for the entire discussion, although, in the following, the focal point of this school is the culture industry and the combination of material and cultural production.

The music industry needs a creative environment, similarly how the culture industry is described in the approach from the Los Angeles School. An urban context represents not only a spatial accumulation of physical capital, but also a variety of human abilities and talents. They function as an important framework for cultural and material reproduction from urbanity and images. To what extent this is applicable, will be elaborated on below in three important dimensions for this paper: 1. the cultural dimension, 2. the social dimension, and 3. the economic dimension.

### 1.2 Cultural Dimension: The Economy of Symbols

The way, in which people move in the city and release their creative and cultural capital, defines the economy of a city and consequently contributes to the creation of a city's image. The music branches are mutually dependant on this cultural production and the image creation of urban areas: they are geared to images, and produce or reproduce them as well. Thus, the goal is to emphasise, in the following, the determining factors that lead to a cultural production of urbanity involving image formation. The central theme is the economy of symbols.

With the term landscape of power and the economies of signs, embossed by ZUKIN (1995) (cp. in detail LASH and URRY, 2002), the interplay between culture and economy for material production of urbanity is discussed. As is made clear in Chapter 1.1, the globalised city is in a tense relationship

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<sup>1</sup> The companies are embedded in a specific socio-cultural environment (see SABEL, 1994 and also HARRISON, 1992).

between the ‘the death of geography’<sup>2</sup> and the increased importance of concrete locations. The setting of concrete, urban areas and places is dependant on the circulation of cultural capital, which means nothing other than the connection of social groups in places and areas as well as their identification with the area. The production of urban areas can be an expression of the location as well as the market (cp. NOLLER, 1999: 136 et seqq.).

Culture is the central signal-setting element of the topographical figuration in these areas; the physical, constructional shape is not decisive, rather “an ensemble of social practices and symbols” (NOLLER, 1999: 137). The topography of a city is thereby an expression of its cultural capital, the economy of its symbols. With this term, ZUKIN (1995) describes the importance of the cultural influence on production for the international competition among metropolitan areas. Not only the increased importance of the culture and entertainment industry is meant by an increased cultural influence on production, but also cultural influence enclosing areas of the economy as well. For that reason the content industry will become a key technology.

ZUKIN (1995: 31 et seqq.) makes it clear that increased symbolic quality of location presents an important strategy for the enhancement of land value. Cities and city districts can successfully personify social aspects, if cultural values are consolidated into a visual image. The keyword, festival-making<sup>3</sup> (“Festivalisierung”), has been referred to in this context, because it exhibits “a production of public spirit and identification with political institutions” and indicates the transformation to a corporate city. (HÄUßERMANN und SIEBEL, 1993: 23).

The economic valuation<sup>4</sup> of urban culture results from the culture industry, among other things. Besides external effects for society, urban culture serves the individual welfare; parts of benefits are not defined in price formation, leading to market failure as an instrument of inefficient allocation of resources. There are spreading effects on other industries without paying for it. However, it is no longer the culture industry alone that economises culture; that, what is described in the approach of the economies of signs, goes a step further: “Symbols are pictures and images [...] An economy of symbols is picture production, distribution and consumption[...] For this reason [the area acquires a new visual identity with cultural commercialisation] a collective perception (collective Image, “Aura”) of the area is first produced; areas become ‘eye-catching’ and with that the next steps, distribution and consumption, become accessible” (KIRCHBERG, 1998: 49).

Two levels are addressed: Areas become eye-catching through the creation of urban landscapes of consumption, and „commercial eye-catching areas [can] be properly marketed to target groups” (ebd: 49). Mere purchasing is no longer the focus; rather entertainment is a central component of these landscapes of consumption. The change from a simple product to a label is meant on the other level. The functionality is no longer the focal point, rather the selling of images, a life feeling.

The aforementioned systems can only emerge locally and spatially-integrated, given that sector-related knowledge has a considerable significance in these network structures. Cultural knowledge and its exchange is based on local traditions as well as concrete local conditions and experiences. MOLOTCH, (1998: 121 et seqq.) illustrates in the example from Los Angeles, “that [sic] a local aesthetic- a manner in which people draw, create, play, imagine and form experiments- moulds the economy of a

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<sup>2</sup> See the discussion in MORGAN, (2004) for further explanations.

<sup>3</sup> The german notion “Festivalisierung” of city policy is identical with the strategy of ‘city-marketing’ of the respective city.

<sup>4</sup> For example the account of income and employment and the effects on the local economic development (see POWER & SCOTT, 2004, PRATT, 1997; the rigid distinction between productive and unproductive work on this point seems to be misplaced (see also GREFFE, 2002: 8; THROSBY, 2001; FREY, 2000).

city, and that this typical southern California style became a label. "Globalisation does not disestablish a location" (LEFEBVRE 1991: 330, quoted in MOLOTCH, 1998: 140), and precisely because the world is becoming increasingly homogenous, consumers are more aware of subtle differences. Authenticity should be communicated, and this is only possible through a corresponding context (cp. MOLOTCH, 1998: 140).

With the aforementioned determining characteristics of post-modern cities in the amalgamation of cultural and economic factors (1. Definition of the economy of a city through cultural capital, 2. accompanied by image production and 3. the importance of a concrete location in this context), the social level in postmodernism will be emphasised below with its lifestyle concepts.

### **1.3 Social Dimension: Lifestyle Concept**

This chapter contains the social group that is instrumentally involved in the music industry, namely people with creative ideas, producers, publishers and/or consumers (cp. Networks according to LEYSHON,). In order to characterise these social groups, the lifestyle concept will be taken into consideration for the description. Additionally, the lifestyle concept incorporates, along with socio-structural characteristics, such as age, professional status (cp. class concepts), cultural orientation of values and recreational activities for the constitution of lifestyle groups. Thus it allows for the differentiation of society and the inadequacies of previous models (status inconsistencies).

Lifestyle is defined by KRÄTKE (2001: 3) as "the pattern of life that is affected by the economical, social and cultural resources of individuals (in the context of BOURDIEU, 1983), and at the same time the lifestyle images communicated through the media." SIEBEL (1998) states, that today the mere fact of living in the city no longer suffices in order to speak of an urban way of life. There are great differences, for which to be accounted, between the flâneur of a metropolis in the 19th century and the so-called new urbanites (HÄUßERMANN and SIEBEL 1987) in an urban reality marked by a globalisation process. From the given variety of urban lifestyle groups, KRÄTKE (2001) singles three out, which, in his opinion, should indicate the breadth of the differences, from which we will concentrate on two in the following: the culture of youth and the wealthy. Others are cultures of the new urban middle-class and elites and represent the upscale service branches. In HÄUßERMANN and SIEBEL (1987: 14) they are referred to as young urban professionals. Youth culture is fluid cultural forms, in contrast to other lifestyle groups in KRÄTKE (2001: 3). They are affected by global lifestyle images portrayed in the media.

Alternatively, there are many other typologies (cp. SCHULZE, 1993). For this paper, the lifestyle groups are relevant that are described in the studies as hedonists, versatily active and adventurous milieus. These groups are characterised by their residency in the city centre, a low average age and spatial orientation. The spatial orientation is not adapted from traditional relationship guidelines, rather it becomes a setting: "Certain locations become meeting places and sites for milieus (lifestyles) and engrossed by them" (HERLYN, 1990: 159). The lifestyle groupings meet at these non-fixed, re-locatable places to present themselves. For example, the conservative upscale lifestyle meets at different locations of high society, such as theatres or museums, while the 'hedonistic lifestyle' consorts in bars or clubs. But bear in mind, that there have always been interest-steered communication locations. However, the significance for an individual to demonstrate affiliation with a particular lifestyle grouping has increased.

An additional process for the spatial reconstruction of city centres of post-modern cities must be discussed, in connection with the lifestyle concept: of the process of gentrification. Gentrification is a

process of social and spatial differentiation, in which the middle-class moves out of the suburbs and into the city, on account of its affinity toward the consumption-oriented lifestyle (cp. ZUKIN 1995). The people involved are generally not core-oriented and have a strong educational background. Pioneers and gentrification are the so-called marginal gentrifiers: HÄUßERMANN and SIEBEL (1987: 14) subsume students, artists and homosexuals into the term alternatives. A local service economy created by these pioneers, as well as the local economy of symbols, thus the image between resistance, subculture and urban landscape of experiences, create the pre-conditions for the moving in of groups with higher incomes that are, in the opinion of KRÄTKE (2001), to be assigned to an affluent culture.

This increase in reflexivity on the level of the individual also includes the economic part of the biography, as the development of a professional career etc.; in addition, as LASH and URRY argue, it also converges with a functional change within the economic realm itself, in that “post-fordistic production” is getting increasingly “reflexive” requiring “employees as agents” to take “more individual responsibility” (LASH and URRY, 1994: 122).

This assured the assumption of strong links to the local individual scene.

Affiliates of the music industry can be associated with various lifestyles. An important common characteristic is an urban way of life. Furthermore, affiliates of this branch can also be engaged in definitive spatial processes of the post-modern city, such as gentrification. With the positioning of these groups in cities, especially in city centres, an economic dimension, alongside the social dimension of these groups, consequently post-modern cities as well, is to be described.

#### **1.4 Economic Dimension: Characteristics of Urban Economies**

The aforementioned processes of de- and re-industrialisation are important to the music industry, as a part of a city’s cultural economy, in many different perspectives: “Musical subcultures were an expression of movements, which have induced the return of an alternative scene in city centres since the 70’s. They are also an important part of the city landscape of experiences or the special flair of Berlin’s districts, such as ‘Friedrichshain’, ‘Kreuzberg’ or ‘Prenzlauer Berg’. The de-industrialisation of the downtown area created a space for many, at first non-commercially originated locations of experimental city music scenes- and initiated there a succession process comparable to the gentrification by the development of locations for modern service economies, especially the culture industry”. With the solidification of subcultures in the city centres and their influences on spatial and economic processes the question is asked, which criteria and characteristics city economies exhibit, so that branches in the music industry can establish themselves in this surrounding. These will be elaborated below.

Here, the term urbanity must first be completed, after comparing the above-mentioned definition; urbanity can broach the issue of a composition of functions or a variety of usages of a city’s area as well. A specific organisational structure is inherent in urban-spatial activities that are of relevance again today, because the sub-urbanisation has long shifted its sights in this direction. In the past years, it has become apparent, that the importance of urban-spatial layouts is increasing in the context of a re-centralisation. “The high density of personal networks, in urban contexts, makes search processes possible- especially in present times with the Internet- that are characterized by sticky knowledge. And ultimately the de-standardised and temporally unsynchronised work and consumption style of employees involved in the production of information and culture will only then become feasible to a certain extent, when a dense network of service providers is available, as one normally comes across in certain urban districts (LÄPPLE, 2003: 11).

KRÄTKE (2001) formulates, in this context, on the level of an economic geographer, the term re-urbanisation of production, and suggests with this the phenomenon of the forming of local production clusters within city areas with mixed usage. The emergence of urban economic clusters is observed, which in turn are used by the so-called global players as a strategic hub of their location networks, especially in areas of creative and information intense activity branches. Within this frame of reference, he sees the term of urbanity based on the economic sphere of trade, "which becomes more important for the creative potential of the production of culture and the innovative potential of information-intense production" (ebd.: 6 and complementary thereto KRÄTKE, 2002).

Thus, KRÄTKE pleads for the term urbanity not to be constricted to a consumption-oriented and reproductive usage of space, but to expand its definition to include aspects of production activities. The downtown areas are populated with producers, and especially with those, "who use an urban atmosphere in an operations context as a creative resource" (ebd. 2001).

Complementary to this realisation and to the socio-economical discourse of changed forms of urbanisation, i.e. pushed by SIEVERTS (1999) "cities without cities", in order to advance to a new understanding of a city, LÄPPLE (2003) discusses the productivity and innovative strength of urban economies closely linked with the question of urban centrality. In this essay, he would like to refute the presently discussed thesis, that "the special productivity of urban economies is producible in all locations, and the technological and economical innovations today emerge primarily outside of the city, for example in suburban or exurban industrial sites like Silicon Valley." If- LÄPPLE argues- "this thesis were right, then city and urban centrality would no longer be produced on their own economic basis" (ebd. 2003). If one continues this thought, it would mean, that, in fact, the physical structure of cities would remain, however they would lose their attractiveness as a business location and would cleave economically.

In order to substantiate the thesis and opposing thesis in content, he asserts in one principle step "the new, 'urban disintegrating' powers: globalisation, digitalisation and liberalisation of borders (ebd. 2003), so as to pinpoint the immanent paradoxes of these three developments. In the following, we will not go into more detail on these three developments, rather we will present the quoted paradoxes from LÄPPLE, since they make the importance of urban economies clear and are also important for our argumentation within the paper.

#### **1.4.1 The Location Paradox in a Global Economy**

The global "age" has dawned. Today it is possible to purchase capital and goods, information and technology, worldwide, anytime with a mouse click, so that a traditional association of competition among companies and nations has to be reassessed. As a consequence of globalisation, the thesis on the boundlessness of life forms and also production structures became notable- according to this theory, the importance of location should decrease (cp. PORTER, 1999). However, how can one explain that first-class shoe fashion is nowhere as easy to find as in Northern Italy or automobile manufacturers in Southern Germany? Why is the same true for country music in Nashville, Tennessee?

The involvement of production and service functions in linked urban and regional coherences and forms of cooperation will become an important prerequisite for the innovation and adaptation capability of companies. "Complementary to the globalisation of company strategies, knowledge, communication and transport technologies, regional innovation and production systems, regional knowledge and experience and direct local interactions are gaining a new importance. Regionally embedded



innovations, production and service systems are becoming the focus and centre of a global communication society.” (HEIDENREICH, 1997: 500)

Turbulent market conditions, instable monetary systems of a globalised economy as well as the trend towards more complex products and shorter innovation cycles force this trade (cp. LÄPPLE, 2003).

PORTER (1999) refers to this paradox as a location paradox in a global economy. Paradox in the context that, precisely in the situation, where companies obtain capital and goods, information and technology, worldwide, through the World Wide Web, specific competitive situations, in many cases, are dependant on the particular urban and regional setting. According to PORTER, these locally-bound competitive advantages rely upon “the concentration of highly specialised capabilities and know-how, institutions, competitors as well as related companies and demanding customers. Geographical, cultural and institutional immediacy leads to privileged access, closer relations, stronger incentives and further productivity and innovative advantages, which are not easily used at a distance. This applies even more so, as the global economy becomes more complex and dynamic as well as the more this economy relies upon know-how” (PORTER, 1999: 63). PORTER establishes this relationship with regional economies. This justification of location-related competitive advantages, how the concentration of highly-specialised capabilities and know-how, institutions, competitors and cooperation partners has a strong affinity with specific characteristics of urban economies.

#### **1.4.2 Information Paradox in the Information and Knowledge Society**

LÄPPLE (2003) sees another important point on the importance of a spatial setting in economic activities, in the information paradox, in the information and knowledge-based society. On the one hand, the phenomenon of an information flooding through the internet is well-known, at the same time however context-bound knowledge, the so-called tacit knowledge or sticky knowledge, has gained an unusual importance (see also NOOTEBOOM, 2000, GERTLER, 2001). This implies that tacit knowledge is strongly related to the person and the mediation of this knowledge is largely dependant on the common cognitive, cultural and social context. The most important forms of the transference of this knowledge are thus personal contacts (= face-to-face contact) as well as an inter-firm mobility of employees (see STORPER and VENABLES, 2004; GRABHER, 2002; SCOTT, 2001). Consequently, the local proximity achieves a new significance for the transfer of knowledge, specifically with the consideration of technological advances like the World Wide Web, email and fax machines. The characteristics of urban economies are obvious in this aspect as well.

#### **1.4.3 The Paradox of Economic and Social Liberalisation**

According to GIDDENS (1995) our modern age is characterised by two key processes. On the one hand, social relationships are being disembedded from local bound contexts of interactions; on the other hand they are being reembedded within local contexts of action. As already mentioned, we shall implement the transformation from an industrial to a knowledge-based society, which leads to a partial decomposition and new formation of known institutional boundaries, as yet, for companies. City centres will be reconstructed around the service sector. This drastic transformation process leads to a further dilution of the functional, spatial and temporal separation of the business world from normal life. However, he explicates that the liberalisation process is bounded to an essential pre-condition: “namely the possibility of Reembedness of highly flexible work and life styles in an urban context” (LÄPPLE, 2003). LÄPPLE attributes the function of a “random generator” for contacts, information and opportunities, which lead to a reduction of risks, to urban concentrations of related companies and their employees, because a high density of communication makes more flexible reactions possible.

Branches in the culture industry, and thus the music industry, correspond to exactly those economies that are definitively reliant upon an existing urban setting and are consequently exemplary in the context of the paradoxes. In summary, criteria and characteristics of urban economies in post-modern cities will be named once again, which are also important in the music industry: an embeddedness of economic activities in an urban context, secondly the thereby given advantages of spatial proximity for the exchange of tacit knowledge and the maintenance of contacts and lastly the social structure associated with urban density.

This description of the important dimensions of post-modern cities, for this paper, and their associations with branches of the music industry offers a lead over into a further important focal point: the significance of creative correlations of city areas and the economies of music.

## 2. The Concept of Creativity in the Discussion

The positioning of the focal point on the concept of creativity results from the significance of the connection between the impressions of Berlin as a location and the motives for the selection of a location of companies, as observed in the research phase: Creativity as the most-considered characteristic of Berlin in the interviews (cp. Chapter 4.3). The acquired conclusion, while working through the empirical data, and the subject positioning of the music industry within the creative branch itself, is reflected in the following creativity discussion. What are the special attributes of creative branches, what forms the basis of creative potential and what characteristics make creative areas in cities identifiable?

We filtered out important concepts for the paper, from the diverse theoretical discussion on the topic that enable access into the object of research.

1. Once again we take up the previously introduced lifestyle concept with the definition of a creative class and a creative milieu (cp. above), and in doing so emphasise the specific characteristics. This discussion is carried out closely with FLORIDA'S remarks on the creative class (FLORIDA, 2002).
2. The represented concepts of the creative city from LANDRY (1995) and others facilitate access into the correlations between culture and the development of a city, by which creative locations become elicited.
3. In closing, HELBRECHT'S (2004) arguments on a creative metropolis will be brought into the discussion, by which most importantly creative services of post-modern cities will take precedence.

We would like to however begin this discussion with a few choice words from KUNZMANN (2004), which he formulated on the concept of creativity.

"There is a friendly virus, in the beginning of the twenty-first century. This friendly virus has affected the community of planners and could help us to survive as a creative profession. The virus is called creativity, sometimes creative milieu and creative industries, or even creative city (LANDRY, 1995) or creative class (FLORIDA, 2002). [...] Not surprisingly, creativity comes into spatial planning with culture as a backpack, a rediscovery of the controversial debate about the future of the European city."  
(KUNZMANN, 2004: 383f)

Using an old, well-proven approach, BROCKHAUS defines creativity as the “ability to develop original, unusual vagaries and to productively implement them” (F.A. BROCKHAUS GMBH, 2002: 251). That sounds plausible, does not suffice however to fully measure the complexity of the concept and to make the term applicable in the planning phase. CSIKSZENTMIHALYI (1990) goes a bit further in his definition and states: “Creativity is any act, idea, or product that changes an existing domain, or that transforms an existing domain into a new one.” And according to him, creative persons are those, “whose thoughts or actions change a domain, or establish a domain.” In turn, FLORIDA can locate three types of creativity (2002: 21et seqq.):

- 1 technological creativity appears in new product ideas, products and technology,
- 2 economic creativity expresses itself in the careers of successful companies and the process of setting up a business and
- 3 cultural creativity arises in new art forms, designs, as well as paintings, views and images.

This short explanation of terms should now lead into the more profound debate on creativity.

## **2.1 Definition of creative locations I – from creative capital to creative class**

World-class companies have learned to extend, within the general pursuit of competitive ability, the margin of fluctuation to further assets. Along with financial and human capital, more firms are beginning to seek and collect creative capital, with the goal of new inventions and creating new products. However, the content in the following should not be how one becomes more creative as the manager of a company; rather the central question is the cultivation of the concept creativity in context of an urban-spatial discussion. In particular, the players in the music industry, who, as already mentioned, live and work in the downtown area of a city and form the basis of creative capital, take the forefront.

It is a basic principle that creativity is most personal, thus it holds: “... people can be hired or fired, their creative capacity cannot be bought and sold, or turned on and off at will” (FLORIDA, 2002: 5). FLORIDA argues in his bestseller „The Rise of the Creative Class“, that the traditional loyalty bond towards the company is increasingly dwindling among people, and that they are developing an increased interest in their own self-fulfilment and for this reason lay higher demands on a location. “Small wonder that we find the creative ethos bleeding out from the sphere of work to infuse every corner of our lives.” (ebd.: 5). It is no longer expected of a person to work for only one firm their entire life, rather people are in search of other establishments, in which they can thrust their loyalty and in return have the opportunity for self-actualisation and to develop their potential. FLORIDA expresses it quite well in that he proves, that the location has removed the firm as the determining organisational unit of our economic system: locations are as a result a magnet for talent (FLORIDA, 2002).

Such magnets are cities and communities, and they harbour a resource of economic prosperity: creative capital. The manner, in which this capital is accessed, decides the development of a location in the context of a boom or a downturn.

It is known that cities have developed, throughout their history, thanks to their abilities to make innovations of all kinds (cultural, economic, technological, social, etc.) useful. In the past centuries, cities could prosper perambulated, if they could only make a competitive advantage, for example the technical innovative advances in the textile industry in Manchester (19th century). In the future however, cities must develop their innovative power in many directions. “Creativity and innovation

must become an integrated process that includes all aspects of urban life. Social, economic, political, cultural and ecological innovations are all equally necessary and must be equally weighted" (WOOD, 2003: 28).

FLORIDA (2002) argues that urban success is present, if cities possess an above-average number of jobs for scientists and engineers, when they know to offer a certain lifestyle and consumption possibilities and if they give their residents the opportunity to act out their creative potential. GLAESER et al.(2001) summarises this circumstance as follows: "Urban success comes from being an attractive 'consumer city' for high skill people."

In addition, FLORIDA (2002) formulates a creative class in this causality. And speaks about people, who are completely independent and not bound to one location, but on the other hand maintain a profound loyalty to a location, where they feel comfortable. Neither income nor career opportunities allow the creative class to be bound to one location. It is more important to let the members of the creative class live in a place that is characterised by diversity, in which different races, cultures and sexual orientations are encountered without prejudice and it is possible to develop one's potential.

FLORIDA'S theory of the creative class is formed on the basis of a game between various types of human capital. The "hard core" includes scientist and engineers, architects and designers, teachers just as well as people, who are successful in building up a company, as well as artists such as musicians, entertainers, writers and media producers, whose economic challenge consists of creating either new ideas, technologies or content. He supplements this through a group " ... creative professionals in business and finance, law, health care and related fields" (cp. ebd.: 67et seq.).

"These people engage in complex problem solving, that involves a great deal of independent judgment and requires high levels of education or human capital. In addition, all members of the Creative Class [...] share a common creative ethos that values creativity, individuality, difference and merit" (ebd.: 8).

A central difference between the creative class and other classes is that members of the working class and service-oriented society are mainly paid for implementing an existing plan, whereas members of the creative class are paid most notably for the development of new ideas, products and processes, and thus have more autonomy and flexibility of their work schedule at their disposal (FLORIDA, 2002: 8 et seq.).

According to FLORIDA'S argumentation, members of the music industry (artists, producers and publishers, etc.) clearly belong to this group, which constitutes a creative class. They are marked by their integration into a certain scene and dwelling in certain places, where they feel comfortable.

The concept of the creative city by LANDRY (1995) is a further attempt to question how one recognises creative centres and has access to creative capital. The key data will be presented below.

## **2.2 Definition creative locations II- the concept of creative city as a connection between culture and city development**

The approach of the creative city is represented by authors such as LANDRY (1995), WOOD (2003), EBERT (1994) or KUNZMANN (2004), who developed several studies on the concept of the creative city in the mid 90's. The professed goal of the study is to bring in the creativity of city to the advantage of prosperous city development and to find a handling in order to increase urban creativity. The discourse of a creative city goes along with the idea of an industrial city, which has positioned itself using all

means in the global competition of cities. Creativity, such as art and culture, will be implemented as location factors.

The creative city differs from traditional planning approaches in that a cultural perspective moves to the forefront of city development. Culture is the determining factor of city development.

“Culture as a platform for creative action.

Consciousness of culture is a key asset and driving force in becoming a more imaginative city. The creative city approach is based on the idea that culture as value, insight, a way of life and form of creative expression, represents the soil from within which creativity emerge and grows, and therefore provides the momentum for development. Cultural resources are the raw materials and assets to get the process going. Cultural planning is the process of identifying projects, devising plans and managing implementation strategies based on cultural resources.” (LANDRY, 1995 : 173)

The historical dimension shows that cities were always locations of creativity and innovation. Due to the interplay of different cultures, religions and ethnicities, a milieu could be built in the best case, in which new ideas found their realisation.

In present times, more thought is given to the connection between culture and the development of a city, in order to compensate for urging problems such as the collapse of older, urban industries and to complete the transition into a service-oriented and knowledge society. “In spite of the urban crisis, the Creative City is positive about cities, because they offer so much scope for communication, new ideas and wealth creation.” (LANDRY 1995: 175). Through the idea of the creative city, the demand is pursued to force a positive trend within the city development through the activation of creative resources in a city.

LANDRY describes the concept of a creative city as follows: “The Creative City describes a new method of strategic urban planning and examines how people can think, plan and act creatively in the city. It explores how we can make our cities more liveable and vital by harnessing people’s imagination and talent. It does not provide definite answers, but seeks to open out an ‘ideas bank’ of possibilities from which innovations will emerge.” (ebd.: 175)

Creativity has to do largely with differing behaviour and is then questioned, when standard solutions are no longer seized or lead to new problems. However, a characterising of creativity is impossibly assignable to an entire city. “Obviously a city can not be creative, rather individuals. On the other hand it seems plausible to assume, that the city is a context that attracts creative persons and makes their artistic work possible” (FRIEDRICHS, 1998: 146). This corresponds to FLORIDA’S argumentation as well (cp. above).

The required creativity emerges largely from affects of creative networks (cp. EBERT ET AL., 1994: 9). Networks of creative players play a decisive role, in that this social capital develops ideas and connects local institutions with one another. Generally these networks are very fragile, personal and are neither producible nor controllable within the realm of classic planning. The networks are critical for a creative city planning.

FRIEDRICHS (1998) pinpoints in an analysis of creative networks in Cologne, that “the creativity of a city can not be understood as an intentionally and systematically produced collective good. It is, instead, a side effect of other interactions with completely different goals. An intentional part remains for those, who contribute to the forming of a culture department- but also this is normally indirect, in that

performance opportunities or studios are made available to artists. It is executed directly during the initiation, advancement and promotion of festivals” (FRIEDRICH, 1998: 160).

As a result, networks are important for the creative development within a city. Through these networks it is possible, to bundle individual interests and to outwardly exhibit promising players. We assume that the players examined in the research part of this paper are a part of various networks.

Creativity is not alone. Creativity is always context-related. LANDRY (1995) locates six areas of creativity: art, science, marketing and communication, economy, youth sub-culture and collective movements. The city's trade can be classified in the areas of economy and advertisement.

The connection between culture and city development can be understood through the approach of the creative city. In doing so, networks play a pivotal role; they however do not allow themselves to be produced or guided by outside sources.

In the following, direct players in a creative process will be presented with the approach of the creative metropolis.

### **2.3 Definition creative locations III- creative metropolis and the creative service provider**

Similarly to LANDRY (1995), HELBRECHT (1999) sees a new city in development with the creative metropolis, and with it a new form of urbanity: the city as a creative centre, the city as a creative metropolis. The author postulates in her works, that the urban atmosphere constitutes the basis for the existence and further development of cities.

According to her remarks, metropolis and cities worldwide are influenced by the creative services, the so-called 'creative service providers', such as (graphic) designers, marketing agencies and cultural economies. The interlocking of culture and economy thereby gains importance for the development of a city. "The rise of the creative metropolis is inextricably linked with the emergence of a creative service economy. Creative services capitalize culture and 'culturise' capital. In doing so, they are strategically situated between production and consumption" (HELBRECHT, 1998:10). Entertainment and all forms of the culture industry are meant here, and having said that, are complemented, in this age of postmodernism, by the production of images, symbols and styles, which bear an important role among economic activities. This is commensurate with the economy of symbols. Products of the culture industry are labelled cultural products or post-modern goods (cp. also LASH and URRY, 2002) and possess a strong relation to culture, due to their aesthetics, design, identity and their function. In turn, the producers of these products are typical representatives of creative metropolis.

HELBRECHT addresses these players specifically in her analysis, because this group, according to her remarks, personifies and influences urban atmosphere. She annotates that people distinguish themselves within the creative services through an exceptional degree of creativity and visions. The author can not in fact establish a direct connection between creativity and the city or urbanity; however she does describe the relationship as stimulating.

Furthermore, one can gather from her comments, that the creatives<sup>5</sup> concentrate themselves in city centre zones and thereby challenge traditional economical settlement and city development theories. The settlement behaviour of creative services is marked by urban values and urban quality. The precise settlement behaviour is characterised by a lifestyle orientation that acts as a pull factor, and to that effect, as an attraction moment. She found, in her research, that creatives search for the “look and feel” of post-industrial areas: the search for the special location, the specific quality of cities, districts and buildings. This principle of “look and feel” does not only serve to satisfy hedonistic needs and wants, but also to implement one’s own creative power and productivity (cp. HELBRECHT, 1999: 213et seq.).

The services offered in creative services are predominantly called upon by the so-called new middle-class. This circumstance is to be viewed critically, because it can be determined that the players in creative services take on an important role in the gentrification process and thereby enhance urban regions. Under these circumstances, a form of displacement should be anticipated in favour of the new middle class. HELBRECHT (1998: 11) holds: “The problematic aspects of the creative city are to be found in its highly elitist, exclusionary, apolitical, and self-indulgent material and symbolic realities. [...] Therefore, the creative metropolis serves the needs of the new middle class who has the power to define a new form of urbanity that serves their needs for constructing an identity through the means of consumption.”

In spite of being aware of this ambivalent development, she sticks with her statement on the existence of creativity in the context of creative metropolis. With the strengthening of the creative discourse, she associates none other than to find an answer to the question “freedom what for?” (HELBRECHT, 1998: 11). Thus, she places the process of creativity and not the result in the forefront: “it is about emotions, about feeling comfortable and constantly re-inventing the self” (ebd.: 11).

According to her argumentation, creativity initiates a process by way of economic and cultural reasons, so that a creative metropolis, as postulated by her, is developed through typical symbols, a range of services offered and areas.

It is thus to be held true that city centres, in particular, are marked by creatives. HELBRECHT sees mainly creative services, to which companies in the music industry also belong, according to her remarks. These companies are characterised, in their settlement behaviour, by urban values and attitudes, and furthermore, they include an urban quality, in a certain lifestyle, as attractive moments for settlement decisions.

It must, however, be mentioned, that HELBRECHT has a very obscure view of urbanity: Urban life can not exhibit urban life, if access only exists for certain classes. If urbanity functions thus exclusively, then the term loses any kind of significance.

HELBRECHT’S concentration on creative services, as a sub-segment of commercially-oriented services, is to be regarded as insufficient, because they would then only pose as exploiters of original creative ideas. Creative services range in an environment that is characterised by groups, who generate creative output. They are in search of anew, in order to commercialise it and to supply it to areas of consumption, such as the youth cultural movement, for example, and their transfer into commercial

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<sup>5</sup> See Caves, 2000, he counts to creatives book and magazine publishing, visual arts (painting, sculpture), performing arts (theatre, opera, concerts, dance), sound recordings, cinema and TV films, fashion, toys and games.

evaluation through the music and fashion industry. In contrast to the neglect of these innovative groups by HELBRECHT, FLORIDA'S approach on the creative class includes exactly these players (cp. above).

With this three part entrance into the facets of the term creativity and the emphasis of the characteristics of creative milieus, creative cities and creative services, it should be possible for the empirical chapter of this paper to offer inside to the inflationary-used vocabulary during the interviews in relation to Berlin.

In LANDRY'S approach, the term network and its importance for urban development in a creative context have already once been indicated. In the following, the specific characteristics of networks will be introduced, in detail, in a regional-economic perspective, because in the context of the empirical enquiry, the importance of the network mentality will be especially elaborated on for music firms.

### **3. Networks, Milieus and the Exchange of Knowledge**

The discussion of network and milieu research, in the regional-economic viewpoint, results from the background of a once suspicion, but now proven or confirmed through research work, that companies in the music industry within various networks operate together and embed themselves in specific regional milieus.

In a first step, the terms important to this discourse will be defined, so to characterise, subsequently, the traits of creative and innovative milieus, relevant in this paper. The exchange of knowledge plays an important role in this context, as already described in the remarks above. For this reason, important information types will continue to be explained.

We would like to however begin with introductory words that clarify, where the regional-economic origins lie, and that these approaches are also transferable into urban economies.

The state of knowledge on regional-economic research has been for some time, that the productivity of companies is not only dependant on the size and structure of a company, but also on the so-called agglomeration economies. MARSHALL (1959) already recognised the agglomeration advantages of regional production systems at the end of the 19<sup>th</sup> century and moulded the term industrial districts. Moreover, agglomeration effects play a role in these industrial districts. As a basic principle, one can differentiate between localisation economies und urbanisation economies. Localisation effects result from the existence of several companies in one branch; urbanisation effects are a result of companies in different branches (cp. STRÄTER, 1998: 3). This analysis on agglomeration advantages and the theoretical archetypes of industrial districts are broadened and supplemented in research through the concepts of networks and milieus.

Even when the origins of research on networks and milieus are planted in the regional economy, it can also be transferred to urban economies, in certain circumstances. Both theoretical archetypes have many characteristics in common. "The city is a more complex form of a milieu, because the city, in its entity, encompasses economic differentiations (in contrast to the intrinsic specialisation of milieus) and the entire habitat and life sphere of the population (which is only considered in the milieu concept, if synergy and learn effects are created that directly benefit the innovation process)" (CAMAGNI, 2000: 293et seq.). The concept of innovative milieus densely combines the present characteristics of a city,



such as agglomeration, accessibility and interaction, and the specific result of innovative milieus, i.e. the innovations.

### **3.1 The Term Knowledge**

It can be gathered from a current discussion in science and politics that an increasing importance is being attributed to the production factor knowledge in modern industrial societies. Knowledge is assigned the role of the decisive competition and growth factors, and it continues to permeate further social spheres as a cultural resource (cp. MATTHIESEN, 2004). Because of this significance regarding economic processes, important knowledge forms will be elaborated on below.

The term knowledge has many faces; in research no standardised definition can be accounted for. In one definition from KROGH and KÖHNE (1998: 236), knowledge includes “all skills and abilities that individuals use to solve problems and that enable an act or interpretation, among others, of information.” It becomes clear that knowledge and information are in different categories, for knowledge is to be interpreted as a prerequisite to be able to purposefully apply information. The particular stock of knowledge in a society goes back to the differential knowledge of members of society, and thus does not exist in densely, rather is made available in a spatial dimension (cp. DÖRING, 2004),

Complementary to the above definition, MATTHIESEN and BÜRKNER (2004: 69f) define knowledge to the effect that comparisons, consequences, combinations and dialogue practices are implied with it. “It [knowledge] has to do with experience, judgement, intuition and values, short ‘context’, in a structural understanding [and] in this respect indicates the result of learn processes, the latter is to be understood as communicatively constituted and confirmed, thus an established practice, in which applicable information in the appropriate places will be incorporated, and in which social practices solidify into action-related and action-leading archetypes” (WILLKE, 2002: 17). Analogue to current research, they developed, in detail, the concept of knowledge milieus, which form the basis of the following typologies of knowledge forms.

From the eight illustrated knowledge typologies, we would like to better define those illustrations that are relevant, in regards to the considered characterisation of a milieu in the examined area: milieu knowledge and local knowledge. In the first case, it is knowledge of how things normally run in an organisation, a milieu or network, etc. Locally-situated skills and competencies, that join, for instance, milieu knowledge, daily knowledge and product knowledge, are meant by local knowledge; on their foundation, self-organisation potential and innovations can be developed (cp. MATTHIESEN and BÜRKNER, 2004: 70 et seqq.)

Analogue to the realisation that knowledge is not an homogenous measurement, we would like to add to the above-mentioned knowledge forms, from the variety of different types of knowledge, further forms that are relevant to the following analysis. With the above-quoted, rather rough listing, we do not want to raise a claim of completeness, because the term knowledge is an almost intangible and non-quantifiable measurement.

Another relevant differentiation is necessary between the aforementioned tacit knowledge and explicit knowledge. The main characteristic of implicit knowledge is that numerous aspects of this knowledge can not be directly measured and can not be exchanged over any distance, in a spatial context. In that respect it is personal, so that it frequently underlies actions. The exchange of knowledge often results

from a close, personal contact. Explicit knowledge is in contrast impersonal and consequently can be easily articulated, transferred and stored (cp. DÖRING, 2004: 3 et seqq).

The spatial definition of knowledge now takes the forefront within this definition of knowledge in its various occurrences.

In this context, so-called spill-over effects should be mentioned: Spill-over effects are effects that emerge through the exchange and transfer of knowledge (e.g. technological adaptation) (cp. BATHELT and GLÜCKLER, 2002: 82).

The possible ways of the materialisation of spill-over effects are manifold. Due to the particular importance of implicit knowledge in this paper, we would like to limit myself, however, to the description of the spill-over important to this knowledge form.

A formal acquisition of this knowledge occurs through employment and performance contracts with carriers of implicit knowledge. A more informal acquisition results from a spill-over in the form of learning-by-doing, learning-by-watching and learning-by-interacting (cp. FRANZ, 2004: 111 et seqq.). In addition, it should be mentioned that the dissemination of this personal knowledge depends on a direct communication as well as existing regional networks. It is then obvious that the spatial distance between the sender and receiver plays a critical role in the spread of knowledge spill-overs, especially in the case of informal communication relations (cp. DÖRING, 2004: 8, cp. also LÄPPLE, 2003.).

This lastly-addressed relevance of conditions for the exchange of knowledge is also emphasised in the approach of creative and innovative milieus, which will be elaborated on in the following. In doing so, the transfer of knowledge will be alluded to as well, at the corresponding place.

### **3.2 Network and Milieu- two terms, two definitions?**

Network and milieu have become popular terms in the regional economy, when the functionality of regionally-networked production structures was to be explained. However, they have an inherent conceptual obscurity. The term milieu extends the network approach to a spatial dimension. In this case, an area, a location and a region are explicitly named with the intent to explain local and regional development dynamics and to adapt the term milieu into a comprehensive social trade system, while the term network circumscribes a more economic interaction. However, given that informal and trust-oriented cooperation structures require spatial nearness and receive preferential treatment through this close proximity, an identical content is described with the terms network and milieu (cp. LESSAT, 1998: 265 et seqq.).

This identical content can be an intense exchange of knowledge for example. Thus, knowledge can be seen as raw material and a location factor, in this context (cp. above). A number of analyses confirm the close interplay of an intense exchange of knowledge and a thereby improved competitive ability of companies, which are integrated in a regional or local network. A high communication intensity with fast feedback and consequential spill-over effects exists within these networks and milieus as well, and they are characterised by a high innovative ability (cp. DÖRING, 2004).

Still, what do these terms mean in detail and what characteristics do they possess?

#### Network

Networks have become instruments of regional development. The main idea of innovative networks is to generate synergy effects, in order to encourage knowledge exchange and innovations and to strengthen the competitive ability of companies. A network is generally defined as an amount of

objects linked to one another. A net consists of knots, knitting and connecting lines (cp. RÖSCH 1998: 24). In connection with the paper at hand, we will describe socio-economic networks, not physical networks, such as transportation or communication networks.

The companies in socio-economic networks operate in “cooperative competitions” that include the transfer of know-how throughout common research institutes, the exchange of research personnel, common export and trade show activities, as well as “strategic alliances”. However, the individual companies primarily have a competitive relationship, due to the fact that they remain independent within this corporate integration, and in many cases operate in similar markets (cp. LESSAT, 1998: 266).

Network relationships are predominantly marked by 4 characteristics: reciprocity and interdependencies of network partners. This in turn influences the functionality of such networks and balances of power among players (cp. GRABHER, 1993: 8 et seqq.).

Furthermore, networks are principally characterised by personal and informal contacts with independent players, they are based on faith and experience and demonstrate a mix of competition and cooperation. The relationships in networks are based on a certain community understanding that establishes trust and requires a common stock of knowledge. It is particularly a matter of knowledge through experience and context-related knowledge, which in turn can primarily be communicated through personal contacts (cp. above). The exchange of knowledge results from formal as well as informal networks.

Due to the number and diversity of players, a network possesses a high concentration of relationships and it is open to everyone within its own “territory” (CAMAGNI, 1994). Therefore, companies are not bonded to one specific network. They can simultaneously be integrated into several networks with different forms of cooperation, i.e. suppliers in vertical networks, competitors in horizontal networks or non-economic players such as education and research institutions (cp. SCHAMP, 2000: 65).

Co-operations within networks are not permanent; however they lead to the generation of social capital, in that the local players know where particular resources are and how to obtain them. This corresponds to local networks as defined by GREMI. “Spatial proximity matters not really in terms of a reduction in physical ‘distance’ (...), but rather in terms of easy information interchange, similarity of cultural and psychological attitudes, frequency of interpersonal contacts and cooperation, and density of factor mobility within the limits of a local area.” (CAMAGNI, 1991: 2)

In contrast functional networks constitute a “closed set of selected and explicit linkages in a firm’s space of complementary assets and market relationships” (CAMAGNI, 1991: 135). It is a matter of deliberately formed relationships, that are contractually formalised and goal-oriented, with a rather exclusive character. Their functional efficiency is normally limited to a timeframe and depends on the distance between them.

### Milieu

The accumulated milieu discourse in regional research discusses the embeddedness of networks in a region. “Not only do business structures and mutual dependencies of branches and firms belong to the regional milieu, but also the social, cultural, administrative and political circumstances” (KREIBICH ET. AL., 1994, quoted in RÖSCH, 1998: 32). The term embeddedness was originally shaped by GRANOVETTER (1985).

Spatial approaches on innovation are formed with the embeddedness of business networks in socio-cultural surroundings (cp. RÖSCH, 1998: 33). At the same time, the concept of embeddedness can be

understood as a local counterpart of economic integration of an otherwise world economy. In this respect, the embeddedness of a company in a local environment is also in conflicting fields, i.e. localisation and globalisation, as is described by PORTER in his immanent location paradox.

A regional milieu is consequently a complex system “of economic and technological interdependencies, it applies to a comprehensive whole, in which a spatial production system, a technical culture and their protagonists have a relationship with one another” (MAILLAT, quoted in: LESSAT, 1998: 268). Economically successful milieus are marked by high innovation and the traits of a post-fordistic industrial system: many small, independent firms in the same branch are connected in a production chain, but are specialised in certain phases of the production process (vertical de-integration).

In conclusion it should be said that both terms, network and milieu, do have differing overlaps in definition, yet can be mentioned in a similar context. Thus networks embed themselves into milieus. Statements on the characteristics of regional milieus and the role of networks within them will follow. The main focus will be put on the role of creative and innovative milieus, because this is relevant for the analysis of the music industry in Berlin.

### **3.3 From the creative milieu to the innovative milieu**

Milieus are often broadened with the adjectives innovative or creative and are a part of industrial districts and overall milieus, in which the orientation on smaller and medium-sized companies plays a central role and post-fordistic production concepts are applied (cp. LESSAT, 1998: 266). The system of industrial districts is organised by local, political, social and cultural institutions, in which competition and cooperation coexist. A fundamental pre-requisite for innovative milieus in industrial districts is that the regional surroundings foster the establishment and growth of small and medium-sized companies (cp. ebd.: 268).

“The innovative milieu is defined as an entirety of relationships within a bounded geographical area, in which a local production system, an array of players and representation and an industrial culture unite. Together, these relationships create a local, dynamic process of collective learning that strengthens the creativity and innovative ability of local economic systems.” (CAMAGNI, 2000: 293). This central definition largely traces back to the research work of GREMI in the middle of the 1980's, in which the group speaks more about an innovative rather than a creative milieu.

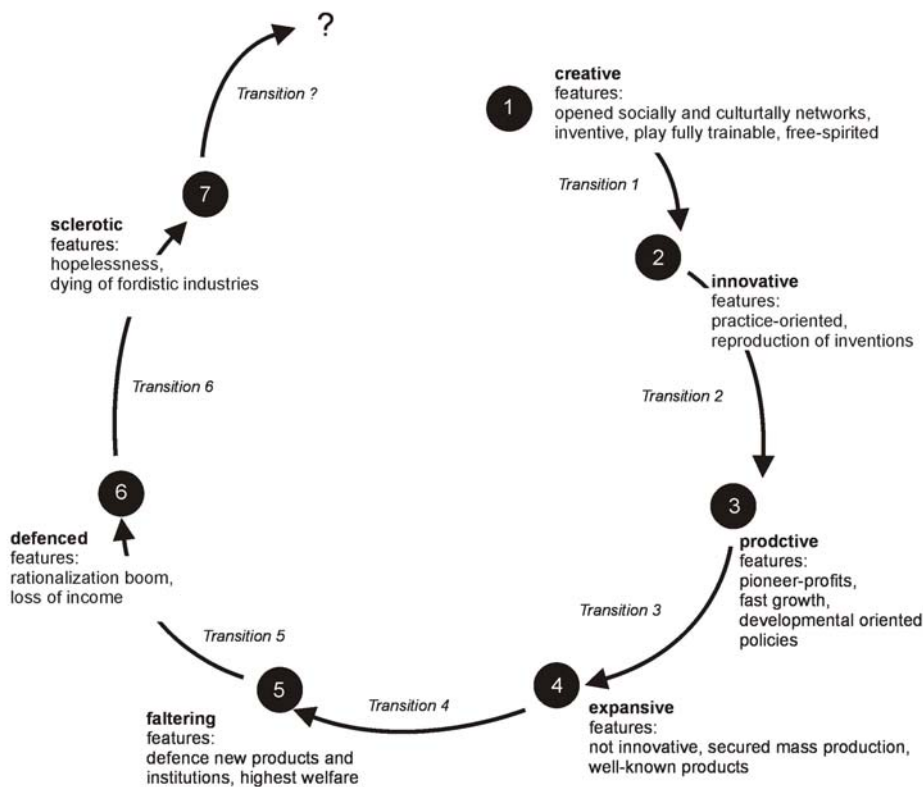
In doing so, milieus can discern two major functions: a reduction of insecurities through local and regional contacts and an increase in local learning processes that, in turn, lead to innovation. Synergy effects through, in many cases, informal contacts appear to be important in this context. These effects ensure the exchange of knowledge and enable a perpetual learning process of companies (cp. RÖSCH, 1998: 35). Furthermore, these are maintained through social relations such as informal networks, e.g. through the membership in local societies or trade associations (for example the Label Commission as a regional association of German Association of Independent Labels, Publishers and Producers in Berlin). But, social relationships can also develop from private contacts.

Networks as a social organisational form can also be subjected to a temporal dynamic: they exhibit a life and development cycle, on the long-term, that leads from the boom or successful phases through the maturity and stagnation phase onto the decline (cp. BUTZIN, 2000). RÖSCH (1998: 43 et. seqq.) has developed a regional milieu life cycle, analogically to the product life cycle (Vernon, 1966; Hirsch,

1967). The orientation toward the product life cycle resulted from the thought, that macroeconomic perceptions are complemented by microeconomic perceptions.

The milieu takes the following course in its life cycle (cp. Figure 3.1):

Figure 3.1 Milieu life cycle model



Source: Own Illustration, adapted from RÖSCH (1998)

In a short characterisation, we would like to introduce the first two steps of the milieu life cycle model.

Analogue to the cycle, a creative milieu is characterised in the first step by a high dynamic of the founding of companies in a high-grade, information-rich, regional surrounding, which fosters creative behaviour of regional players. Due to active network relationships and a gross of personal contacts, information and transaction costs can be reduced considerably. At the same time, the companies are also marked by a short life span as well as resilient operational and social organisational forms. The attractiveness of the social and cultural framework is also critical for a milieu in this phase, i.e. the soft location factors of regional quality of life (cp. RÖSCH, 1998: 45).

Complementary to this, FROMHOLD-EISEBITH (1999: 169) defines the characteristics of a creative milieu as follows: as a contact network of regional players, who stimulate learning processes; a conglomerate of social, that is explicit personal relationships and an image and a perception of self as an expression of mental connection and common goals. The interplay of these characteristics allow a region to be creative and innovative.

Continuing with the milieu life cycle according to RÖSCH, the second step of an innovative milieu is marked by the surviving firms, "that could already assert themselves on the market with their first

product and process innovations" (ebd.: 45). These firms are exclusively small and medium-sized companies, which developed new markets and market niches und whose players portray an autonomous collective, as far as possible. The basis of innovative milieus are good, functioning innovative networks with consequential spill-over effects (cp. RÖSCH, 1998: 45; MAILLAT, 1995).

The next phases (three through seven) will not be elaborated on (cf. in detail RÖSCH, 1998: 45 et seqq.), because they are not relevant for the description of the current development of the milieu in the examined district. Now, we would much rather concentrate on the fundamental characteristics of creative and innovative milieus regarding the exchange of knowledge (according to FROMHOLD-EISEBITH, 1999 and MAILLAT, 1995).

### Milieu Contact Networks

„The relations system of a creative milieu exists on a regional level, but is in no way a outwardly closed compass. Quite the contrary, its openness and the ability to tap into knowledge outside of the region as well as to utilise the framework of regionally-internal information circles is of great relevance for the economic success" (FROMHOLD-EISEBITH, 1999: 170).

This means nothing other than that the regional players in different branches come together in a creative milieu and complement one another. Within this milieu, they are mutually connected through relationships with an intense knowledge exchange. As already mentioned, the spatial nearness enables a high communication density and frequent personal encounters, which, in turn, benefits economic creativity and innovations or the founding of firms. Thus, it is easy for companies to collect this information, which they need to implement innovations. This information emanates from different competency areas include technological and financial aspects, connections with suppliers, customers as well as cooperation partners.

Moreover, such milieus live on key persons, who keep the contact networks alive and established. Such persons are characterised by a special communication competence and the talent of integrating varied interests (cp. FROMHOLD-EISEBITH, 1999: 169).

In line with milieu contact networks, knowledge spill-overs, as positive externalities, take on an important role and are seen as a source of steady, innovation-based growth. Learning-by-doing effects, the accumulation of human capital and the provision of public goods count as well (cp. DÖRING, 2004). Such spill-overs are, at the most, to be classified as a local phenomenon. "The geographical half-value of technological spill-over effects are quoted at values of 23 km or 30 km, by which innovative activities to create new knowledge correspond with agglomeration areas" (DÖRING, 2004). Within milieu contact networks it holds, that the willingness to exchange individual knowledge depends on the reciprocity of interactive relationships, as already mentioned by the exchange of tacit knowledge. In order to ensure these reciprocally-formed exchange relationships, individual trust and the reliability of social interactive relationships are pertinent.

### Personal contacts of players as a guarantee for trusted information

A particular sign of creative milieus is the special character of personal contacts of players. They are explicitly characterised by personal relationships, which exceedingly take place on informal, social and private levels, then precisely these acquaintances, who are in a tense relationship between official and private interests, are bound by an especial trust and contribute to a slight information advantage and thereby supply chances of economic profit. Insecurities, which exist in an external information search, can consequently be minimised. Face-to-face contacts are preferred in the mediation of knowledge (cp. FROMHOLD-EISEBITH, 1999: 170).

STORPER and VENABLES (2004: 5) summarised the characteristics of face-to-face contacts in personal relationships and their exchange of knowledge in four areas: "it is an efficient communication technology; it allows actors to align commitments and thereby reduces incentive problems; it allows screening of agents; and it motivates effort".

A certain measure of trust and a harmony of lifestyle are of great importance for the „chemistry“ of collaboration when generating knowledge. Exactly these factors bring companies to transcend the traditional restraints of competition, so to discuss common technological problems, to learn from one another and perhaps to search for common solutions (cp. MAILLAT, 1998: 8).

Social capital consists of the knowledge, which the players in a milieu have from one another. This realisation arises from the usual cooperation, which is associated with formal, informal, commercial, and non-commercial relationships. The density of the relationship capital results from the trust that prevails between partners. This operates like a security system, which excludes selfish behaviour (cp. MAILLAT, 1998).

In conclusion, it can be asserted, that people and their social behaviour, their sympathy and their personal partialities determine the core of creative milieus.

#### Mental Bond of Milieu Contact Networks

The conglomerate of personal and trust-based contact networks leads directly to a mental bond between the players and even a formation of coalitions or alliances with common goals. In a creative milieu, similar interests are shared, a feeling of community develops and an identification with the location. FROMHOLD-EISEBITH (1999: 170) calls this „milieu consciousness“.

This collective consciousness and representation of common mission statement is not only constitutive inwardly, but also outwardly image-building. This feeling of togetherness is so important, because it builds the „kit“ between representatives of different institutions, which are connected in a creative milieu. Nevertheless, these milieus are not immune to conflicts and controversies, but they are harmonised under the ethos of a common problem awareness in favour of important chief goals, which can only be reached, when everyone pulls together. It is interesting in the respect, that creative milieus are activated in poor economic times (cp. FROMHOLD-EISEBITH, 1999: 170).

## **4. Finally Evidence?**

In the analysis of spatial arrangements, creative industries have long been seen as an important topic<sup>6</sup>, but the limited availability of quality data on these industries still is a considerable barrier for researchers. In this paper, we examine the empirical evidence obtained in a questionnaire survey and in interviews. We argue that the relationship between location and creativity is substantial but also highly personal, complex and varied. We also show, in a descriptive way, the intra-regional concentration of players in Berlin, on the basis of the ZIP-codes' spatial level, to pinpoint the spatial preferences of the music firms.

This article is the first step in a broader ongoing project on media and other creative industries in Berlin; many of the issues handled here will be further developed later.

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<sup>6</sup> E.g. GRABHER, (2001 and 2002).

#### 4.1 Descriptive Correlation between Music Firms and Socio-Cultural and Economic Indicators

According to “the attempt to examine and rethink culture by considering its relationship to social power”, (HESMONDHALGH, 2002:38) we would like to find out if there is any measurable evidence for cultural and creative-producing firms and their concentration of economic activities and their social embeddedness (e.g. TAYLOR & LEONARD, 2003)<sup>7</sup>.

To gain insight into the socio-cultural and socio-economic interdependence, on the intra-regional level in Berlin, we used data from the ‘Sozialstrukturatlas’ of Berlin (the atlas of social structure in Berlin)<sup>8</sup>. After 1998 and 2000, the ‘Sozialstrukturatlas’ 2003 was the third of its kind in Berlin. This atlas serves as a social structural analysis tool to show changes in the spatial socio-structural circumstances in Berlin. For the analysis of data, a spatial socio-ecological multidimensional approach was implemented. The building of indices using standard scales through factor analysis was applied (HERMANN & IMME, 2004), with results concerning 2 factors- social index and status index. For the building of the two indices, 25 variables were correlated, and the results of the analysis implicated a dominance of factor loadings with variables of social concernment (social index) and the highest completed level of education in young population groups (thus status index).

In 23 municipal districts, the variables underline disparities across social milieus and clarify, in the panel data analysis, the dynamic of social processes in their spatial characteristics.

For our quantitative social structure analysis we only used data from 2002, which was also used in the ‘Sozialstrukturatlas’ in 2003.

The data only includes registered firms that were rigorously assessed by the tax authorities as legitimate active trading companies. Such a categorisation applied to SIC sorted data highlights a difficulty regarding this type of data, namely, that by applying a single code to a firm, one can misrepresent the diversity of the firm’s activities and the structure of the industrial system (see also POWER, 2002).

Table 1: Definition and descriptive statistics of variables used

	Total	Mean per unit area (Std. Dev.)	Minimum Maximum (per unit area)
<b>Music firms in Berlin 2004</b>	1.401	3.50 (4.48)	0.24 15.19
<b>Small<sup>9</sup> music firms in Berlin 2004</b>	1.101	2.81 (3.83)	0.22 12.79
<b>Medium-sized and large<sup>10</sup> music firms in Berlin 2004</b>	300	0.69 (0.89)	0 3.36
<b>Creatives in Berlin 2004 (excluding music firms)</b>	20.912	44.01 (48.14)	3.97 147.38
<b>Event locations in Berlin 2004 (excluding music firms)</b>	182	2.05 (3.89)	0 15.51
<b>Index for market prices</b>		9.41 (1.69)	7.5 14.0
<b>Social Index</b>		-6.96e-09 (1.00)	-2.31 1.80
<b>Status Index</b>		8.79e-07 (0.99)	-1.27 2.40

<sup>7</sup> TAYLOR & LEONARD, 2003.

<sup>8</sup> SENATSWERWALTUNG FÜR GESUNDHEITSSCHUTZ, SOZIALES UND VERBRAUCHERSCHUTZ, 2004.

<sup>9</sup> With less than 3 employees.

<sup>10</sup> With more than 3 employees.



We have chosen different indicators. The social data was obtained from the ‘Sozialstrukturatlas’. Cultural indicators, such as event locations and clubs, were found using the yellow pages and other similar sources. The heterogeneous picture of the real estate market price segments were used to build the indicator for the index of the real estate market prices in Berlin<sup>11</sup>.

The indicator creative was also taken from the business register and supplemented by the address database of the “Künstlersozialkasse” (artist health insurance company), which makes it possible to map the players by district. Altogether there are nearly 21.000 addresses available, less the players in the music industry. As an endogenous variable, we used the number of music firms in Berlin. In each case the music, creative players, as well as the event locations and clubs were weighted per unit area. The study’s main intention is to investigate the interdependencies between firms’ settlement and socio-cultural and socio-economic environment. At the beginning of the study, we phrased questions, such as if there are differences between small and larger firms, and if so can we indicate a typical environment for this industry.

For this reason we used OLS regression techniques<sup>12</sup>. Table 2 reports the results of the stepwise OLS regression for all music firms for the three different outcome variables distinguished.

Table 2. Results of the OLS regression for spatial distribution of music firms in Berlin

	[1]	[2]	[3]
	All music firms	Small music firms	Medium-sized and large music firms
<b>Constant</b>	5.093 (2.78)**	6.976 (3.42)***	-1.88 (2.53)**
<b>Social index</b>	-0.876 (2.37)**	-1.063 (-2.57)**	0.187 -1.24
<b>Status index</b>	0.884 -1.93	1.082 (2.12)**	-0.198 -1.06
<b>Index of real estate market prices</b>	-0.576 (2.97)***	-0.778 (3.59)***	0.202 (2.56)**
<b>Event locations and clubs</b>	-0.258 -1.72	-0.291 -1.74	0.033 -0.55
<b>Other Creative Agents</b>	0.099 (6.94)***	0.085 (5.36)***	0.014 (2.37)**
<b>Observations</b>	23	23	23
<b>R-squared</b>	0.96	0.93	0.84

Absolute value of t statistics in parentheses

\* significant at 10%; \*\* significant at 5%; \*\*\* significant at 1%

### *Other Creatives*

An interesting finding from the regression was that small music firms, Column [2], are situated where there is an abundance of other creative industries and artistic people<sup>13</sup>.

<sup>11</sup> CB RICHARD ELLIS BÜROMARKTBERICHT 2004.

<sup>12</sup> There are various problems associated with using OLS on this data set, but it serves as a first approximation for the moment.

<sup>13</sup> See also CAVES, 2000.

The music industry sees itself as a part of the creative industry (see LEYSHON, 1999; SCOTT 2001; , NEGUS, 2002; HESMONDHALGH and NEGUS, 2002; MUNDELIUS and HERTZSCH, 2005). Music firms are looking for other creatives because of the spirit and humus of creative artists. It is essential for small music firms to belong to a scene in order to read codes and later market themselves. This finding perhaps indicates that location is of particular importance when identifying a profession, thus highlighting the obvious proximity of creative firms in such a locality. It seems to be especially important for small firms and start-ups to locate themselves where they can easily use the advantages of firms and institutional thickness (AMIN and THRIFT 1994:13).

A look at Column [3] shows, that medium-sized and large music firms have fewer affinities towards the presence of other creatives. Once a firm has a stable market position and/or a prominent reputation, one strategy could be to position itself in a representative area, with high-valued property and a distinct aura, setting the location apart from others.

Also, as a company gains respect in the global market, it becomes more necessary to have a striking address, in order to maintain a distinctive image.

#### *Index of real estate market prices*

Leases for office space fit into these considerations. A distinct negative correlation can be noticed regarding small companies; expensive areas within the city will be avoided, normally due to the economic situation. A cost reduction is achieved through settlement in the outskirts of the city, although most firms show a preference for more centrally located office space in the centre of a district. (see map 1).

Larger companies have a positive correlation with the amount of the lease. Prestige plays a more important role than does cost saving for medium-sized and large companies.

The “status group” in Column [3] is driven by representation-oriented and centrally located areas. Our thoughts were based on the fact that status is interdependent with the willingness to pay a high lease. Though it was not clear from the empirical study, it is our belief that there is significance, with respect to image factors related to a site location.

Creativity and inspiration as well as an affiliation with a particular scene are no longer defining matters. It is sufficient to have gatekeepers to observe and pick up talents and new styles for the creative-related firms. The gatekeepers serve as a contact and a link to the scene and public relations. Another point is the acquired reputation over time. After reaching a critical bulk of the target population, the company’s reputation alone attracts artists and talent. A well-known company could even settle in the outskirts of the city, because the salary possibilities, in addition to other incentives, make it a convincing employer.

This belief is based on some observed tendencies in this direction. Our plan is to further examine this point in the future.

#### *Event locations and clubs*

The infrastructure of event locations and clubs is very important. They can serve as platforms for face-to-face communication as well as places where the produced music can be tested on audiences. To be within a close proximity to these locations can be advantageous, e.g. for spontaneous business meetings.

In this way event locations and clubs can be seen as a kind of marketplace and recruitment base and sometimes only a space for experiment fields to sensitise new trends as a node for artists, institutions and audiences (see also LEYSHON, 1999).

However, the astonishing results show that, for small and medium-sized companies, there is no significant correlation regarding the spatial distribution. In a visualisation of the spatial distribution, the impression is that a homogenous pattern of event locations and clubs exists in Berlin with no obvious concentration.

### *Social Index*

In the correlation between social and status index, the variables tend to be more significant for factor loadings of social index and could explain the results of the regression (see Table 4). The average in Berlin is zero. Negative values imply a poor social structure, while positive values imply a sound social structure. The mean is centred at zero.

63% of all Berlin residents live in districts with an above-average social structure.

Only for small firms does it bear a significant correlation. Districts with negative, lower values seem to be interesting for music firms. In order to interpret this observation, the individual variables must be more closely examined.

These districts are normally socially weak and are characterized by low-income households, high unemployment, poor health care and low education levels. But the majority of these districts are downtown. One of the most dominant variables is the share of immigrants in the individual districts. A large percentage of immigrants contribute to the character and culture of a place by adding their own origins to it. These factors combined provide inspiration, a friendly environment and a new culture and microcosm in itself. These localities are highlighted by people, multi-cultures, lifestyles and colours, each with a unique twist. Such areas are original in nature because the only thing that binds its elements together is the lack of conformity. What goes without saying is that such localities thrive on the youth of society. Such artistic and creative communities are constantly changed and improved by a moving population and flexibility. It is this very feature that makes Berlin not only an exciting halt for many young adults, but also adds tremendously to the city's attractiveness. The music industry is perpetuated by young people who bring life, freshness, energy and creativity to it.

### *Status index*

As seen with the social index, again the small firms correlate with this index, in this case positively.

Districts with a high property value attract music firms for many reasons.

A predominantly young, highly educated social group build the structure of many single households. According to the results for the relationship of creativity and education in Dutch cities (Marlet & Woerkens, 2004: 14) we have also found evidence for the importance of human capital for the creative industries, especially for music companies.

## **4.2 Questionnaire survey**

In the summer of 2004, we conducted a survey among media and information technology companies in the states (Länder) of Berlin and Brandenburg in Germany. We mailed questionnaires to 9209

companies listed in the commercial register of the Chamber of Commerce and Industry in Berlin and Brandenburg. 12.4% of all music firms were identified in Berlin.

With the information gained from the questionnaires, we tried to understand the structure of the industrial system, e.g. some of the links and value-chains that emerge.

It was a question of location conditions that were valued highly by the surveyed, such as an inspiring atmosphere and cultural surroundings<sup>14</sup> as well as Berlin's image.

Approximately 95% of those surveyed by questionnaire value the meaning of the site location positively, for these two attributes. With almost 90%, the firms voted for quality of life and leisure and supply of qualified personnel in creative fields, along with transportation infrastructure, in their rating of Berlin. Nearly 93% of firms, who took part in the survey, declared Berlin as the best site in Germany, when asked if they were to choose again, where would they settle. In the comparison to the other surveyed media and information-technology industries, in these two states, the music industry has the most international level, in regional distribution of clients, suppliers, and co-operation partners.<sup>15</sup> Furthermore, the question of methods for recruitment of new employees and freelancers (SCOTT, 2000: 53) can be seen as an indicator for networking.

The majority of respondents<sup>16</sup> tend to recruit them based on previous experience and teamwork skills (77%) and through contacts of other employees (ca. 69%). All other categories like enquiries made to other companies, announcements in the newspaper and other appropriate magazines, Internet job market, job applications, apprenticeships and employment agency account for less than 20% each. In fact, these interpersonal exchanges act as a synergy factor, not only for exchanging information between competitors, but also for vitalizing the milieu as an advantage for all participants. (RATTI et al., 1997).

The significance and potency of this shown relationship is evidence for the importance of informal contacts and trust. Especially the concept of trust is the guarantee for the inner dynamics of local economic systems, for co-operation and competitive performance and will be seen in a wider social and spatial context on the agenda even of mainstream thinking (see also SCOTT, 2000; GRABHER, 1993 and LÄPPLE, 1994).

With these assessments in mind, we focused on the sources of inspiration of the firms (and its employees) for innovations and creative ideas. Some of these are more easily accessible through their local proximity; we classified the following sources for inspiration as mainly local: cooperating firms, competitors, newly hired employees, private contacts, suppliers, local cultural scene. Other sources of inspiration from the questionnaire, which do not necessarily have this networking character, are electronic databases, exhibitions, conferences, technical literature and patent offices, among other things.

Interesting were the findings. Except the electronic databases the most dominant answers were given for mainly located sources. Particularly with regard to theories of innovative and creative milieus this criteria's are basically for the mainly network related relationships.

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<sup>14</sup> In the following phrased as creative atmosphere.

<sup>15</sup> Approximately 1/3 for clients, 1/4 for suppliers and co-operation partners.

<sup>16</sup> More than one answer is possible.

Table 3 The Sources of New Ideas and Inspiration for Innovations and Creative Ideas

Answers <sup>17</sup>	in %
Private contacts	62.5
Customers	58.3
Electronic internet databases	50.0
Co-operation partners	47.9
Local art and cultural environment	47.9
Competitors	43.8
Companies fairs, exhibitions, meetings	33.3
technical literature	33.3
supplier	20.8
Newly hired employees	8.3
Universities and research institutes	8.3
Technology transfer	6.3
Continued education	4.2
Patent	0.0

### 4.3 Interviews

The interviewed firms are mainly labels, publishers of sound recordings, event organizers and sound studios.

These players do not completely correspond with the music firms addressed in the questionnaire, but with the majority. The artists, the production of musical instruments and related services are missing. Because of cognitive interests, we concentrated our empirical survey only on popular music related industries. In all, we talked to 18 companies and 12 industrial organisations and institutions. Only two of the interviewees were from major companies.

The aim of this investigation was the consolidation of knowledge drives from the questionnaire and to appoint (them)? to the network structure of the music industry in Berlin.

2 areas were selected, with the highest concentration of firms in Berlin ('*Prenzlauer Berg*'/'North *Mitte*' and '*Kreuzberg*'/'*Friedrichshain*').

In the valuation of site location conditions for the category image of Berlin, what we have found is for the interviewees also most important.

Explanations like: "*At the moment Berlin is the most exciting city in Germany*", *Berlin is the capital for pop-music*" or more drastically "*Berlin is the new capital of music in Europe*" (different personal interviews, all 2004) show examples of the perception of music players in the investigated agglomeration. Also, the prompted category quality of life and leisure were substantiated by interviewed persons.

Particularly with regard to the scene and (sub-)culture, in their respective districts, we realized different preferences and socio-cultural features. The consciousness of social affiliation was in high gear. The music players revealed a high identity to the dominant scene in their districts

*"I have lived here, before I started my business here"* or *"Prenzlauer Berg' is our home base, ... we are definitely not ,Kreuzberger"* (2 different personal interviews, 2004).

<sup>17</sup> Due to overlaps, more than one answer was possible.

The embeddedness of individual professionals in a community results also in the desire to bring the place of residence and workplace together. Even the small and medium size firms asserted their preference for the site location.

Nevertheless, the maintenance of this identity as artists, despite being a crucial motivation tool, does neither automatically nor completely negate the basic contradiction between the two worlds of reputation building and the different performance criteria they are based on.<sup>18</sup>

In this circumstance we refer to the debate on the convergence of work and life (see chapter 1.3).

In another aspect of location selection, clubs, event locations and stages, as a part of 'cultural infrastructure', played a role for the interviewed persons.

New music styles are only possible in cultural milieus and corresponding music scenes. LEYSHON (1998) also refers to the impact of these locations in his book 'The Place of Music'.

Besides the basic common cognitive, cultural and social context, these places act as the most important form of knowledge spillovers, in the form of tacit knowledge.

The institutional thickness of Berlin is perceived from both major and independent companies as positive. The most important national industrial organisations are now situated in Berlin; also high profile awards shows and exhibitions are relocating to Berlin and serve as a platform for the music industry.<sup>19</sup>

When asked who or what influences cause firms to relocate to Berlin, one interviewed representative of an industrial institution answered, "*O.k., relocation is occurring, but I don't think, that it's well-directed like the industrial institutions, who moved to Berlin. It's just a feeling, if anything; there are many possibilities here, and I will try it out. I know that some national labels, who have perhaps one person and a back office here, have said that they want to have a look*" (personal interview; 2004).

The proximity to the political decision-makers, like the German government, was a very important reason to relocate, especially for the majors companies.

The local embeddedness and the spatial proximity to the players are advantageous for the exchange of knowledge and the development of innovative networks and structures of milieus (DÖRING, 2004). In addition, new value chains were initiated.

As in all cultural economies, a breeding ground, with creatives, talent and also open to innovative individuals, is indispensable to the production and distribution process for the music industry, and thus a pre-condition for success in the market. The interviewees exactly accurately attest to this. The high percentage of young people and the continuous flow of new ones are meant by creative humus.

*"In no other city in Germany can we act out our own creativity and develop like we can here"* (personal interview, 2004).

*"Berlin seems to magically attract 'creative potential'".* (Personal interview, 2004)

To add to these assessments, the often-mentioned lower cost of living and low rent as well as the availability of gaping spaces and empty business premises in a low-cost segment come into the comparison with other cities in Germany.

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<sup>18</sup> THIEL, 2003.

<sup>19</sup> Ten years ago, there were no national industrial organisations or other named institutions in the city.

## Conclusion

With the influence of postmodernism in mind, theorists and professionals try to analyse and ease the multiply attested crisis of cities. In doing so, they label economies, that rely largely upon the embedding into an urban context and consequently contribute to a restructuring of existing city landscapes. In this context, much attention is given to culture economies.

This paper takes on these notions and discusses the specific characteristics as an urban economy, on the basis of the music industry, which among others constitutes a part of the culture industry.

Under reference to three important dimensions (cultural, sociological, economic) of post-modern cities, it becomes clear, that the music industry relies upon the embeddedness in an urban context. An urban context thereby represents not only with its spatial accumulation of physical capital, but also its variety of human ability and talent of culture production and image construction, specifically in a creative context.

Furthermore, certain characteristics of creativity were discussed.

In order to continue to filter out important elements for this paper, the theoretical contextualising of network and milieu concepts was emphasised as the third thread, which can be transferred to an urban context in spite of its regional-economic origins. Particularly, the qualities of creative and innovative milieus and the role of the dissemination of knowledge took centre stage. Distinctive features of these creative and innovative milieus are the presence of active milieu contact networks, in which the players are connected by a close exchange of information and enable the exchange of context-related knowledge, especially, and the given milieu consciousness overall, which guarantees a mental bond. With these compiled specifications, the network structure and network behaviour of the examined group can be qualified and systematically put out in the form, how the respective spatial concentrations are internally organised and what role the exchange of knowledge plays.

In addition we have presented a general description of the geographic features of the music industry in Berlin, Germany, paying special attention to its intra-regional concentrations in agglomeration.

A main focus of this paper besides the theoretical debates were the empirical findings. The influence on firm settlement in the music industry is highly dominated by the concentration of other creatives in preferred districts.

Particularly with regard to small companies in contrast to medium and large companies the socio-cultural environment play a more important role.

Also for this small companies the hard site location factors are indispensable for a cost-saving behaviour. They have to orientate themselves to restrictive micro-economic aspects.

In Accordance with the results from the questionnaire survey as well as the interviews, we would propose that network structures exist for the 3 investigated clusters in Berlin.

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## Appendix

Table 4: Results of factor analysis for building social and status indices

Variable	Factor coefficients for	
	Social Index	Status Index
<b>Demography and Household Structure</b>		
Share of males	0.7890	0.2820
Persons ages 18 and under	0.2590	-0.7950
Persons ages 18 to 35	0.5810	0.7230
Persons ages 35 to 65	-0.4550	-0.5230
Persons ages 65 and older	-0.7630	-0.1810
Immigrants (excluding EU-citizens)	0.7710	-0.0999
1-Person household ages 65 and younger as share to all households	0.6520	0.6890
Size of households	-0.1830	-0.7250
Single parent with children under 18 years as share to families with children the same age	0.0688	0.5560
<b>Education</b>		
Persons with secondary school only	0.1430	-0.6970
Persons without vocational qualification	0.8740	-0.1470
Persons with entrance qualification to applied science colleges or universities	0.0393	0.9020
Persons with at least an undergraduate degree	-0.2050	0.8240
<b>Professional life</b>		
Unemployment rate	0.9190	-0.1540
Waged workers in labour force	0.4000	-0.6840
Salaried employees in labour force	-0.4590	0.6040
Family members working as free-lancers or low-income jobs in labour force	0.0828	0.5540
<b>Income Source</b>		
Persons with vast majority of income from retirement/pension plans	-0.6750	-0.2480
Welfare recipients	0.8990	-0.2940
Average per capita income	-0.8850	0.3110
Average household net income	-0.7440	-0.1960
Persons with earnings less than 500 euro per month	0.7420	-0.3980
<b>Health Condition</b>		
Early death	0.9400	0.1060
Reported Tbc cases per 100,000 in the population	0.8000	-0.1490
Total life expectancy	-0.8800	-0.0347

Source: Senatsverwaltung für Gesundheit, Soziales und Verbraucherschutz (Hrsg.) (2004): Sozialstrukturatlas Berlin 2003, p. 21.

Map 1: Intra-regional distribution of Music companies in Berlin

