

The location of the creative class and US- subsidiaries in Germany

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Agenda

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1. Motivation and research question

- US-investment in Germany high
- one of Germany's key advantages is high skills
- within-country differences in Germany in terms of the location of skills, infrastructure, different industries etc.
- the question arises, in how far certain US-companies locate new subsidiaries in Germany in specific locations that should be more attractive to highly skilled local staff

2. Creative Class

- Florida's concept originated from North America
 - importance of amenities and the role of place
 - key factors of the concept:

Technology

Talent

Tolerance

2. Creative Class II

- critiques
- need for more empirical studies (Reese, Faist, & Sands, 2012, Brelot et al, 2010)

2. Creative Class III

- different scholars have applied the concept to several countries in Europe, with mixed results in how far the creative class concept can be applied, however generally a link between creative class locations and innovative activities detected (Boschma, & Fritsch, 2009)
- foreign subsidiaries have not been analyzed as yet in this regard

3. The creative class concept applied to Germany and US-investments

- US-companies wanting to locate new activities with a need for highly skilled staff in Germany may look for creative environments
- specifically, the following elements may play a role:

business specialization

organizational rank of subsidiary

need for subsidiary to connect with outside environment

4. Hypotheses

H1: More non-manufacturing operating US-subsubsidiaries are located in creative locations in Germany.

H2: US-subsubsidiaries of higher organizational rank within their company are located in creative locations in Germany.

H2: US-subsubsidiaries with a higher need to connect with the outside environment are located in creative locations in Germany.

5. Data and operationalization

- data from the Amadeus Database on US-subsidiaries in Germany where a US-company holds more than 50%, and additional information
- subsidiaries with more than 50 staff analyzed
- subsidiaries founded since 2000 analyzed
- resulting cases = 149

5. Data and operationalization II

- **Dependent variable:**

creative class rank: between 1 (most creative state region) and 16 (least creative state region) – measure adopted from Institut für Bevölkerung und Entwicklung

- **Independent variables:**

subsidiaries distinguished by non-manufacturing (0) vs. manufacturing (1) via industry codes (H1)

subsidiaries of higher organizational rank: whether the subsidiary has subsidiaries itself and if so how many (between 0 and 11) (H2)

subsidiaries with a higher need to connect with the outside environment: whether the location of the subsidiary has an airport (yes = 1, no = 0), whether the subsidiary is in a city (1 = more than 100 000 inhabitants, 0 = smaller) (H3)

6. Findings

descriptive statistics	mean	standard deviation	min.	max.
creative class rank	5.899329	3.189393	1	16
with airport	.3892617	.4892273	0	1
city	.4899329	.5015846	0	1
manufacturing	.3221477	.4688753	0	1
subsidiary rank	1.013423	1.696525	0	11

6. Findings II

correlation analysis	creative class rank	with airport	city	manufacturing	subsidiary rank
creative class rank	1.0000				
with airport	-0.2345	1.0000			
city	-0.2857	0.7595	1.0000		
manufacturing	0.2252	-0.2853	-0.3021	1.0000	
subsidiary rank	-0.0797	-0.0959	-0.0713	0.0710	1.0000

6. Findings III

creative class R-Square: 0.1149			
	coefficient		
manufacturing	1.066578*	😊	H1
subsidiary rank	-.2061661*	😊	H2
with airport	-.2056123		H3
city	-1.413024*	😊	H3
constant	6.536991***		

7. Conclusions

- except for one measure suggested relationships between type of subsidiary and whether it is located in a state region within Germany that is more or less creative supported
- newly founded US-subsidiaries are attracted by creative class locations if they operate rather in services than manufacturing, have a higher importance within their company structure and have at least partly a higher need to connect with the external environment, i.e. are located in bigger cities

7. Conclusions II

- potential implications for investors for location decisions – following the lead of other investors may make sense
- potential implications for regional planning initiatives – one may look for inspiration from specific states in Germany when trying to attract certain different investors to other states in the long-term

Thank you!

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