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ACRE report 6.5

European Commission

CITIZENS AND GOVERNANCE IN A KNOWLEDGE-BASED SOCIETY

Kaisa Kepsu
Mari Vaattovaara

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

Amsterdam 2008
AMIDSt, University of Amsterdam

ACRE

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EXECUTIVE SUMMARY

This study forms a part of a large ongoing EU-funded project ACRE (Accommodating Creative Knowledge - Competitiveness of European Metropolitan Regions within an Enlarged Union). The project seeks to identify the most relevant factors motivating workers and companies in creative knowledge intensive industries to establish themselves in Helsinki. In this sub-study the focus is on the companies. We are trying to discover what the drivers behind companies in selected knowledge intensive and cultural industries are to settle in the Helsinki Metropolitan Area, a city which has become one of Europe's leading knowledge-based economies, and has recently done extremely well in several international rankings of creative and competitive cities. Also, we wanted to find out why the companies are located in a particular part of the region and what factors influence the location decision, "hard" or "soft" factors. Consequently, how attractive is the city for the creative knowledge companies?

In order to understand these location patterns we interviewed managers in leading positions in creative and knowledge-intensive companies from three economic sectors: 1) Film/video and TV/radio which represent a "highly creative" sector, 2) business and management consulting, an example of a knowledge-intensive sector, and 3) "innovative" software, a sector with features from both creative and knowledge intensive industries.

When analysing the results, it is important to keep in mind Helsinki's position as a capital city, and an undisputable primate city in Finland. Much of the economic activity and the people are located in the capital region, the only city that could be called a lively and diverse city; even a metropolis. Our results show that often there is no other choice for settling their companies in Finland. Our study also shows that the economic sectors we have chosen for this study are proportionally more heavily clustered into the capital region than companies on average. It is likely that companies in creative and knowledge intensive industries are particularly eager to settle in the Metropolitan Area than elsewhere in the country, as the tendency in the fields have been also elsewhere. Clustering is particularly strong in Film and TV industries, which are also quite heavily concentrated locally into certain parts of the city.

Basically the economic sectors chosen for this study were very different from each other, and thus had varying location demands according to the size of the companies and time they have been in business. However, some similarities emerged to what was important for a location choice. The factor that came up as the most decisive was the need for a supply of specialised and skilled labour force. Interestingly, also internationally oriented companies were dependent on recruiting locally, even though most of their other networks were international. The clients being located there was another frequently stated reason for operating from Helsinki, particularly among consulting companies.

Clustering close to each other regionally (in Helsinki) or locally (in a certain area of Helsinki) seem to be important for the companies. Companies, labour and support infrastructure tend to concentrate together, and gain advantages through clustering. Thus, our results thus point to the fact that “hard” factors are decisive for creative knowledge companies in Metropolitan Helsinki. “Soft” location factors, such as the atmosphere of the city and the availability of high quality residential space were regarded more as a “bonus”. In film and TV however it seems as if the soft factors and the urban lifestyles of the people in the industry lie beneath the actual location decisions, despite the fact that managers directly stated hard, classic motivations for company location choice.

When it comes to company location locally within the metropolitan area, also here the “hard” factors tend to dominate. Accessibility was deemed the most important location factor, and surprisingly the availability of parking spaces was valued very highly. The dependency on private cars was the same in all sectors, even the highly creative film industry. Also, image and prestige of the locality seemed quite important, particularly for newly established companies. The most esteemed place for the companies in all sectors is the city centre. Also being located in business parks is considered to give a good image to the company.

One of the results of our study is that many location decisions are not based on “hard” or “soft” factors, or on positive clustering effects, but simply on personal grounds. Most of the company founders are born, have family or have studied in the capital region, which certainly influence where they want to start a company at. This is true also when choosing the location within the city, particularly when the company is not located in the city centre. Many companies are established close to where the founding manager lives. Thus, family ties and personal trajectories seem to be a relatively important and perhaps somewhat neglected factor to take into account when investigating location patterns of companies.

In this study the “highly creative” stand out as having somewhat different preferences than the rest. People employed in “highly creative” professions such as film or web design appears to value “soft” location factors more, such as the ambience of the city. This is in line with the results in our previous sub-study on creative knowledge workers in Helsinki (Kepsu and Vaattovaara, 2008). However, these soft factors influence company location much less than they influence where these people choose to live. In business locations “harder” business reasons outweigh the “softer” factors. Accessibility and lower rents are considered more important than atmosphere issues.

Generally speaking, most companies are quite satisfied with their location in the Helsinki Metropolitan Area. Reasons for satisfaction mentioned were cluster benefits of being geographically concentrated in Helsinki, in the most urban, diverse and “creative” of the cities in Finland, low hierarchy in business, a highly organised city and the support and investments of the local government. However, according to the managers, there are certainly some obstacles for the future of a competitive knowledge city. Our results suggest that the problems are two-level: structural and cultural.

Interestingly, one of the most frequently mentioned *structural obstacles* by company managers was the lack of parking spaces. This was the case in all the studied fields, but was surprisingly a problem especially in the most creative of the fields, the film industry. Another important structural condition that raised concern was the supply of a skilled labour force. Our study shows that the existence of good labour is main reason for locating in Helsinki. In all sectors however the managers were worried about the small talent pool, as well as the quality of the education in Finland.

A crucial structural obstacle mentioned is the housing situation in the Helsinki Metropolitan Area, which is a key factor for the existence of relevant labour. From an international perspective the standard of housing in Helsinki is low both quantitatively and qualitatively. In our study, the problem comes out in two different ways, depending on the difference in residential preferences between the "technical innovators" and the "highly creative", due to different lifestyles. Firstly, the skilled experts with technical and knowledge-based backgrounds value spacious living in a single-family or at least a semi-detached house close to nature. Thus, they are looking for spacious, high-quality homes usually outside the centre, in the suburban areas. The second part of the housing problem is the lack of reasonably priced apartments in the centre of the city. The "highly creative" workers attach great importance to being close or amidst the buzzing urban life. Currently, finding an apartment in the centre, particularly if you have children, is very difficult. It is clear that the housing needs of the skilled people are not met.

In order to accommodate companies in the Helsinki Metropolitan Area, housing policy needs to be paid special attention. This is in line with our result from the previous empirical ACRE sub-study, where the satisfaction and demands of the Finnish creative knowledge workers was examined. Their message was that the housing situation is anything but satisfactory in the region (Kepsu and Vaattovaara, 2008). This study clearly shows that the labour supply is extremely important for the location of creative knowledge companies in Metropolitan Helsinki, and thus their workers' demands should be taken seriously. If the region wants to attract creative knowledge companies it needs to take care of the people potentially working for them.

A whole different set of challenges for the Metropolitan Helsinki to be a competitive, innovative and creative city is what we call the *cultural obstacles*. The managers were often negative about the atmosphere in the city towards entrepreneurship and success. Helsinki and Finland is not considered to be a very encouraging place to be an entrepreneur. Many companies wish for a more positive attitude towards creating your own business. The egalitarian society model also brings with it some negative consequences for competitiveness. Top talents are not supported or taken care of. In addition, the attitudes towards culture in Metropolitan Helsinki were not considered very positive. Particularly managers from "highly creative" companies, such as in film, were widely concerned about the lack of support for cultural industries, and were worried about the appreciation of their field. Some were highly critical to the whole support system and everything being centred on money.

Thus, a major challenge for the policymakers and the City of Helsinki is how to be a creative and well-functioning and organised at the same time. How much can the city vitalise and diversify urban space, while simultaneously being the organised and "clean" city where everything works, and which is considered as one of its strengths?

1 INTRODUCTION

1.1 Introduction and outline of report

This study forms a part of a large ongoing EU-funded project ACRE (Accommodating Creative Knowledge - Competitiveness of European Metropolitan Regions within an Enlarged Union). In the ACRE project the purpose is to assess the impact of the “creative class” and the “creative industries” on the competitiveness of 13 metropolitan regions in the EU. The central research question addressed is: what are the conditions for creating or stimulating ‘creative knowledge regions’ in the context of the extended European Union? The project seeks to identify the most relevant factors motivating workers and companies in creative knowledge intensive industries to establish themselves in the metropolitan region. Comparativeness is important; the research looks to find out what similarities and differences exist in this context between the various urban regions across Europe, representing diverse pathways of development.

The objective of this sub study is to understand the drivers behind the decisions of the managers of selected knowledge intensive and cultural industries to settle at a certain location in the Helsinki Metropolitan Area. What location factors played a role in their decision making process? Were the choice to settle in a particular location based on ‘classic’ factors, such as the presence of adequate and specialised labour, accessibility or tax incentives, or on ‘soft’ factors such as the quality of space, atmosphere of the city and region or available high-quality residential space? What is the relative importance of these location factors? Special attention will also be paid to the role of the urban and/or regional government: did specific strategies to stimulate or create ‘clusters of cultural and/or knowledge-intensive activities influence the company’s location decision?

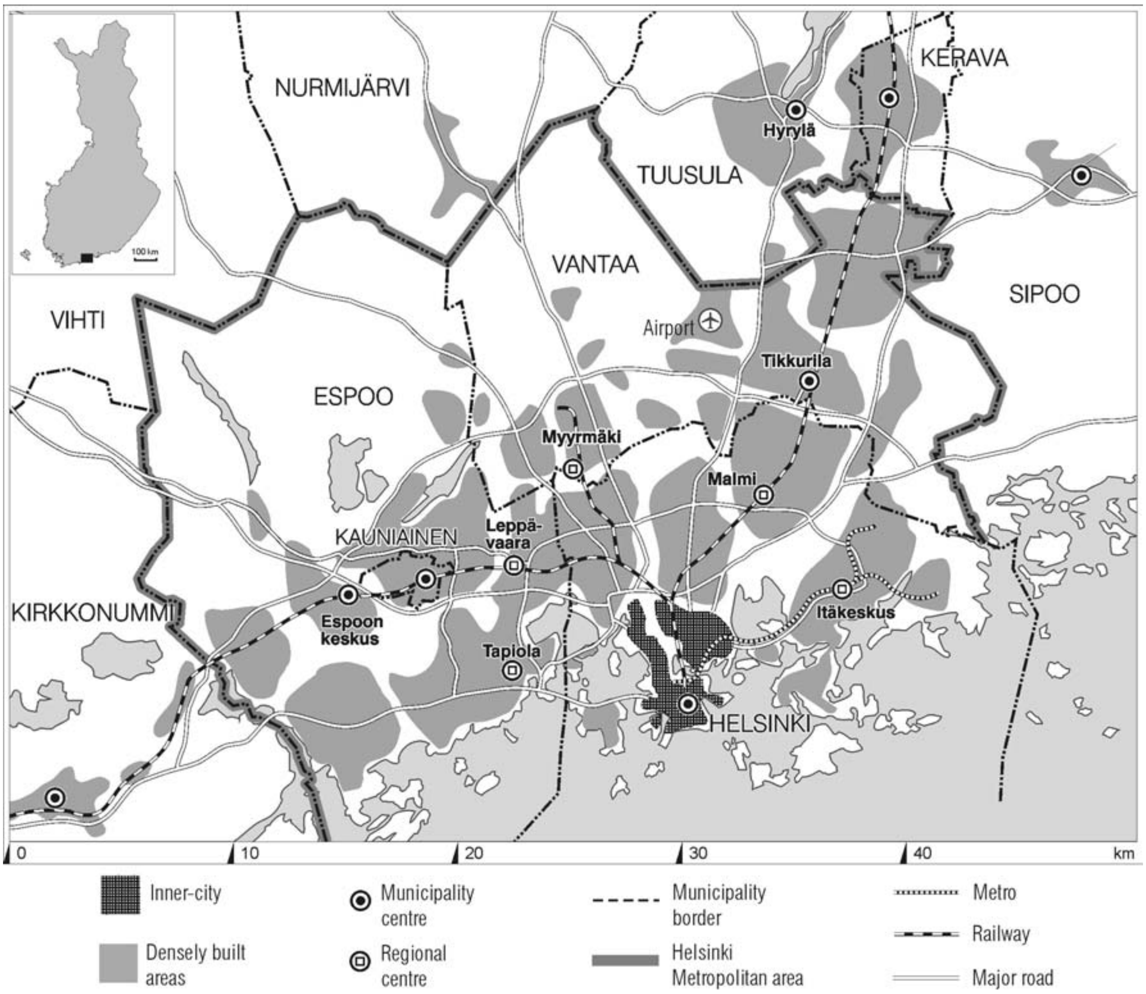
In an earlier empirical stage we have analysed how attractive the Helsinki Metropolitan Area is for the creative knowledge workers (Kepsu and Vaattovaara, 2008). The underlying assumption was that in order to be competitive, the urban region needs to attract the right talent. In this study, the focus is on the companies, and why they are locating in the Helsinki Metropolitan Area, and in a specific part of the city. In order to understand these location patterns we interviewed managers in leading positions in creative and knowledge-based companies. In the upcoming stage of the empirical analysis in the ACRE project we will interview trans-national migrants to investigate what the metropolitan region’s potential is to attract talent from abroad.

This report is structured as follows. First we will set the context by giving a short background to the Helsinki Metropolitan Area and Helsinki as an innovative city. Then the studied economic sectors and their development in Helsinki will be introduced. We will thereafter describe the research design and methodology. The results of the study will be presented in chapters 4, 5 and 6, all three economic sectors separately. Finally, we will discuss the results in the conclusion of the report.

1.2 Helsinki as an innovative city – Introduction to the metropolitan area

Helsinki and its metropolitan region is a clear primate city in Finland, and the region obviously dominates Finland in several respects. In this report, we are focusing on the geographical entity of the Helsinki Metropolitan Area (or Metropolitan Helsinki). It is defined as a region consisting of the four municipalities of Helsinki, Espoo, Vantaa and Kauniainen (Figure 1.1). Helsinki is the only city that can be called a metropolis in Finland, and altogether harbours almost one million inhabitants (Helsinki Regional Statistics, 2008).

Figure 1.1 - The Helsinki Metropolitan Area includes the municipalities of Helsinki, Espoo, Vantaa and Kauniainen



Source: Own illustration

The economic and social impact of the core area is reflected to a large area. The influence area of the city reaches much further than just these four municipalities. With its satellite municipalities (8 in total) the region has a population of more than 1,2 million. Helsinki's share of the national population is 24 percent. It has 29 percent of the jobs in Finland and 36 percent of GVA of Finland as a whole (Laakso and Kostiainen, 2007). In the creative and knowledge intensive industries the region's share of the employment positions is clearly higher, and most of the sectors, such as the media are strongly clustered into the region. For example, in television and radio activities more than 70 percent of the employment is in Metropolitan Helsinki, as we will discuss further in this report (Statistics Finland, 2007). In addition, the growth rate is not only one of the fastest in Finland, but also one of the fastest in Europe. In Helsinki the GVA growth rate between 2001 and 2005 was annually 3.9 %, and has accelerated from 2004 onwards. According to forecasts, Helsinki continues to be one of the fastest growing metropolises in Europe both measured by employment growth and production growth (Laakso and Kostiainen, 2007).

A cornerstone of the Finnish welfare state system is education. In Finland the educational system has been open to all strata of the society, and investing in education has not been negotiated even during the worst economic recession (Holstila, 2008). Today the younger generations in Finland are among the highest educated in the world (Ylä-Anttila, 2005). The educational level in the Helsinki region is high, and is constantly growing: 68 percent of persons over 15 years of age has a degree (secondary or higher) and 34 percent a university or polytechnic degree (City of Helsinki, Urban Facts, 2006). Finnish students have ranked number one in recent PISA studies (OECD), and in an international comparison, women's education levels are particularly high. A broad base of educated and competent labour has without a doubt been a competitive advantage for Finland and Helsinki in the new knowledge based economy. Focusing on high education and work-tasks based on the education and competence are widely seen as ways in which the Finnish economy will survive in the global competition.

The well-developed knowledge base is one major reason for the fact that Finland and Helsinki has frequently ranked very high in different indexes measuring competitiveness, innovation and economic performance. In 2006-2007 Helsinki was positioned as number two after Brussels in the European Competitiveness Index (Centre for International Competitiveness, 2007). Also, in Richard Florida's and Irene Tinagli's report "Europe in the Creative Age" (2004) Finland is seen as one of the top performers in Europe that is doing "exceptionally well" according to their indicators of competitiveness. The report further concludes that "Finland in particular appears to be well-positioned to compete in the Creative Age with a high level of overall creative competitiveness and rapid growth in its creative capabilities" (Florida and Tinagli, 2004, p. 40). In a typology on European cities in a knowledge economy, van Winden et al (2007) classified Helsinki, along with Amsterdam and Munich, as "stars" in terms of their position in the knowledge-based economy. Whether the success in statistically based rankings and measures translates to real economic success and will be examined along the way in the ACRE project.

1.2.1 A pathway to a knowledge economy

Helsinki is an interesting case because in Finland the restructuring of the economy has happened fast. In just a decade, Helsinki has become one of the biggest technological hot spots in Europe. Today, Helsinki stands out as a modern and dynamic city with well trained labour force and systematic investments in R&D. The economy has undergone a massive change towards an open, globally integrated and ICT-driven economy, simultaneously as employing the political stability of a Nordic welfare state. The rapid ICT-based economic development since the mid-1990s has even been seen as an example to copy elsewhere in Europe. Manuell Castells and Pekka Himanen (2002) present in their book "The Finnish Model", that quite exceptionally has been able to combine the creation of competitive and dynamic information economy with the welfare state that strives for equality. They argue that economic growth and social equality do not need to be incompatible, as the Finnish case has shown (see also Vaattovaara and Kortteinen, 2003; Inkinen and Vaattovaara, 2007).

Thus, in a rather short time Finland has become one of Europe's leading centres of growth in information and communication technologies (Vaattovaara and Kortteinen, 2003). It is quite unique that Finland managed to overcome the collapse of the economy in the early 1990's, when Finland was hit by one of the worst recessions in OECD countries after the II World War. Since that, the country underwent major economic restructuring and developed its economy with the ICT-sector as the main driver to one of the fastest growing in Europe.

The main reasons to why Helsinki Region has been able to overcome the economic depression of the early 1990's and become a leading urban region are not altogether clear. The smallness and homogeneity of the Finnish society probably has been a competitive advantage for the creation and diffusion of new knowledge in specific areas, like ICT (Ylä-Anttila, 2005). Eero Holstila, Helsinki´s director of economic development, summarises three main explanations for the economic success of the Helsinki region from the city's point of view (Holstila, 2008). Firstly, the capital city position of Helsinki has brought with it some evident advantages. Helsinki is the natural location for company headquarters, cultural and media institutions, theatres and other institutions that draw in more and more functions into the capital region. Secondly, he emphasises the importance of the national policy for technology, which has strongly supported the development of particularly the ICT-sector. Thirdly and quite extraordinarily, the key actors in society in the region are used to and have been successful in working together. The government, municipalities, university and economic business were all invited and willing to join major strategic policy meetings and together invest in pulling the economy up on its feet again. Holstila argues that the economic depression of the early 1990s was in fact necessary to develop this model of cooperation between players of innovative activity. Because of the economic recession the city of Helsinki started to view things in a new light. It adopted a knowledge-based strategy for the future, based on human capital, knowledge, skills and intensified cooperation with research institutions (Manninen, 2004). Today the Finnish economy can be characterised as highly open, specialised and networked. Networking and cooperation have proven to be important for developing the now highly successful information and communication technologies in Finland (Ylä-Anttila, 2005).

Thus, the key principle of the authorities has been to mobilise and join the resources of the business community, the academic community and the administrative sector. The emphasis in policymaking has been on education, research and knowledge. The welfare system with the belief in social equity and social balance has been another cornerstone for creating a competitive, knowledge-based economy (Schienstock, 2004).

1.2.2 State of the creative knowledge industries and creative policy in the Helsinki Metropolitan Area

Employment in the creative and knowledge intensive occupations is relatively extensive in the Helsinki Metropolitan Area. In 2004 30.5 percent of the employees worked in the sectors ACRE defines as being the creative knowledge sectors, which effectively represent the creative industries (Kepsu and Vaattovaara 2008; for discussion on definitions see Musterd et al, 2007; Kovács et al, 2007, p. 20-21). Employment in creative industries amount to 12.9 percent of the total employment, and the knowledge intensive sectors employ 17.7 percent of the workforce in Metropolitan Helsinki. Also according to calculations by Florida and Tinagli (2004), the Creative Class in Finland comprises a similar share, 28.6 percent of the total workforce – the third highest in the European regions studied in the report. Employment in both creative industries and knowledge industries has risen significantly in six years (Kepsu and Vaattovaara, 2008).

In general, ICT industries are forming the most important industrial segment in Helsinki's economic profile. Since the emergence of Nokia, the worlds leading mobile phone manufacturer, a new information and communication (ICT) based growth sector was born. The growth in employment was remarkable between 1993 and 2001, until the so called "dot com" boom of the ICT sector in the early 2000 balanced the growth. The ICT sector has contributed extensively in the value-adding to gross domestic product (GDP). The GDP share of ICT has increased from 4 percent in 1990 to more than 10 percent in 2005. Nokia's share is about 4 percent (Ylä-Anttila, 2005). The employment figures, number of employed persons and jobs, are however relatively low compared to value-adding.

Creative knowledge policy issues are and have been on the agenda of the Helsinki Metropolitan Area policy makers for some time. As has been mentioned several times, investments in research and education have been the cornerstone of the policy initiatives. Recently issues on creativity and competence have become topical questions in Helsinki and Finland. There is strong enthusiasm in Finland among politicians and civil servants to work on creative knowledge strategies to foster the national development. Some practical projects with the aim of supporting creativity and developing the attractiveness of the metropolitan area have also been implemented.

The city of Helsinki´s strategy for supporting entrepreneurship and the economic development focuses on the following basic tasks (Holstila, 2008). Firstly, the city centre needs to be lively, attractive and interesting, and the city invests in supporting this development. Secondly, investments in knowledge-intensive services, such as business law, communications, design, marketing, training services etc. are important infrastructure for international corporations. As a third issue, the city tries to support the building of a world-class innovation environment through an active innovation policy. Some practical projects have been for example the establishment of an innovation fund, which finances innovative but risky development projects. The city has also created cooperation clusters, such as the Forum Virium. In Forum Virium, the aim is to create internationally competitive digital services through cooperation between corporations, public institutions and citizens (Forum Virium, 2008). Fourthly, the city needs to make sure the companies have the adequate labour supply. One way of achieving this is to invest in the supply of housing, one of the problem areas in the city. Fifthly and lastly, the city itself aims at becoming a favourable partner for companies.

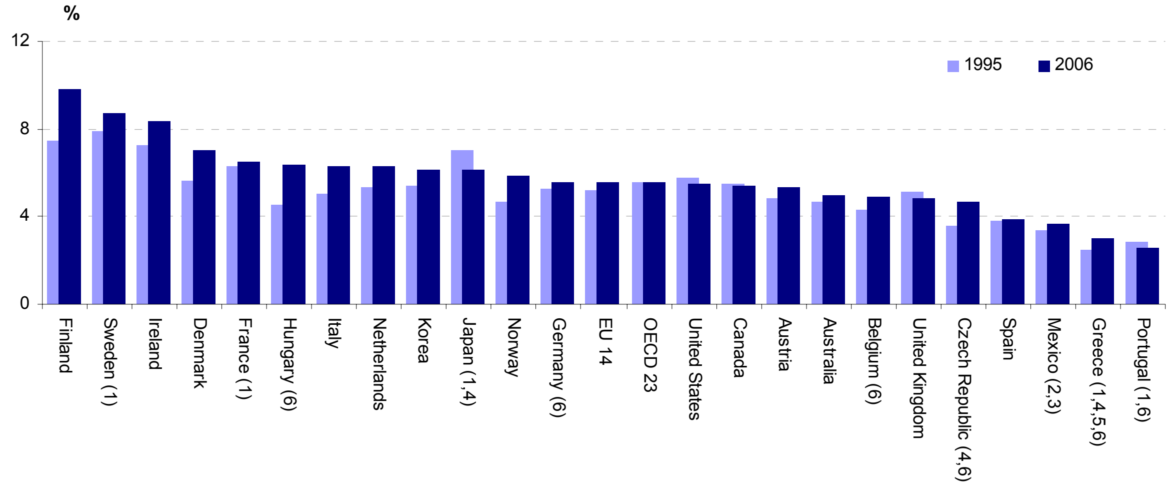
2 THE STUDIED ECONOMIC SECTORS IN THE HELSINKI METROPOLITAN AREA

For this study three specific economic sectors were selected to represent the creative and knowledge industries. Consequently, for the interviews we chose companies from these three economic sectors: 1) Motion picture, video, radio and television activities (NACE codes 921 and 922), 2) “innovative” software activities such as computer games and web design (part of NACE category 722) and 3) business and management consultancy activities (NACE code 7414). The idea is that film/video and TV/radio represent a “highly creative” economic sector, consulting is and example of a knowledge-intensive sector and software lies somewhere in between the “creative” and knowledge-intensive fields. This is a relatively crude division, since obviously it is very hard to define what a “creative” job is, and even more difficult to define a whole “creative” sector (see further e.g. Alanen, 2007).

In this section we will first have a look at all three sectors in general by briefly comparing the size and significance of the sectors for the economy in Metropolitan Helsinki as well as the development of their employment figures. Then in the following sub-chapters we will examine the sectors separately one by one. For each sector we will shortly review its general development on a national level. Then we will proceed to examine the state of the sectors in the Helsinki Metropolitan Area, with special attention to their spatial location patterns.

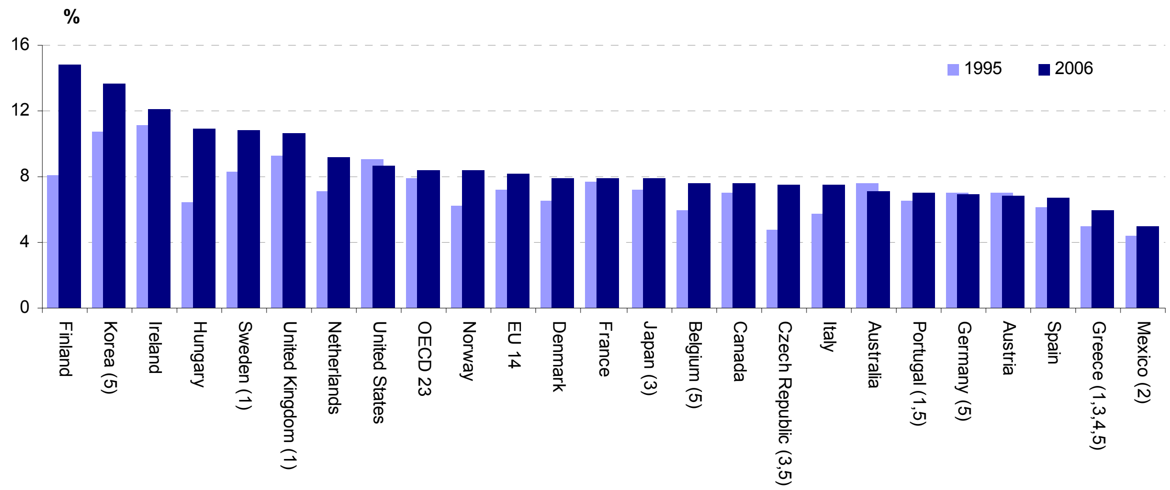
From the economic sectors chosen for this study, software is the largest, most global and the economically most significant in the Helsinki Metropolitan Area. The software sector is one segment of the broader class of information and communication technologies (ICT), which as we have noted, has had a central impact on the economic growth in Finland. The ICT’s significance for the economic development has been crucial since the mid 1990’s, and today its share of the GDP is more than 10 percent (Ylä-Anttila, 2005). By international comparison the Finnish ICT sector is one of the largest and fastest growing (Tables 2.1. and 2.2). Nevertheless, the ICT in Finland has been criticised for being too heavily dependent on one large company (Nokia) and too specialised in telecom and mobile industries. The other ICT segments such as software are less developed (OECD, 2003). Since the end of the 1990’s however there has been a clear strategy to expand and diversify the ICT-sector.

Table 2.1 - Share of ICT employment in business sector employment, 1995 and 2006, percentages



Source: OECD, IT Outlook 2008 (forthcoming)

Table 2.2 - Share of ICT value added in the business sector value added, 1995 and 2006



Source: OECD, IT Outlook 2008 (forthcoming)

Of the other two sectors studied, business and management consultancy is perhaps the second most influential, at least by economic standards. However, compared to many other European countries, the use of consultants in Finland is still not as widespread. Like other Knowledge Intensive Business Services (KIBS) also consultancy has been considered a vital part of developing a competitive knowledge economy, as it provides important support for expanding companies. Thus, the potential for growth is considered good in Metropolitan Helsinki.

The smallest sector of the ones studied here is film and TV both in employment figures and by economic performance. Yet, it is regarded as a very important constituent of a "creative city" and brings much more value than just the returns measured in money. The film and TV industry in Finland and Metropolitan Helsinki are almost altogether focused on the domestic markets, but there are some serious aspirations among the younger film making generation to go international. Compared to the other sectors studied, film is also essentially different in its business logics, due to the fact that all of the production companies are heavily dependent on public support and the work is very project oriented.

When comparing employment figures by sector, we see that the software sector is the largest one, with almost 15,000 jobs in the Helsinki Metropolitan Area in 2004 (Table 2.3). The growth in employment positions was particularly fast at the turn of the century, but levelled out after the dot com bubble burst in 2001. In the year 2004 employment has started to grow again, and prospects look good. Business and management consulting is in employment figures a clearly smaller sector in the metropolitan region, employing a little more than 5,000 people. For consulting we do not have specific figures of employment development. Of the audiovisual sectors, the TV and radio sector with around 5,000 jobs in Metropolitan Helsinki is comparable in size to consultancy, while film and video activities is clearly the smallest, employing 1,300 people in the Helsinki region. The number of jobs in both audiovisual sectors has been relatively constant throughout the period depicted in Table 2.3.

Table 2.3 - Development of employment in the selected economic sectors in the Helsinki Metropolitan Area 1998-2003

Economic sector	1998	1999	2000	2001	2002	2003	2004	Change 1998-2004 (%)
722 Software consultancy and supply	8749	10547	13584	15113	14761	14349	14966	71,1 %
921 Motion pictures and video activities	1291	1236	1258	1273	1392	1331	1313	1,7 %
922 Radio and television activities	5303	5277	5503	5442	5235	4941	4966	-6,4 %
741 Legal, accounting, book-keeping and auditing activities; tax consultancy, market research and public opinion polling, business and management consultancy	13231	14709	16394	16422	16432	15362	13069	-1,2 %

Source: Statistics Finland 2007; City of Helsinki Urban Facts 2007

Table 2.4 presents the distribution of employment in the selected sectors in the different municipalities in the Helsinki Metropolitan Area, as well as their share of total employment in the areas. As can be seen, the selected sectors' share of total employment is fairly low, perhaps with the exception of software. The jobs in the software sector constituted 2.6 % of all the jobs in the Helsinki Metropolitan Area, when comparably software's share of all the jobs in Finland is 1.1 percent (Table 2.4). It is also one of the largest sectors in the creative knowledge industries comprising 8.5 % of the jobs in this wide sector (see Kepsu and Vaattovaara, 2008 for figures and definition of sector). In the suburban city of Espoo, west of Helsinki, the share of jobs in software is particularly high, 4.2 percent. As we will see later on, the city harbours an important ICT cluster.

Table 2.4 - Employment in the selected economic sectors and their share of total employment by area in 2004

	Helsinki	% of all employ-ment in Helsinki	Espoo *	% of all employ-ment in Espoo	Vantaa	% of all employ-ment in Vantaa	HMA	% of all employ-ment in HMA	Whole Finland	% of all employ-ment in Finland
722 Software consultancy and supply	9596	2,6	4630	4,2	740	0,8	14966	2,6	25111	1,1
7414 Business and manage-ment consul-tancy activities	4029	1,1	852	0,8	364	0,4	5245	0,9	8462	0,4
921 Motion pictures and video activities	1156	0,3	65	0,1	92	0,1	1313	0,2	2006	0,1
922 Radio and television activities	4856	1,3	76	0,1	34	0,0	4966	0,9	6889	0,3
All employment in all sectors total	368263	100,0	109446	100,0	95964	100,0	573673	100,0	2262359	100,0

** Espoo including the small municipality of Kauniainen*
Source: Statistics Finland 2007; City of Helsinki Urban Facts 2007

As can be seen in Table 2.5, all the sectors are relatively strongly concentrated into Metropolitan Helsinki: 60 to 72 percent of all the employment positions in Finland are found in the capital area. By comparison, of all the employment positions in Finland, one fourth is located in the area. This is in line with the general development that creative industries tend to agglomerate quite heavily into the largest city or metropolis. Of the studied sectors in Helsinki, the audiovisual sectors are the most clustered; more than 70 percent of all the television and radio activities are located in the Helsinki Metropolitan Area. Software is the least agglomerated in the region, but nevertheless having 60 percent of the employment in the HMA**.** As a comparison, of all the jobs in Finland, 25 percent are found in the Helsinki Metropolitan Area, and about a similar share of the national population.

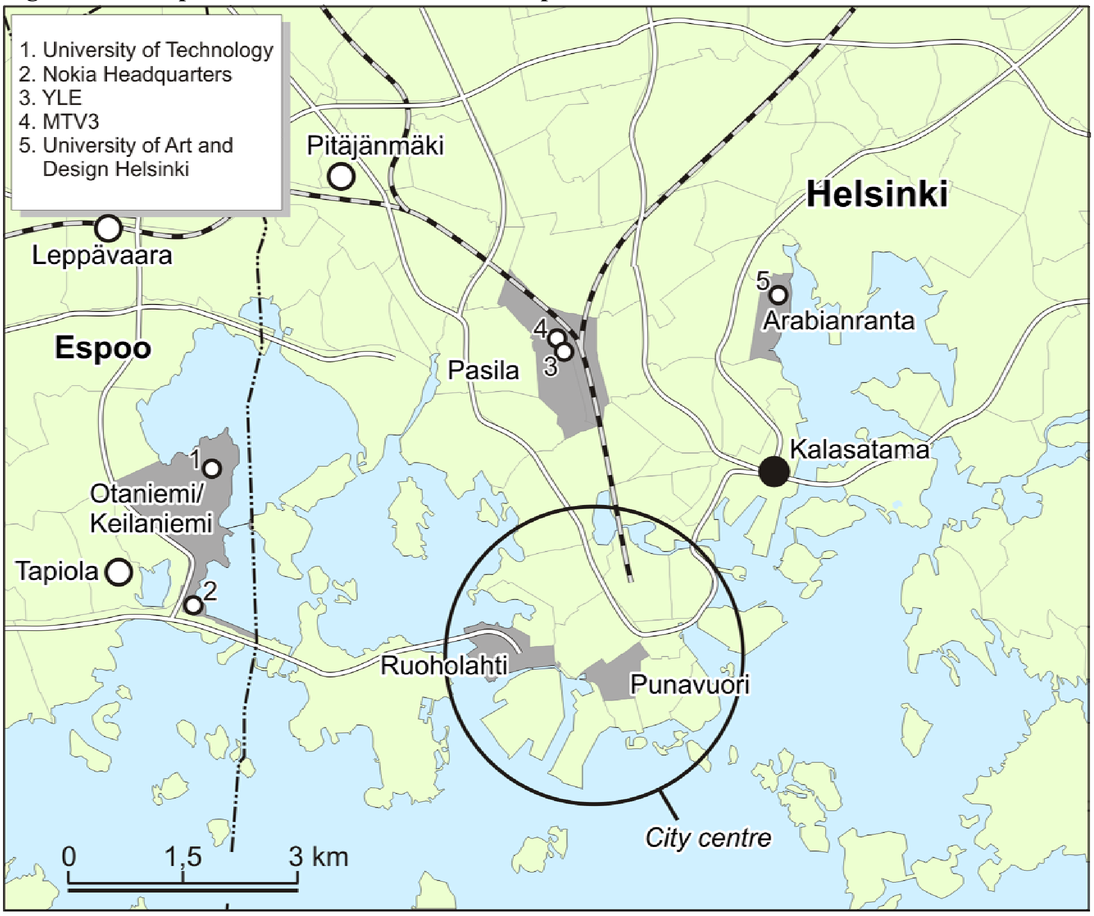
The tables (2.4 and 2.5) also show that in Film/video and TV/radio, the companies are located almost exclusively in the city of Helsinki, meaning that not much activity is found in the suburban areas of Espoo and Vantaa. Software on the other hand has a strong cluster of employment in Espoo, particularly in the Keilaniemi, Otaniemi, Tapiola district around the University of Technology and the business districts centred near the headquarters of Nokia (Figure 2.1). The spatial distribution of employment is investigated in more detail sector by sector in the following sections.

Table 2.5 - Employment in the selected economic sectors and their concentration into the Helsinki Metropolitan Area in 2004

	Helsinki	Espoo *	Vantaa	HMA	Whole Finland	Employment in city of Helsinki / Finland %	Employment in HMA / Finland %
722 Software consultancy and supply	9596	4630	740	14966	25111	38,2	59,6
7414 Business and management consultancy activities	4029	852	364	5245	8462	47,6	62,0
921 Motion pictures and video activities	1156	65	92	1313	2006	57,6	65,5
922 Radio and television activities	4856	76	34	4966	6889	70,5	72,1
All employment in all sectors total	368263	109446	95964	573673	2262359	16,3	25,4

** Espoo including the small municipality of Kauniainen*
Source: Statistics Finland 2007; City of Helsinki Urban Facts 2007

Figure 2.1 - Map of the locations of the most important business concentrations dealt with in this study



Source: Own illustration

2.1 Computer games, web design and other innovative software

In ACRE we decided to select the software sector for the study, but focus particularly on the "more innovative" branches of the sector, in order to distinguish between the more creative and purely technical, routine jobs. Thus we have interviewed firms engaged in web design, computer games and other highly creative and innovative software companies.

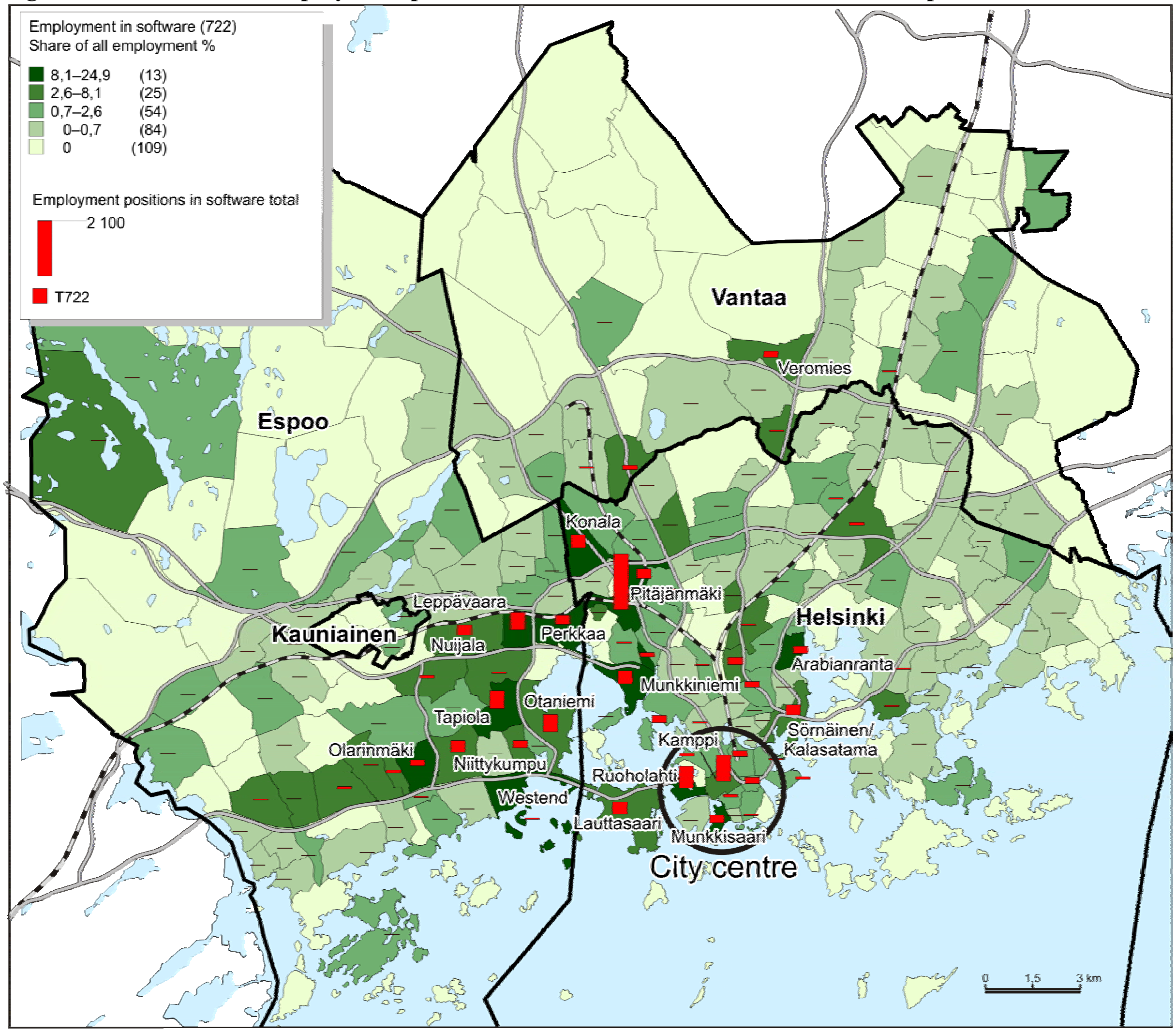
Typical for the software sector is that it is highly global. Companies that want to expand have to look for markets abroad. In the software sector 46 per cent of companies has some business abroad (Ylikorpi, 2005). Because the internal markets in Finland are so small, the companies have to be international already from the start. This sets the whole ICT-sector a whole different background compared to the rest of the businesses studied in this report. The internationalisation aspect is clearly seen also in our interviews. More than half of the companies we interviewed from this sector have business abroad. The logic of the industry seems to be quite different when the main markets, networks and other operations are abroad. Prospects in the software sector are generally considered good, but the software business is nevertheless facing many challenges such as new technology in multimedia, Internet-applications and digital business (Ylikorpi, 2005).

The game industry forms a relatively small part of the whole software sector, and is a relatively new sector. Due to the marginal size of the domestic market, game companies are targeting international markets even heavier than many more "traditional" software companies. Also in this field, the companies usually look abroad right from the first steps of the company start. Many of the game companies have also succeeded in reaching global markets. The business is growing fast and the companies are generally positive about their future. It is expected that over the coming years, the business volume of the industry will increase as much as 50 percent each year. In addition, this sector has received a significant amount of support from by the public sector, and it has started to show. From an industry of a few companies in the late 1990s, the industry has, since the mid 2000s, become an integral part of the Finnish content export industry (Neogames, 2008; Finnish gaming industry, 2007).

Software companies are heavily concentrated into the major cities in Finland, particularly in the Helsinki Metropolitan Area. Almost 60 percent of the employment in software is located in the Helsinki Metropolitan Area, the country's major ICT cluster (Table 2.5). Thus, the positive clustering effects around the existing universities, business and technology centres seem to matter in this sector. Software product companies generally value networking and supporting services highly (Rönkkö et al, 2007). As we will see in our study results, also other things matter, such as the availability of skilled labour.

The software industry is strongly differentiated internally in the Helsinki Metropolitan Area. As tables 2.4 and 2.5 show, a large number and a high share of the jobs in this sector is relatively concentrated in the city of Espoo. Almost one third of all the software jobs in Metropolitan Helsinki are found in Espoo, while the comparable share of all jobs is 19 percent. Espoo, west of Helsinki harbours a strong ICT-cluster around the University of Technology and the Nokia head office. The map (Figure 2.2) shows this distribution in more detail. The map shows that the regional weight of the software business indeed is west of the centre of Helsinki in the southern parts of the city of Espoo and north-western parts of Helsinki. The business concentrations in Pitäjänmäki, Leppävaara/Perkkaa and Tapiola/Otaniemi are clearly seen. The only larger concentrations east (or northeast) of the city are in Arabianranta and Sörnäinen/Kalasatama.

Figure 2.2 - Location of employment positions in software across the Helsinki Metropolitan Area in 2004



Source: Statistics Finland 2007

Studies have shown that also the residential patterns of highly skilled workers are somewhat differentiated along the same lines. The “technically creative” tend to live westward of the city, more towards the urban edges, while the “cultural” and business elite are orientated towards the city centre (Kortteinen et al., 2005; Ilmonen, 2000; Lankinen, 2006). Our previous ACRE study has shown similar results (Kepsu and Vaattovaara, 2008). The urban edge is attractive to the creative knowledge workers, particularly residential areas with detached owner occupied houses. On the other hand, the “highly creative” workers, those occupied in the “traditional” creative fields such as design, have other residential preferences. This group seems to have a different, more urban lifestyle.

2.2 Film and video, radio and television

The fields chosen for this ACRE study are the economic sectors of Motion picture and video activities (921) and television and radio activities (922). The audiovisual industry is wide-ranging and expanding. In addition to these sectors it includes fields such as media art and other kind of production relating to audiovisual culture and content, irrespective of the platforms and distribution channels. Computer games could be positioned in this sector as well, and our interviews show that that is what they are aiming for themselves, as they are not all happy about being labelled software companies. The audiovisual field comprises aspects of technology, culture and business all at the same time. Our interviews were conducted with film and TV companies, which is why we are focusing more closely on them, and on film in particular.

The whole audiovisual industry is in transition and facing many new challenges, as new technologies and a digital culture are emerging. The mega trends of globalisation, the development of interactive and digital communications technology as well as the rise of the new economy and network economy are major challenges transforming the regional conditions for economic activity and creative professions (Heiskanen, 2005). The trend strongly affects the structures of companies and networks in the field. One of the consequences of the digitalisation of the media content production and distribution systems is the increasing convergence of the different forms of media (OPM, 2005). Traditional media is converging with information technology and telecommunications. Also, traditional forms of media culture are merging. This is visible also among the companies we interviewed. A few of the companies classified as being in the software sector could just as well be categorised as audiovisual fields.

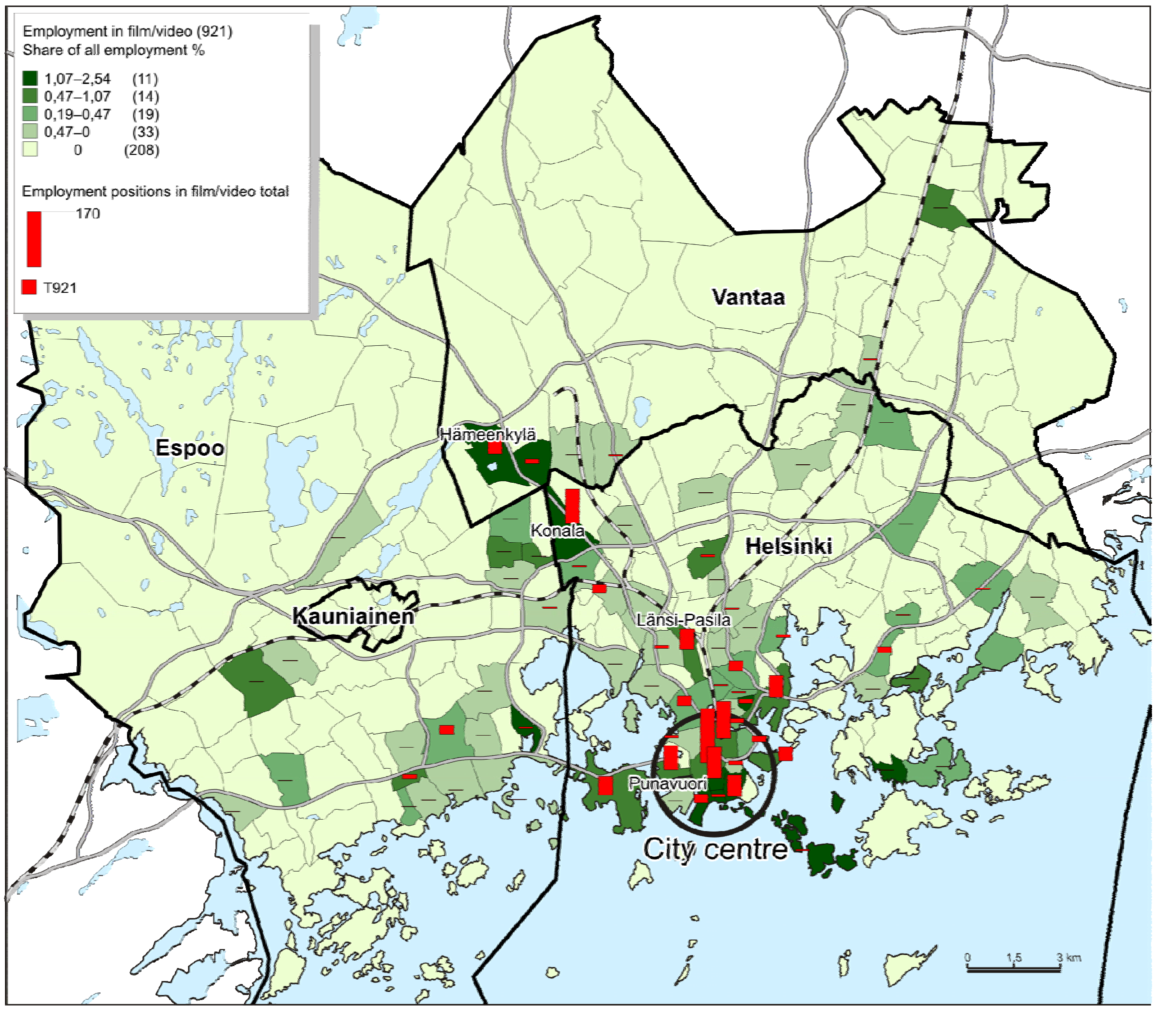
Investigating this sector in Finland is a whole different issue than studying the software industry, and also compared to the film industries in many other European countries. The Finnish film and TV industries are almost completely aimed at the domestic market, which limits their operations significantly, and gives a whole different starting point to investigating its business logics, networks and location choices.

Thus, the production of motion pictures is a small sector in Finland due to the small internal market and the limited financial support movie projects receive. There are only about 25 professionally business oriented movie production companies in Finland. In addition, there are more than 100 smaller, often one-man companies in the industry (OPM, 2005). For the most part the companies are specialised in a certain type of film genre. When considering the total production of films, the number of production companies is relatively large, and the size of the companies small. Of all the 14 Finnish films that premiered in 2004, all but two had different production companies. However, the distribution is more concentrated; four companies handled the distribution of these 14 films.

Film production companies are very small in size; the average number of employees is three. Jobs in the field are project-oriented, and there are not many permanent positions. However, the number of employed personnel during an ongoing movie project can be very large, even hundreds of persons. Because of the project-based work, the share of freelancers in the industry is very large. There are a great number of people involved in movie projects, although the companies that run them often are very small. It is noteworthy in that sense that companies this small are managing projects with budgets worth many million euros.

In Finland the television broadcasting is distributed among on the one hand the national public broadcasting companies (Yleisradio: TV1 and TV2) and the commercial channels (MTV3 and Nelonen). In addition, there are a few local companies operating with a license. In 2003, about half of the programs being shown on the four main channels in Finland were produced in Finland (OPM, 2005). The TV-channels produce much of the programs themselves, but the role of the independent production companies is growing. In addition there are hundreds of companies that have a more versatile product base than movie or TV production alone; many of them focusing on commercials, company promotional videos, music videos or others.

Figure 2.3 - Location of employment positions in film and video across the Helsinki Metropolitan Area in 2004

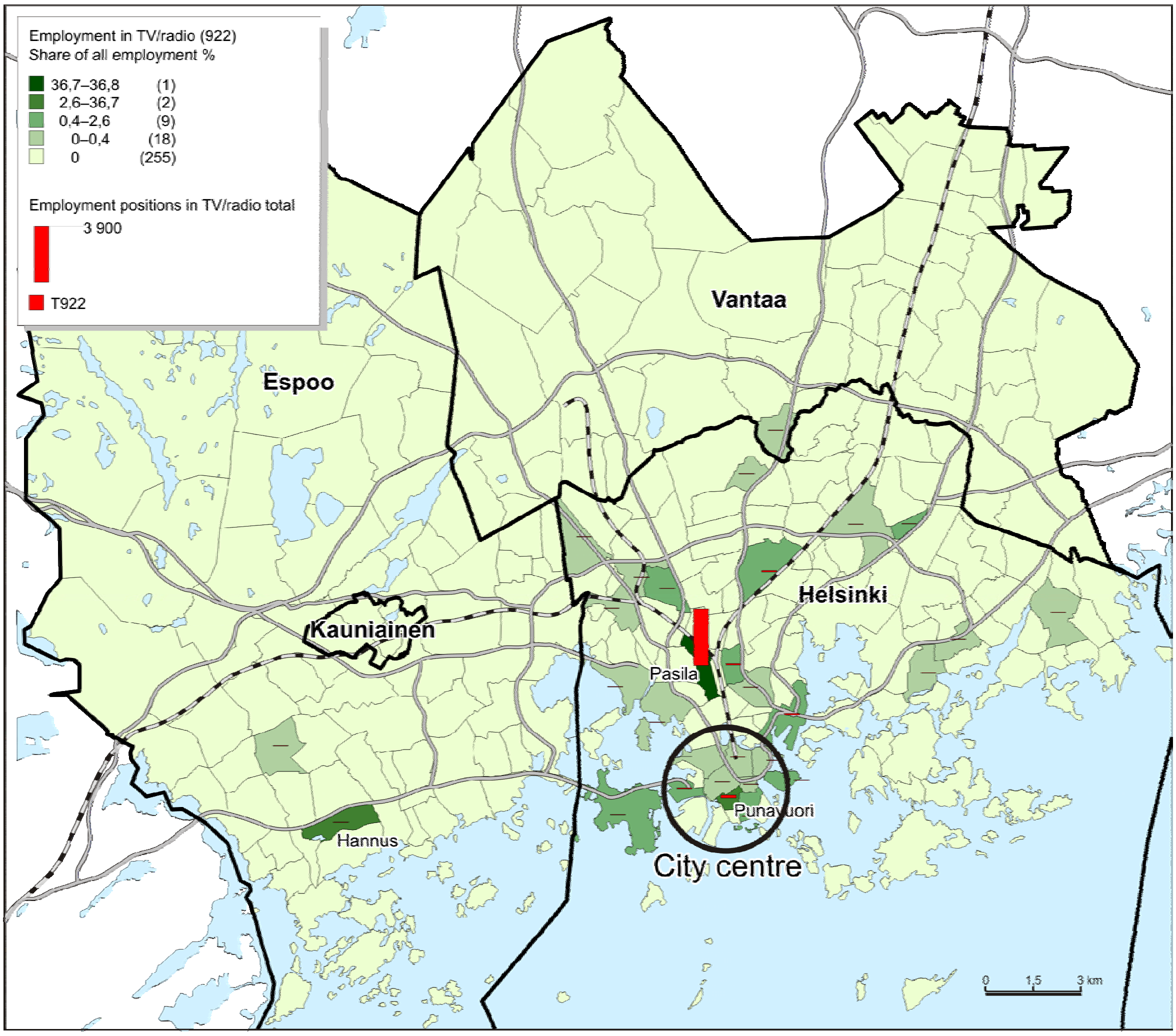


Source: Statistics Finland 2007

The independent TV and commercials production companies are somewhat larger in personnel size than in movie production companies, in average employing 8 people. But similarly as in movie production, TV production employs a great number of freelancers, due to the temporary nature of project work.

As we noted above, the industry is heavily clustered into the city of Helsinki. Not much is going on in the suburban areas, in Espoo or in Vantaa. Most of the employment in the film and video sectors is located in the immediate centre of Helsinki, particularly in the district of Punavuori and its surroundings (Figure 2.3). Due to the small size of the sector, some districts outside the centre such as Konala stand out because they have a film studio there.

Figure 2.4 - Location of employment positions in television and radio across the Helsinki Metropolitan Area in 2004



Source: Statistics Finland 2007

In television and radio there is one dominant cluster, Länsi-Pasila, which is situated about 4 km outside the city centre (Figure 2.4). The main broadcasting companies have their headquarters there, and supporting companies in the same field have heavily clustered in the area. About 20 percent of the jobs in this area are in the cultural industries, and almost exclusively in radio and TV (Äikäs, 2007). There are large plans for the future for this area.

The plans include construction of a large science park, a cluster for companies in digital services and contents, *Forum Virium Center* (Laakso and Kostiainen, 2007; Forum Virium Helsinki, 2008). The city is also planning on new residential and business areas into Pasila, and develop the area into a second city centre.

Not only the above sectors, but the whole cultural industry in Finland is clustered into Helsinki, and more specifically in the centre of Helsinki or immediately outside it (Äikäs, 2007). In addition to the economic cluster advantages, there are also historical reasons for the industry being Helsinki-centred. The cultural institutions such as national art museums, theatres and the opera were founded in the country's capital as a part of a nation-building process in the late 19th century and early 20th century. Companies in cultural industries then easily located in the same area.

2.3 Business and management consultancy

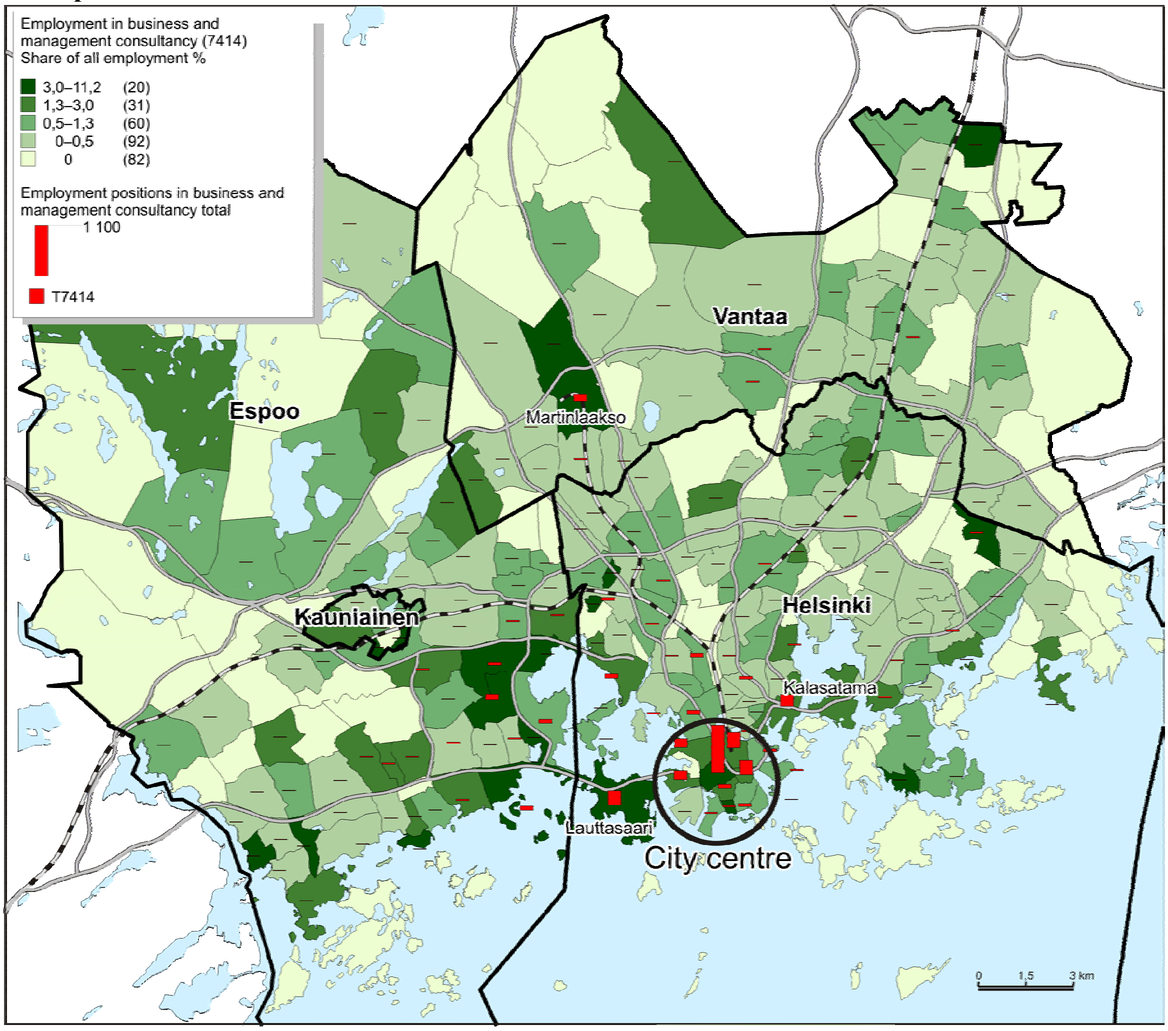
In Finland business and management consultancy is polarised into large multinational actors that offer all possible consulting services, and on the other hand into small, very specialised companies working in their own niche. Consulting is a person-centred business, so small one or two-men companies do well, and can have also large clients (Lehtonen, 2006). Typical of the sector is also the network-style business that the small companies use. The field of business and management consulting is not very easy to define, because its borders are blurring (Tienari and Ainamo, 2004). The central areas of operation are consulting in IT, consulting in strategies and organisations, marketing consulting, leadership consulting and personnel consulting.

Worldwide the sector has been growing in the last few years, after a short decline in the early 2000. In Finland the growth is still restricted somewhat by the business culture in Finland, where the companies do not easily use outside consultants. Instead, there is a strong tradition of doing everything yourself, and having to get help from outside would signal that you are really in trouble (Lehtonen, 2006). In an international comparison, the use of consultants is still very small in Finland (Erola, 2005), but is believed to grow in the near future.

Business and management consulting is one of the Knowledge Intensive Business Services (KIBS), which provide knowledge-intensive support for the business processes of other organisations. Providing KIBS has been emphasised lately as one of the basis of building new innovations and a creative knowledge economy. Like other KIBS-sectors also consultancy is expected to grow in the near future. Nevertheless, the field is quite sensitive to economic fluctuations. When companies are forced to cut costs, consultancy services are often the first ones they cut back on (Lith et al, 2005)

As we saw in Table 2.4 and 2.5, also business and management consulting is strongly concentrated into the capital area, with approximately 60 percent of all the employment positions in the sector in Finland. However, when it comes to the location within the Helsinki region, this sector is the most widely spread out of all the studied economic fields (Figure 2.5). The centre is an important location for companies, particularly international more prestigious ones and perhaps also smaller newly established ones who are more concerned with status issues. Nevertheless, there are a large number of small one- or two-men companies in the business, and they are often located in the owners' homes.

Figure 2.5 - Location of employment positions business and management consultancy across the Helsinki Metropolitan Area in 2004



Source: Statistics Finland 2007

3 RESEARCH DESIGN AND METHODOLOGY

3.1 Description of methodology: Qualitative research

In contrast to our previous quantitative survey study about the creative knowledge workers, this study uses a qualitative approach. For the main empirical part we conducted 17 semi-structured interviews with managers of companies in creative knowledge industries. To complement the picture of the company viewpoint we also conducted three expert interviews with special knowledge about the sectors and/or the economic development in Metropolitan Helsinki.

In the interviews we used a topic guide that was prepared for all teams in ACRE (see annex). We covered the themes included in the guide, but otherwise used it relatively freely. In addition, in the interviews we tried to follow-up our main results from the previous empirical study, which investigated the opinions and values of Finnish creative workers in Metropolitan Helsinki (Kepsu and Vaattovaara, 2008).

By using in-depth interviews we wanted to gain a deeper understanding of the study questions. An advantage of semi-structured in-depth interviews is that the discussion can flow relatively naturally and freely, which often provides with much more interesting information that very structured questionnaires or interviews. Also, issues are covered more deeply, which helps understand the complex phenomena in it context much better.

One problem of using this method is the difficulty of generalising the results. The number of interviews is too small, so the researchers need to be careful not to generalise a universal truth about the research results. Instead, we get a lot of personal opinions and interesting viewpoints. This is however the main purpose of choosing a qualitative approach. The economic sectors investigated in this study were chosen to represent different types of "creative" or knowledge intensive industries, but it can be debated whether the results can be generalised to illustrate the situation of the creative knowledge industries on the whole.

3.2 Selecting cases and sampling

The companies were selected for the interview study from three economic sectors. Firstly, from motion picture, video, radio and television activities (NACE codes 921 and 922), secondly from "innovative" software activities such as computer games and web design (part of category NACE 722) and thirdly from business and management consultancy activities (NACE code 7414). The idea is that film/video and TV/radio represent a "highly creative" economic sector, consulting is and example of a knowledge-intensive sector and software with both features somewhere in between.

When choosing the companies for the interviews, we took into consideration the size of the company, as it is expected that it influences the location decision of the companies. We attempted to get companies from the following size categories:

- self employed
- 2-5 (small firm)
- 6-200 (medium firm).

Another sampling criterion was the location of the company in the city region. In each sector and each size category we aimed at finding companies located in:

- the centre of the city
- outside the centre of the city.

Altogether the goal was to get different interviews with companies in different sectors, of different size and in different locations in the city. In practice, the distribution follows the set up scheme quite closely, with only minor exceptions. The film industry for example is heavily concentrated into the centre of Helsinki, and therefore we wanted the sample to reflect the reality of the spatial organisation. Unfortunately, we did not achieve gender balance. Only two of the 20 interviews were conducted with female managers. However, although Finland has a reputation of being a country that promotes equality between genders, the share of female managers is still relatively low. In Finland 29.5 percent of the corporate managers and managers of small enterprises are women – a clearly lower proportion than the EU27 average (Eurostat, 2008). Also, less than a tenth of the CEOs of Finnish firms and less than a fourth of the corporate board members are women (Kotiranta et al, 2007). In that sense, the sample representativeness is not that badly off.

The interview sample is presented in Table 3.1.

Table 3.1 - The distribution of interviews across different criteria categories

Firm location	Firm size	Computer game, web design, "innovative" software (722)	Film, video / radio, TV-activities (921 and 922)	Business and management consultancy (7414)
Centre	**Self employed**	**Software 1** audiovisual production / web design (1 person)	**FilmTV1** Film production (1 person)	**Consultancy 1** (1 person)
	Small	**Software 3** Computer games (3 employees)	**FilmTV2** Film production (4 employees)	
	Medium		**FilmTV3** Film (and TV) production (6 employees) **FilmTV5** TV production (9 employees)	
Outside centre	**Self employed**	**Software 2** Computer Software information management (1 person)		**Consultancy 2** (2 employees)
	Small	**Software 5** Computer games (27 employees) **Software 4** "innovative software" (7 employees)		**Consultancy 3** (9 employees)
	Medium	**Software 6** Software (50 employees) **Software 7** Software (80 employees)	**FilmTV6** TV production (15 employees) **FilmTV4** Film production (10 employees)	**Consultancy 4** (20 employees)

In addition to interviews with managers, we complemented the results with three expert interviews, which helped us gain a deeper insight into the different branches and Helsinki's "creative "knowledge industry. The selected experts had special knowledge of the specific sectors or business and economic development in Helsinki in general. The interviewed experts are presented in Table 3.2.

Table 3.2 - Expert interviews conducted for the study

Expert	Organisation	Title
Eero Holstila	City of Helsinki, The Economic and Planning Centre	Director of Economic Development
Mika Hannula	Helsinki Academy of Fine Arts, Nordic network of Art Academies	Curator, teacher and art critic, director of the Helsinki Academy of Fine Arts (since 2000), chairman of KUNO, Nordic network of Art Academies (since 2002)
Harri Ahokas	Finnish Film Foundation	Head of Domestic Distribution

3.3 The interview process and data analysis

We had a clear strategy for selecting the particular companies for the study. Primarily we aimed at selecting companies that our experts (presented in Table 3.2) suggested as being typical of the field, or otherwise interesting, innovative companies. Most of the companies interviewed were thus found on expert recommendation. We believe that this selection method makes our sample particularly solid and representative compared to e.g. the snowball method. The refusal rates among these recommended companies were also very low, probably because we could refer to them being picked out by a major actor in society. The rest of the companies were found through people in the field and based on our own knowledge and research about the studied fields.

The selected companies were first approached by telephone and asked to participate. A few were contacted by e-mail. The most difficult part was to get the busy managers on the line, particularly in larger companies. Not all companies wanted to take part, mainly because they had no time for it in their schedule. However, surprisingly many agreed to the interview, and a time was set up for the interview.

Most of the interviews were conducted in April and May 2008 by the authors of this report. The interviews lasted between 25 minutes and almost four hours. An average time of the interview was about an hour and fifteen minutes. No tape recorder was used, because our experience is that managers talk more openly and less officially without having a recorder on the table. Notes were taken during the interviews. In the majority of the interviews there were two interviewers present to take notes. After the interviews the interviewees discussed the interview and reflected on what the central message was. The interviews were then typed on the basis of the notes as quick as possible after the interview. Three of the interviews were conducted over the phone. We used semi-structured interviews, where the main purpose was to discuss relatively freely but cover the most important themes. The interview themes are presented in the appendix of this report.

For the report, the translation of quotes was made by the authors and attempted to be as similar to the quote in the original language Finnish.

After the interviews the material was analysed by using content analysis. In different stages the results were structured and analysed according to different thematic areas. Linkages to different determining factors (such as age and size of company) were explored to explain differences and similarities between the companies and the sectors.

4 RESULTS: COMPUTER GAMES WEB DESIGN AND OTHER INNOVATIVE SOFTWARE ACTIVITIES

4.1 Overview of the interviewed firms and their activities

In this sector we interviewed seven different companies in relatively varied fields of software. We selected the interviewed companies from the general sector identified with NACE code 722 (software consultancy and supply), but included only companies that are engaged in "innovative" and "creative" software activities, thus leaving out more routine-like software production. Four of the interviewed companies are engaged in different types of new software development, two are computer game companies and one focused on web design and audiovisual production. Companies of different sizes are well represented; the smallest are self-employed entrepreneurs, and the largest one a Helsinki-based world-wide company with offices also outside Finland. Two of the companies are located in the centre of the city, the others outside the centre. The main features of the companies that participated in the study are presented in Table 4.1.

Table 4.1 - Features of the companies interviewed in Computer games, Web design and other innovative software activities

Company code	Activities	Main area of focus	Employees	Location	Interviewee	Founded
Software 1	Audiovisual production / web design	Production of interactive campaigns, educational material and exhibits	1	Centre	Founder, producer	1992
Software 2	Computer software information management	New technologies	1	Outside centre	Founder	2006
Software 3	Computer games	Game development	3	Centre	CEO	2007
Software 4	Innovative software	A social networking service for day-care providers, parents and children	7	Outside centre	CEO	2007
Software 5	Computer games	Game development	27	Outside centre	CEO	2001
Software 6	Software	Software development on Microsoft.NET, web services	50	Outside centre	CEO, founder	2001
Software 7	Software	Security solutions and end-to-end communications security	80	Outside centre	Founder	1995

Source: Own

As already noted, the "general" software companies that were interviewed are not very similar. All of them are developing and working with new technologies, but sell very different types of products, from community services to open products that are still being developed. One of the companies focuses its operations on the domestic market, while the other three are already targeting international markets with varying intensity.

> *"Finland is too small a market. You have to go abroad immediately.*
>
> Software 2, interview, 2008

Computer game companies are generally oriented towards international markets immediately from the start, so is also the larger one of the game companies in this study. The smaller one is atypically selling a game that is based on Finnish war history, which means that most of its customers are in Finland.

> *"If you are aiming for international markets your product needs to be neutral… you can't target it. Look at the names of the computer games. They need to be international, in English and selling"*
>
> Software 3, interview, 2008

Both companies are constantly developing new games and have high expectations of growth for the future.

An interesting point of the game companies is that they both regard their field as being highly creative, and an important form of culture. They are not happy being classified as a software company, because the game industry is much more than that. They seem to compare themselves quite often to the movie industry, and are not happy with the fact that film receives so much public funding, while the game industry does not. Right now they are lobbying Statistics Finland for being included as a cultural sector along with film in the classification of economic sectors (Software 5, interview, 2008).

Finally we have one company, a self-employed entrepreneur, involved in web design and production of diverse audiovisual material such as interactive campaigns, educational material and exhibits for science centres, museums and the public sector. He has also produced interactive movies animations and computer games. He calls his company a "creative agency", which emphasises the creativeness of his work and the way he crosses over different creative fields. He stresses the importance of a diverse skill base:

> *"We are like modern day carpenters… we have such versatile skills. Today it is a competitive asset to combine a few fields. It is not enough anymore for success to specialise. Before they got a creative advertisement agency to do the storyboard, and the technical know-how from somewhere else. Nowadays these things are mixed. You need also technological skills for the concepts. The forerunners in the field have combined the creative and technical sides, and that gives them a competitive advantage."*
>
> Software 1, interview, 2008

This creative agency focuses on the domestic market, and has no intention of expanding internationally or hiring more people.

4.2 Location factors and image of the city

4.2.1 Location nationally

All of the companies say that that being located in Metropolitan Helsinki is important, even crucial for their business. Operating from other parts of the country is no option. The main motives for this are either that the customers are in Helsinki, or the skilled labour is in Helsinki. A few companies mentioned the customers as the main reason for having to locate in Helsinki (Software 4, Software 6, interviews, 2008). It seems as when the customers are hiring a company, it matters if the company is located relatively near (Software 1, Software 4, Software 6, interviews, 2008).

> *"A company of our size could not operate from anywhere else in the country… it would put us in a more difficult competitive situation. Although the customers don't say it straight out, it has become clear that they choose a company that is somewhere close. It's a major advantage when you have to gather people together on quick notice"*
>
> Software 6, interview, 2008

Another main driver, maybe somewhat unexpected, and a decisive one for some, for being located in the Metropolitan Area is that the specialised labour is located in the Helsinki area (Software 2, Software 5, Software 7, interviews, 2008). Most skilled workers from other parts of the country usually end up in Helsinki because the companies are here. The largest software company in the study considered the availability of labour as an absolutely crucial factor:

> *"The critical resource in the company is the specialised, skilled workers; there is nothing more in a company than them… Pivotal for the future activities of the company are those with top-level software technology know-how and the experts of international exports and management"*
>
> Software 2, interview, 2008

> *"Getting 30 new skilled workers rapidly would not be possible in Oulu… Espoo is the Silicon Valley of Finland, that's why you have to be located here"*
>
> Software 2, interview, 2008

The labour situation in the software sector is adequate in the Helsinki region, at least for now there are enough skilled workers. This company hired the experts in international marketing from abroad, since they could not find enough expertise in that field in Finland. However, in the game industry labour shortage is a major problem, which the companies expect to hit the industry hard in a close future, and will set limits to the growth of the sector. Nevertheless, Helsinki is still the best place for finding new skilled workers.

As we saw before, software companies are, at least to some extent, concentrated into the Helsinki Metropolitan Area, although not as markedly as the other economic sectors in the study (Film/video and TV/radio, business and management consulting).

> *"The sector is not more Helsinki-centred than other businesses… The whole country is Helsinki-centred."*
>
> Software 1, interview, 2008

There are a relevant number of software companies in other major cities in Finland, particularly in Oulu and Tampere. According to the interviews, the game industry is more heavily clustered in Helsinki than the rest of the software industry.

> *"We are located in Helsinki because we think the game industry is here… It is definitely easier to meet people here"*
>
> Software 3, interview, 2008

4.2.2 Location locally

As we have seen from the general location pattern in this sector, companies are often located in the western parts of the Helsinki Metropolitan Area, particularly in Espoo where an ICT-cluster has emerged. In our interview study the companies located in Espoo, strongly speak for being located there, and could not think of any other options.

> *"Espoo is the Silicon Valley of this business in Finland. That's why we have to be located here. In the same area Pitäjänmäki is not that accessible and there are no parking lots. Also the availability of one-family houses is central. These experts are the ones who will get their own house or at least a semi-detached house… Before I decided on the current location of the company, I thoroughly checked the connections from Helsinki city centre and from Otaniemi [where the University of Technology is located] by public transportation and by car. There is a direct bus from Otaniemi. The potential workers often have an association to Otaniemi, for example doing a PhD there."*
>
> Software 2, interview, 2008

There has been much new development by the City of Helsinki to develop new business clusters in other parts of the city as well, and attract software companies there. The most noteworthy projects are the design and arts cluster in Arabianranta, which hosts also many companies in ICT, and fairly recently, Kalasatama in Sörnäinen. However, among others also the city planning office has stated that it is not that easy to get software companies to these areas. It is much easier to attract traditional design and art related companies. Perhaps the "creative" people in software or technical innovators still to some part shun areas strongly associated with traditional "creative" industries, and do not really think they have anything in common. Also, the companies we interviewed in Espoo are very specialised and demand highly skilled technical workers, which are perhaps found more easily in Espoo. One of the managers stated that top experts in the software business with certain exceptions are located in Espoo, or "west of Mannerheimintie", the main street in the centre of Helsinki (Software 2, Software 7, interview, 2008). From there connections to Espoo are good, where his company and the main software cluster are situated.

All of the companies stress the importance of being within easy reach and for some the accessibility is extra important. It looks as if the use of private cars is common also in the software industry, therefore the companies have to be located where the connections are good, and traffic is not too heavy. The availability of parking space is very important for the two larger software companies. Also good locations have good public transportation connections. Before deciding on where to establish the office, one of the software companies thoroughly investigated the connections to Espoo, where the Helsinki University of Technology is located and where most of the workers in this field live (Software 2, interview, 2008). Potential workers usually have connections to the University of Technology, and it is an important place to recruit.

The accessibility is important for some not only so that it will be easy to reach for the workers, but to make contacts with customers easier. Particularly companies that have many clients coming to their office for meetings need to think about location. In this regard not only accessibility matters, but also the image both of the area where the office is located, and the building or business park it is operating from. Some of the interviewed companies are located in regional business concentrations or business incubator centres for small start-up companies, which offer support services for the newly started companies. Being located in an area with other similar companies does mean something too for the image of the company, particularly credibility for the company.

> *"It does give some credibility to a newly started company compared to being located in the middle of nowhere. If we would be somewhere out in the forest somewhere, it might have given an image of garage activities or something… If you are located in a good place with like-minded companies you do get some added image value."*
>
> Software 6, interview, 2008

> *"People think that those people are serious about their business when they have an office there [in the business centre]"*
>
> Software 3, interview, 2008

Locating in a business park or a business centre is considered advantageous by some of the respondents, mainly through better services and by facilitating the development of networks. However, in practice usually the collaboration between actors in the same area is sporadic. (Software 3, Software 6, interviews, 2008)

The interviews also show another interesting determinant for location, which is neither a "hard" or "soft" factor. Many times it appeared as the company's location was strongly determined by the manager's personal background or trajectories. It seems obvious that many managers base their location decision simply on where they or their family live themselves. Most of the managers interviewed were born in Metropolitan Helsinki, and that is also where they automatically look to set up their business in.

> *"We started looking for new premises in Helsinki and Espoo. The location in the metropolitan region was evident, because the founders are from here. We both live in Espoo now, where our office is.*
>
> Software 4, interview, 2008

Similarly the managers' residential choices within the city region influence where the office is located locally. This does not apply for companies that have chosen to locate in the city centre. For them the main driver of location is the high prestige of the city centre. Our study also implies that where the founding managers have received their university education influences the location of their future companies within the city. Managers that had studied at the University of Technology in Espoo tended to have their companies more often in Espoo. Conversely, managers with educational backgrounds in Helsinki were more eager to establish their business somewhere in Helsinki.

One factor affecting the location decision is the availability of quality housing. The manager of the largest software company we interviewed says that in order to attract skilled workers the area needs to offer enough one-family houses. The residential choices are therefore important not only of the managers or the founders, but of the labour force.

> *"These skilled workers are of the type to get their own houses, or at least a terraced house. Many of them are engaged in exotic hobbies in their spare time that require more space. On the other hand many have spent a long time working abroad, so the reference comes from there. Not only is the salary better, but the standard of housing substantially better. No self respecting expert or for example a CEO lives in an apartment building or a condo."*
>
> Software 7, interview, 2008

One manager also emphasises perceived safety as one key issue in determining where to locate. Although the Helsinki Metropolitan Area in general is a very safe place, it is an important factor also locally. Safety is in his opinion has two dimensions. Firstly, the area in which the company is located needs to be nice enough so that the workers feel safe even when they go home at night time. Secondly, due to the extremely innovative nature of the work, his company needs to take into account also industrial espionage. Therefore the company could not be located on the first floor of a building for example (Software 7, interview, 2008).

There are also a few special cases do not consider within the city location very important. On the one hand there is one smaller company which says that their clients seldom come to their office, and therefore it is not of that big importance where they are located (Software 4, interview, 2008). The other does not give the area or the reputation of the neighbourhood in itself that much weight.

> *"Actually it doesn't matter at all where you are located, as long as it is in the metropolitan area"*
>
> Software 5, interview, 2008

Another special case is the one-man web design company in the study. He has a very different approach when it comes to his clients. He keeps in touch with them and his other networks mainly virtually, and intentionally avoids face-to-face contacts.

> *"I am trying to teach my clients that things can get done by e-mail"*
>
> Software 1, interview, 2008

Thus, because he has minimised physical contact with his clients, he does not believe the location of the company is that relevant for communicative purposes at least.

Nevertheless, location still matters, and for him what is important is the atmosphere, and the general "feel" of the city.

"The location of production is significant. There has to be an eclectic atmosphere… If there are only one-sided impulses in a place, it does affect the final result… There has to be sources of inspiration. Say you are in the middle of the desert… it's not a very creative environment. For me my personal lifestyle affects where I work from. There are personal reasons why I work and live in Kaartinkaupunki [in the city centre]… I have to be near culture and restaurants… Sure I could work from Kirkkonummi [a peaceful suburban municipality] too, but it would be with a different mood… It's like rock compared to pop… For the creative it's important what kind of ambience there is in a place."

Software 1, interview, 2008

Behind all these location factors operates clearly practical reasons for choosing a place for the office. Property and office space comes up in every interview. The main reason for moving out from an office is that the office has become too small. Likewise, the suitability of the office space is also the first things they look for when choosing a new office. However, these factors are not decisive for where they start looking for an office. There is a great deal of relatively cheap office space in the outskirts of the city, but even though that is what some of the companies are looking for, they still have some prerequisites of where to be situated. These significant reasons are dependent on other issues; the issues we looked at above.

4.2.3 Location internationally and image of the city

In general, from an international perspective the interviewed companies are quite positive about being located in Helsinki and do not plan to leave. The conditions of operating business internationally from there were considered to be fairly good. One company is very positive about the matter.

"Helsinki is a good place to do business from. It is a good place for small, internationalising companies. There are good connections. We are just one flight away from the US or Singapore. Helsinki has skilled people. The universities produce people with know-how, and there are a lot of small innovative companies in the city."

Software 4, interview, 2008

Most of the companies are more neutrally positioned. The interviewed computer game companies, for whom internationalising is a natural development, think that Helsinki is not too bad, there is no advantage to be found in being in Helsinki, neither is it a disadvantage. Naturally there are better locations for international success, such as the US with its large markets in computer games, or Singapore, where the costs could be minimised (Software 3, Sottw5, interviews, 2008). Also the two other software companies see a location in Helsinki as neutral thing (Software 2, Software 7, interview, 2008).

"From the point of view of marketing and sales, being located in Finland is a neutral thing, because sales are abroad anyway… There is no home market advantage. We are not an American company in the US neither a French company from France, so it is OK to be a Finnish company. After all, after these large home markets it doesn't really matter where you are located. The largest concentration in the sector is in the US in Boston and in California."

Software 2, interview, 2008

The companies that have gone international, or are trying to break internationally have very traditional reasons for staying in Finland. Naturally one basic reason for staying in Helsinki is simply because the founders are from Finland originally, some have families here, and feel attached to the place. Also the companies have created good local business networks which they do not want to leave. One critical factor is skilled labour.

> *"There is no special reason to go abroad. There is enough skilled labour here at least for now…If we would go, we would have to get all the best key persons to go with us."*
>
> Software 7, interview, 2008

However, being located in Helsinki also gets some negative response. Mainly the disadvantages have to do with Helsinki's peripheral location and accessibility.

> *"It is clear that Helsinki is one of the worst locations to get to with direct flights… the location in Helsinki is not at all as good as somewhere else. We are lucky in that regard that Helsinki is one of the most eastern places where people like to come to. Finland has a good reputation"*
>
> Software 6, interview, 2008

When it comes to the image of the city internationally, the interviewed have very different opinions. Some are again very positive, and considered Helsinki's image abroad to be good. Positive attributes mentioned in the interviews were that Helsinki is safe, trustworthy, and even exotic; it has a good reputation and is regarded as innovative in software business, although many companies mention the declining performance in innovation and technological development and comment on that Finland is not among the top performers anymore (Software 3, Software 5, Software 6, interviews, 2008).

Nevertheless, a few companies sees Helsinki's image generally as very negative:

> *"The region does not appear very interesting in the eyes of a foreigner. A terrible climate, hard taxation, a strange language, a very socialist culture, everything very equal and a location very far away from everything. Until 2000 we were on the top even from an international point of view, but after that we have started to decline."*
>
> Software 3, interview, 2008

Also in terms of the city being creative or not, many negative comments were given about the "bad atmosphere for work in cultural or "creative" industries:

> *"Helsinki has nothing to offer for the creative industry… they focus on other things here… The tradition is that computer games are just a hobby here"*
>
> Software 3, interview, 2008

> *"Helsinki is in no way creative from an international point of view. If someone has a good idea here everyone looks at him like he is crazy… and pour cold water on him".*
>
> Software 6, interview, 2008

4.3 Networks

Networks, both business networks and particularly informal ones are extremely important in business say all the interviewed software companies. The managers and most people in business understand their importance and work actively to expand them. You can network at different kinds of events, such as fairs, exhibitions, seminars and other happenings that are organised quite frequently in all the fields represented.

> *"Creating networks is completely up to people's own activity… you have to find time to do other things than just your regular work"*
>
> Software 6, interview, 2008

> *"Informal networks are immensely important. Not maybe in everyday or weekly business, but when you need something, for example professional advice, you are starting new projects… Through your networks you can get to the right places and of course also learn about the industry."*
>
> Software 6, interview, 2008

One of the younger managers in a recently started computer game company has noted that

> *"…if you want to network with the big names in the field you have to gain other people's respect first. First you have to create something, a finished product… talk is not enough.*
>
> Software 3, interview, 2008

Those who have a long business career behind them already are not as active in networking as their younger colleagues. It is not as important for the more experienced to gain new contacts, as they already know many people in the business, and have created their own networks. Many times they do not want to spend time on going to too many events.

> *"There are several happenings you can go to in order to meet people. I don't do it that actively though. I have noticed that networking does not differ much from living a normal life. Sure, I go to seminars and conferences and things like that for my career.*
>
> Software 1, interview, 2008

One more experienced manager say that he does not even believe in meeting anyone important for business by coincidence. Instead, he seeks out important contacts beforehand or at forums he knows the right people will be at.

The companies have both local networks and international networks, and their role is quite different. The significance of local networks is large particularly in recruiting, even for very international companies. Most of the companies find their skilled workers through personal networks, and very rarely have to recruit through newspaper ads, on the web or hire recruiting companies for the job. One of the managers has experience from running a very large company, and according to him, they started recruiting with newspaper ads as late as in the fifth year of the company, when it had grown to over 100 employees. Until then recruiting had been made through networks exclusively (Software 2, interview, 2008).

International networks are important for the companies who have operations abroad, or aim at breaking internationally. The significance of those international networks is mainly professional. The most internationally oriented companies in the study use very specialised global networks to get information on the market and business situation abroad, for the latest development in the field and for very specialised product development (Software 2, Software 7, interview, 2008).

Also virtual networks are gaining in importance. Some of the interviewees said they handle most of their contacts digitally, particularly by e-mails or through Internet communities. One of the managers of the game companies says they deal with their networks actively on Facebook, and even handle their press issues online (Software 3, interview, 2008). Nevertheless, all agree that face-to-face contacts are important, and their significance have not decreased.

4.4 Role of local government, organisations and the city

The role of the local government and support funding depends on the company, namely how successful it is, and how long it has been in business. All the recently started companies call for more funding and other support activities, in order to get the company going. Many of them have proposals for improving the system.

Some of the companies also have positive things to say.

> *"The public sector has been involved quite strongly and we have received funding too, so we are quite satisfied.*
>
> Software 4, interview, 2008

> *"In the game business you can receive funding if you know your stuff and are credible … The TE-centre [Employment and Economic Development Centre] are almost like 'do you want money?'…there are several places where you can apply for funding…Yet the support is small compared to the film industry."*
>
> Software 5, interview, 2008

The larger companies say they do not need the support anymore, but can manage on their own.

Most of the companies criticise the atmosphere of the city towards cultural and creative fields of work. They feel like they are not being taken seriously. Also they feel that entrepreneurship is not being valued and supported enough, and people are not encouraged to start a company or create something new. Also failure is looked upon very negatively in Helsinki. For example people who have experienced a bankruptcy before are being stamped with a negative mark. Also conversely, the atmosphere against those who have succeeded and created a profitable business is bad. Instead of being respected for something they have done to society, they are envied and made to feel guilty about their success. The successful almost feel like they are being punished, and often consider seriously about moving abroad to nicer climates, better tax rates and especially to a more positive atmosphere.

4.5 Main drivers for location

The software sector is the largest of the studied sectors, employing 15,000 people in the Helsinki Metropolitan Area, 2.6 percent of the total workforce in the area. As one of the segments in the ICT-sector, it also continues to be one of the economically most significant in Finland and in Metropolitan Helsinki, receiving major investments. There is a strong agglomeration of software companies into the Helsinki Metropolitan Area: 60 percent of the software jobs are found in Metropolitan Helsinki. As a comparison, in all economic sectors of all the jobs in the country, 25 percent are in the metropolitan area.

Locating in the Helsinki Metropolitan Area is indeed important for the interviewed companies. The most important reasons for being in Metropolitan Helsinki are the “classic” or “hard” factors. The main drivers of location in Helsinki are either presence of specialised skilled labour in the region and the localisation of the companies’ clients in Metropolitan Helsinki. Many companies stated that the whole industry is in Metropolitan Helsinki, and that is why they also have to be there. The dependency on the local labour supply is perhaps surprisingly high, and does not differ between domestic or internationally oriented companies. International companies may have almost all their professional networks abroad, but still recruiting happens locally through local networks.

Inside the metropolitan area, many of the companies are spread out into a few smaller clusters in different parts of the city. The largest concentration is the large ICT-cluster in Espoo westward of the city centre, near the University of Technology and the Nokia head office. In addition, there are a few smaller agglomerations of ICT-companies in Helsinki, such as Pitäjänmäki, north of the city centre, as well as in the new areas Arabianranta and Kalasatama.

The labour supply also influenced the location within the city for some companies. Those who were in constant search of top experts from the University of Technology carefully checked the connections from there to the company offices. Related to this, the accessibility and connections to the office was important when deciding on where to locate within the Helsinki Metropolitan Area. The workers have to have good access to the offices, or it might even be difficult to recruit the right people. The companies who had to visit their clients regularly also emphasised the accessibility issues. By good connections, the managers usually meant decent access by private car and the availability of parking spaces. Also the connections by public transport were regarded as important.

Another determining location factor that came out in the interviews quite unexpectedly was the significance of the manager’s personal background. Establishing the company in the city where you are born, have lived, have family in and/or have studied in seems like a natural outcome. The personal trajectories of the managers influence the location choice within the metropolitan region. In which part of the city the founders live play a large part in choosing the location for some companies, particularly if the company is not located in the city centre. Our study also suggests that where you have studied might affect the location choice of companies. Based on our small sample it seems that if the companies founding managers had studied at the University of Technology in Espoo, they also located their companies more often in Espoo. Conversely, managers with educational backgrounds in Helsinki tended to establish their business somewhere in Helsinki.

The age of the company also seem to influence location decision. Newly established companies often mentioned image and status when they explained their location choice. Obviously the companies that have recently started their business do not have their operational environment, their clients or their networks that clearly set out, and thus a high-image location might give them some extra credibility. Locating in the centre of the city or in a business park with other "good, like-minded" companies was considered by the younger companies to give some prestige.

In sum, the most important location factors for companies in this field are the "hard" or "classic" reasons. Nevertheless, also some soft factors came up, namely the nearness to high-quality residential space and feelings of safety issues. The atmosphere of the city was mentioned several times as well, but usually in negative light. Helsinki was being heavily criticised as not being very encouraging for creative people or entrepreneurs.

5 RESULTS: MOTION PICTURE AND VIDEO AND TELEVISION AND RADIO ACTIVITIES

5.1 Overview of the interviewed firms and their activities

For this research we interviewed six companies, of which four are film production companies and two television production companies. The companies are relatively small with personnel of 1-15 people. The trend in this field is that due to the project nature of the work, the companies in these industries are generally small. Thus, some of the interviewed companies are actually among the largest ones in the sector in Finland. Companies in this sector are often located in the centre of Helsinki, which justifies the fact that a majority of the companies that participated in the study (4) are from the inner city. Two production companies have their offices outside the centre, but not very far from it. Some general features of the companies interviewed are presented in Table 5.1.

Table 5.1 - Features of the companies interviewed in Film and video and TV and radio activities

Company code	Activities	Area of focus	Employees	Location	Interviewee	Founded
FilmTV1	Film production	Independent fiction films, films for children and young audience	1	Centre	Owner, producer, director	1990
FilmTV2	Film production	High-quality Finnish- and English-language films	4	Centre	Producer	1998
FilmTV3	Film (and TV) production	Documentaries, art house feature films and television drama	6	Centre	Producer	1995
FilmTV4	Film production	Feature films	10	Outside centre	CEO, producer, screenwriter	2002
FilmTV5	TV production	Wide range of TV programs	9	Centre	CEO, producer	1999
FilmTV6	TV production	TV entertainment and drama	15	Outside centre	Development manager, director, producer	1999 (2007)

Source: Own

The film production companies that participated in the study concentrate their activities to a large extent to producing feature films. They have produced a wide variety of films, with drama being the most common among type. All the companies mention that they have artistic ambitions in their films, and are not only doing it for the sake of entertainment.

> *"There is always a commercial and artistic conflict in the industry. To us artistic ambition is important. The content of the movie is significant."*
>
> FilmTv3, interview, 2008

One of the companies is currently involved in a "giant project", producing an animated film that has one of the largest budgets in Finnish movie, and is predicted to be the most widely distributed Finnish film ever. It is co-produced by an international company, and some of the funding has been raised from abroad. In Finnish film industry, if a company is aiming for international distribution or even some international success, it is much easier with an international partner. Most of the companies interviewed however are focusing on the domestic market, but some are targeting also international markets with their films. Nevertheless, breaking internationally is extremely hard, and the industry is very much oriented towards the Finnish audience. As one interviewee puts it:

> *"It's a sector of great risks… you have to proceed carefully to international markets"*
>
> FilmTV4, interview, 2008

A feature film is a long and arduous project for the companies. Harri Ahokas from the Finnish Film Foundation says the film industry differs greatly from other cultural sectors in that it is "a real industry":

> *"Each film production is like building one new factory"*
>
> Ahokas, interview, 2008

Making a feature film is a gigantic project and involves a great deal of labour and a large budget. In Finland the markets and funding is limited, which means that only 12-15 feature films premiere each year. Exceptional for the film industry is the fact that a company of just a few persons can run a film project worth up to 6 million euros. The whole project can take five years from the first planning phases to the premiere of the film, usually at least a few years. The companies employ freelancers for the duration of the film project. During the most labour intensive phase up to 200 people can be employed in the project.

The TV production companies also produce a variety of programs. One of them clearly focuses on large entertainment programs, and bases much of its production on international formats. Developing own products is not a priority.

> *"Finnish TV-channels don't take that many risks in prime-time television. Many times they prefer to use a format that has already been tested to work abroad"*
>
> FilmTV6, interview, 2008

The work is project-oriented also in TV production, and employs people in a similar way. However, TV productions are much faster paced.

5.2 Location factors and image of the city

5.2.1 Location nationally

As we have mentioned before, film and TV activities are highly concentrated to the Helsinki Metropolitan Area. The large majority of companies and jobs in the business are located in the Helsinki Metropolitan Area, particularly in the centre or very close to the city centre. According to the interviews, film production companies are highly clustered to Helsinki, and is generally considered the only place to do the business from.

> *"…the whole business is here… to a 100 percent it is in Helsinki"*
>
> FilmTV4, interview, 2008

> *"We can't imagine being anywhere else than in Helsinki… maybe because we are all from here might affect where our office is. Perhaps it's not impossible to operate from somewhere else, but particularly if you want to go international, you have to be in Helsinki."*
>
> FilmTV2, interview, 2008

> *"The skilled workers in the business are all concentrated into the Metropolitan area. Usually all those artistically in charge of a film project, those whose names are on the film poster, are from Helsinki."*
>
> FilmTV3, interview, 2008

One of the film production companies, the one-man company, gives a slightly different view on location. Before moving to Helsinki, he operated from his home in a small locality in the Finnish countryside. He thought it actually worked quite well thanks to the well developed telecommunications. Much of the work he does is negotiations by e-mail, over the phone or internet, e.g. with Skype. He also mentions this other movie producer, a well-known film profile in Finland, who moved out to the country and took his work with him. In the interviewees view, the film industry is increasingly global, and many of the films made in Finland are international co-productions. His current team for example is very international.

> *"The village I worked from before is actually 100 kilometres closer to Hollywood than Helsinki is"*
>
> FilmTV1, interview, 2008

However, he still agrees that physically the industry is located in Helsinki, and it is much easier operating the activities from there, particularly setting up the face-to-face meetings. It also means a lot less travel time – from his previous office he had to travel to Helsinki 1-2 times a week.

There are several reasons for the concentration of the industry in Helsinki. Firstly, the traditions of film in the capital city (Ahokas, interview, 2008; FilmTV2, interview, 2008). There have always been a lot of film productions in the Helsinki region, which makes it easy to uphold the system. Also, the location of the major TV broadcasting companies (Yleisradio, MTV3, Nelonen) in Helsinki is making Film and TV companies cluster in the region

(Ahokas, interview, 2008). In addition, the major school for film education, the University of Arts and Design, is located in Helsinki. All of the above reasons lead to a "formation of a network of professionals" in the Helsinki region (Ahokas, interview, 2008). The labour force in the industry is heavily concentrated into Helsinki. The traditions of film industry in Helsinki is upholding the old patterns.

Some regional policy measures have been implemented to strengthen the film industry in other parts of the country. Local film commissions try to attract film productions to their regions. Also, schools for film education have been located away from Helsinki. One problem however is to get qualified teachers to the regional schools, since the rest of the industry is in Helsinki (Ahokas, interview, 2008). Most of the interviewed managers also thought that the film professionals from other parts of Finland tend to flow into the Helsinki area, since that is where most of the jobs are. So far the regional commissions have not been very successful. Some of the company managers say that they try to use local labour, especially assistants, when filming outside Helsinki.

TV production follows a similar pattern of location, but is somewhat more evenly distributed, with activities also in the cities of Oulu and Tampere (FilmTV4, interview, 2008). However, a majority of the activities are clustered into Helsinki, particularly larger companies, such as the TV-production company we interviewed.

> *"In this scale I don't see how we could operate from somewhere else in Finland… all the players are here.. all the studios, the presenters... almost everyone is here. The whole industry… It would be difficult from somewhere else… to get guests for the shows, performers…"*
>
> FilmTV6, interview, 2008

It seems as there might be more workers available in the TV-sector also elsewhere in the country, but also they are clustering into Helsinki little by little (FilmTV6, interview, 2008).

5.2.2 Location locally

The TV and particularly the film industry are strongly concentrated into the city of Helsinki, and locally into the centre of the city or immediately outside it. In film production the big picture is that on the one hand smaller companies are located in the centre of the city in the districts of Punavuori, Kallio and the business centre. On the other hand, somewhat larger companies are situated a little bit outside of the centre, where rents are cheaper. Particularly if the company has its own film equipment to store or an own studio, they need more office space, and usually have to go after cheaper rents outside of the immediate centre. In TV most of the companies are generally speaking either in the centre or the large media cluster in Pasila, where the headquarters of the largest broadcasting companies in Finland, Yleisradio and MTV3 are located.

The advantages of being located in the centre are clear. The offices are centrally located, easy to reach, and the major movie theatres, cultural institutions as well as distributors are close (FilmTV2, FilmTV3, interviews, 2008). The largest drawback mentioned of locating centrally is, quite unexpectedly, the lack of parking spaces. Particularly during an ongoing film project, car is the main mode of transportation. The people are in constant hurry, and there are a lot of things to transport around as well. Keeping the film team waiting is extremely expensive.

The manager of the film production company that is located a short distance outside the centre of Helsinki is a little dissatisfied with its location. Right now their office is in an expanding area that mixes old industrial buildings and warehouses with modern office buildings. Its value is expected to go up, and also the price of office space. Nevertheless, rent is still much cheaper than in the centre, which is why the company stays in the district. There are certain big advantages with the location, such as good transport connections and particularly availability of parking space. The district is being developed and different cultural industries are expected to establish themselves in the area. However, the development plans are not altogether positive in the manager's mind, particularly because there will be less and less available parking space. (FilmTV4, interview, 2008)

Nevertheless, he would like that the company would be located in the inner-city. He thinks it would be more useful to be in the centre. He has "a dream" that one day their office would be located on Iso-Roobertinkatu, in the hip Punavuori district, and that is also where he would prefer to live himself (FilmTV4, interview, 2008). This area is one of the trendiest areas in Helsinki right now, you could even call it Helsinki's "creative quarters". Obviously in this case, the soft factors such as the atmosphere and the diversity of the area in the city influence this location aspiration. However, the practical issues, or "classic" factors such as availability and price of office space and transport issues are the causes of the actual location choice.

In the TV industry, being located close to a TV and media cluster such as Pasila in Helsinki is considered important. Most of the largest players in the sector are located in Pasila, except one of the national broadcasting channels, Nelonen. In pasila, the customers, YLE and MTV3 are close, logistically it is easier, because you will have to transport rolls of film and other equipment to the partner companies, the studios are close by, you rent your equipment and sound production from there… etc (FilmTV6, interview, 2008).

5.2.3 Location internationally

First of al, it needs to be said once again that the film and TV business in Finland are very domestic. However, there are some promising new talent that are aiming for an international break. Nevertheless, if the company aims for international markets operating from Helsinki is very difficult. In one view it is:

> *"…totally impossible. Nobody gets to choose which country you are born into… Finland is a small country which is located far away from everything."*
>
> FilmTV2, interview, 2008

The interviewees do not altogether agree on what role Helsinki's international image in the film industry has on international activities. Most of them say that no one knows anything about Finnish film, so it really does not matter you come from Helsinki / Finland (FilmTV1, FilmTV3, interviews, 2008).

"There is no Finnish brand in the movie business… But the industry is so small and narrow in Finland, that sometimes you can have credibility problems"

FilmTV1, interviews, 2008

Each interviewee in the film sector mentions the influence of Aki Kaurismäki, who is a relatively well known name in art house movies internationally. He is known, but the picture he paints about Finland is gloomy, dark, laconic, depressing and exotic. Some managers think it affects the image of the city in the film industry.

"Well, Finland doesn't really have an image in the film business. Usually people haven't seen anything from here. But the image is not terrible either. Only Kaurismäki is somewhat known in art house circles… Finland is known as a country of high technology, but the movie business is nothing. What we are missing is a breakthrough film.. Also the budgets are ridiculously small in our film productions. It is not convincing to make a movie with a budget of 2.5 million euros."

(FilmTV2, interview, 2008

Attracting foreign film teams to Helsinki is one sector that the city and the film organisations have begun to promote more. However, it is quite hard to sell to foreign film productions.

"Helsinki is my hometown and the home of my grandparents and their grandparents. Unfortunately there is nothing exceptional about the city. It's a European city. There is no value added to making a film in Helsinki compared to say Hamburg"

FilmTV4, interview, 2008

5.3 Networks

All the interviewed emphasised the significance of networks in the industry, both in film and in TV. They agreed that without networks in the business, it is difficult to operate. They are important in most work phases in the industry: in recruiting, in raising financing, in selling the unfinished product. Knowing people opens many doors.

"The industry is unbelievably networked. You have to have networks when funding the movie, and you have to have them when you want to sell the movie."

FilmTV4, interview, 2008

People also actively go to different events, fairs, seminars, exhibitions and marketing events in order to network. Hanging out in "cultural" places also helps to meet people.

"Theatre restaurants, where the people in the industry hang out are good for networking… it can lead to meetings that can be synergic…You have to be at the right places at the right time, which means you have to be in many places… go to events and participate in different activities."

FilmTV4, interview, 2008

"The movie people are characterised as hysterically social… they strive so hard for contacts. In this industry you have to like people, drink in people…"

FilmTV4, interview, 2008

The business seems to operate in very close-knit networks that can actually be hard to break. Recruiting is based on a "pyramid model", where the core of the film project, the producer, the director and the screenwriter, each have their requests who to hire for certain jobs in the movie production. They usually choose people they have worked well with before. These people in return have their preferences on other employees in the production (FilmTV4, interview, 2008). Consequently, most people are hired through networks established during their career in film. This naturally leads also to a further concentration of the industry into Helsinki, as people from the outside are seldom hired. The network-based recruiting actually works against the function of regional film centres (FilmTV4, interview, 2008). Also, you might question if this works against creativity as well, if new people seldom come into the working teams.

Compared to the software industry the people working in film and TV actually work very hard to network. Also in software the importance of networks is recognised, but the people employed in film and TV are much more active in creating and upholding contacts than they seem to be in the software sector. Having good networks appears to be a prerequisite for making it in the film and TV business.

5.4 Role of local government, organisations and the city

In Finland, no feature films are made without funding from The Finnish Film Foundation. The markets in Finland are so small, that a film cannot finance itself. Film production relies on funding from many other sources too, such as the EU, the television channels and the distributors (FilmTV4, interview, 2008). The role of private funding and using international co-producers is on the increase, because the public funding has stayed the same for a long time (FilmTV3, interview, 2008).

> *"Public funding is crucial for the film industry… Production support is important everywhere. There is no need to be ashamed of that here in Finland"*
>
> FilmTV1, interview, 2008

Competition for the funds is hard among the film producers in Finland (FilmTV1, FilmTV2, FilmTV3 interviews, 2008). The Finnish Film Foundation acts as a kind of "gatekeeper" for what kind of films are made in Finland (FilmTV3, interview, 2008). There is much critique and discussion in the field on what grounds the funds have been allocated.

> *"The role of the Finnish Film Foundation is hard as hell… I don't think they are doing a bad job… of course personal relations affect the distribution of funds. But we are all people."*
>
> FilmTV3, interview, 2008

One of the companies say that the share of public funding in movie making is very large, almost half of the budget, and that the relative support is among the highest in the world (FilmTV3, interview, 2008). Another one talks of how small this financing is compared to the other Nordic countries (FilmTV1, interview, 2008). In any case, the public funding is central to the film production and always raises much debate.

The film production companies all have a clear view of why the sector should be financially supported. They believe that film really contributes to society and the city. Firstly, it is a very labour intensive field. A film project employs a great deal of people, from music producers to catering and restaurant personnel (FilmTV1, FilmTV4, interviews, 2008). It has cultural value and is important for the national identity, almost comparable to literature (FilmTV1, FilmTV3, FilmTV4, interviews, 2008). According to one manager, films are viable export products, which really should be understood by the decision makers (FilmTV1, interview, 2008).

In Finland, the city of Helsinki does not give any funding for movies that are made in the city. Other cities around the country may do that to attract the film production to their city, and through the film receive some visibility and maybe image enhancement.

For the city, film productions can bring some extra value for their image. The companies agree that Helsinki should take note of this as well, because right now it does not seem to realise the potential as a builder of the image of the city. Maybe it is taking it for granted that films are being produced in Helsinki no matter what (FilmTV3, interview, 2008). Comparisons to Sweden came up a few times as a warning signal for Helsinki. There the regional film commissions have gained so much power, that moviemaking has almost completely moved out of Stockholm (Ahokas, FilmTV4, interviews, 2008).

Nevertheless, a majority of the film productions are made in Helsinki, and the city is very used to film teams. One interviewee has good experiences with the city when it comes to getting filming permissions, holding up traffic during filming, and says doing business with the city has worked "elegantly" (FilmTV4, interview, 2008). Nevertheless, he says you do not get any bonuses when filming in Helsinki, such as being able to film the whole day in a restaurant without paying for it, just because the owner think it is nice to have a film team in. Another film producer has a somewhat different view on the matter

> *"Helsinki is the hardest place. Everything from organising traffic is so difficult here."*
>
> FilmTV3, interview, 2008

Helsinki has a reputation of being a city

> *"where everything works but nothing can be arranged"*
>
> Ahokas, interview, 2008

For the city itself it would be important to gain a reputation that the authorities take a positive attitude towards making films in the city. It certainly is a challenge for the city to be both a functional and orderly and at the same time flexible enough to provide the settings for the film industry, as well as the other creative fields.

5.5 Main drivers for location

The film and TV industry is very different from the other sectors studied. In Finland, the industry is very strongly clustered into Helsinki, and locally in the centre of Helsinki or immediately outside it. In film and video, 65 percent of all the jobs are in the Helsinki Metropolitan Area, and in TV and radio 72 percent. Almost all of the employment positions are in the city of Helsinki and much less in the suburban areas of Espoo and Vantaa.

The film and TV industry is a part of the cultural industries which have often been used as an example of a clearly creative industry. These highly creative industries are often supposed to operate somewhat differently than other fields of business, such as being agglomerated into the larger urban areas. Film and TV in Finland is still largely oriented towards the domestic market. Thus, in Finland and in Helsinki it is a very small economic sector, but yet regarded as very important for the “creative city” and has many multiplicative effects. As a film producer puts it:

> *“Film is an experience of art that is there for the whole nation. All people can enjoy it… In a film all forms of art converge… writing, visuality, music… The film is important as a unifier of national culture. You can compare it to literature.”*
>
> FilmTv3, interview, 2008

It appears as the people working in film and the media business have preferences and a lifestyle often associated with “the creative class”. Many of them are active consumers of cultural services and entertainment; they often value a diverse neighbourhood and lively inner-city life. Some managers in film production companies mentioned the city buzz as being important for the people in the industry; hanging out in theatre cafés, going to movie premiers and being inspired from urban life. Meeting people is crucial in the business, which one film producer describes as being “hysterically social”. People acknowledge the importance of networks, and they also work for them, at least in an early stage of their careers. Thus, these “softer” values on the city seem to be reflected to some extent also in the company location preferences. Having the office in the centre appears to have something to do with the atmosphere of the city, as well as being close to other supply of culture.

Nevertheless, despite being a highly creative industry, even in film and TV money and business reasons are what matters the most. The most important direct causes for company location the managers recognised were “classic” or “hard” factors. The primary motivations were largely the same as in the software sector. According to the managers, the most important factor was that the labour force, and actually the whole industry, is in Helsinki. Other determinants for where in the city area the office is located are also quite “classic”, such as accessibility. What we found quite surprising, is the significance of available parking space. Nearly all companies mentioned this as a crucial factor for a good location. We assumed beforehand that in this creative sector the use of public transport would be more dominating. As it turns out, private cars are extremely important particularly during filming, the most cost-intensive production stage.

Tradition also plays a part in the location of film and TV companies. Historically, most cultural institutions have been located in the nation’s capital, such as theatres, concert halls, the opera, art universities and others. The cultural fields have been built in the Helsinki region around this tradition. Gradually a cluster of cultural industries have emerged in Helsinki (Äikäs, 2007). For film and TV, the cluster effects seem to be one natural reason for locating in Helsinki. The cluster forms a cultural talent pool and it enables the formation of beneficial networks, interaction and creative innovation within the sector and to other closely related cultural fields.

However, despite the importance of the "hard" location factors and cluster benefits, our study suggests that the "soft" factors are somehow built-in in the logics of film industry, in a way as a part of the rationality of the hard factors. The lifestyles of the people working in the film business affect where they are living, but also to some extent where they are working. Though money is what makes it go round, the business is still built around these values and lifestyles. In fact, one way of interpreting the location factors is that the presence of so called "soft" factors in the city – theatres, entertainment and other cultural institutions – actually are the "classic", "hard" location factors for this field. Perhaps the centre with its buzz, entertainment and cultural services are comparable in importance for the film industry as the rivers used to be for the forest industry.

6 RESULTS: BUSINESS AND MANAGEMENT CONSULTANCY ACTIVITIES

6.1 Overview of the interviewed firms

The field of business and management consultancy activities (NACE code 7414) was chosen in this ACRE study to represent the knowledge intensive fields. We have interviewed managers or equivalent actors from four different companies. The smallest company is a one-man recent start-up, and the largest one a growing company with 20 employees. The smallest company is located in a business incubator centre in the centre of Helsinki. The other three are located outside the centre. One is a two-man company operating from the owners' home, one has its office in a business centre and the largest one is located in business park. The general features of the interviewed companies are presented in Table 6.1.

Table 6.1 - Features of the companies interviewed in business and management consultancy activities

Company code	Activities	Main area of focus	Employees	Location	Interviewee	Founded
Consultancy 1	Business and management consultancy	Consulting: leadership, strategy and social entrepreneurship development	1	Centre	Founder	2008
Consultancy 2	Business and management consultancy	Consulting and training of management	2	Outside centre	Founder, CEO	2005
Consultancy 3	Business and management consultancy	Management team development, consulting and training	9	Outside centre	Consultant	2004
Consultancy 4	Business and management consultancy	Usability research and user-centered design, training and consulting	20	Outside centre	Sales manager	2001

Source: Own

Although all the companies are involved in business and management consultancy, their activities are relatively specialised, as small companies tend to be in this sector. The recent start-up's focus is on developing social entrepreneurship. The two-man company assists companies with creating their supplier and collaborator networks as well as how to lead a modern networked company. Our third interviewed company concentrates on consulting the management team and the last and largest company's focus is on usability research and user-centred design. It is also the one with the most versatile staff, including highly educated specialists in technical, humanistic, and artistic fields. The business combines visual aesthetics and what goes on in people's heads.

The people interviewed also had very different career backgrounds. The experience they had in consulting and business management ranged from two to 30 years.

None of the companies had much international operation, but three of them had major intentions of expanding their business abroad. Their main customers were large and mid-sized companies in Finland or international companies working in Finland. The company that specialises in usability also had many public enterprises as clients. The recent start up is such a young company that it did not yet have any real clients.

6.2 Location factors and image of the city

6.2.1 Location nationally

As we have seen earlier, also the industry of business and management consultancy is centred in the Helsinki metropolitan area, with 62 percent of all the jobs located there. This comes out in the interviews as well. All of the interviewed companies said that Helsinki is the place to do business from in Finland. They did not see it as an option to work from elsewhere in the country. The founder of the one-man company originates from a small-town in south-eastern Finland, and says that he probably could work from there, but it would be much more difficult:

> *"The clients, life and business are here"*
>
> Consultancy 1, interview, 2008

For the companies it is necessary to have their offices in the Helsinki Metropolitan Area because that is where the clients are (Consultancy 1, Consultancy 2, Consultancy 3, Consultancy 4, interviews, 2008). Easy accessibility to the clientele is important.

> *"For a company of our size it is not worthwhile to operate from anywhere else than the Metropolitan area… although the service in itself is place-independent… at least the main activity must be in the Helsinki area. Most of the clients are in Helsinki and most of the meetings are face-to-face."*
>
> Consultancy 4, interview, 2008

> *"Perhaps it is not a requirement to be located in the Metropolitan Area, but still it is self-evident. Our clients are in the Helsinki region and abroad, so the accessibility is good. In this field also the question of skilled labour are crucial. You have to be located where people want to work… So the advantages of being located in Helsinki are that the clients are here, the workers and the partners…At the same time it is a little contradictory talking so much about the importance of networks and still physical proximity obviously matters… Face-to-face contacts are important even though a lot of the contacts are electronic or by phone. "*
>
> Consultancy 2, interview, 2008

Thus, in addition to being where the clients are, you also need to think about recruiting and where people want to work. Nevertheless, in this field, no major concerns were raised about the labour situation like in the other sectors we investigated for this study. One of the companies believed that skilled people could be found also elsewhere in Finland.

Helsinki's image seems to matter to some extent too, compared to being located somewhere else in the country.

> *"Helsinki's image does not hurt. The previous company I worked for was in Jyväskylä, and image wise that is a whole different matter.*
>
> Consultancy 3, interview, 2008

> *"On the other hand if you want to work from a small village somewhere it's not impossible… it just means you have to travel more yourself. Maybe you are just so fixated to think that you have to be located in Helsinki. It's because of image reasons. Maybe it's not so credible to operate from the village… the company is not so credible."*
>
> Consultancy 2, interview, 2008

On top of these location factors, one more obvious thing also influences where the company is located: personal trajectories. As in the other sectors, the fact that the founders are from Helsinki seems to play a large part in establishing the business in Helsinki. Two companies mentioned personal reasons like that, as well as their families being here, as background information when discussing their decisions for location.

6.2.2 Location locally

As we have seen, the businesses in the sector are more evenly spread out across the Metropolitan Area than the other sectors. As the sector is very person oriented, companies can be very small but yet successful. Many times one-man companies operate from the home of the founder, as in our case the two-man family business. Also, the nature of the work includes visiting the client a lot, which influence location choices. Companies say that most meetings are held at the clients' offices, which means that the client does not necessarily come to the consultants' offices at all. The clients today do not usually have the time to go to the consultants. This makes it possible for small firms not to invest so much in the location.

Nevertheless, for some consultancy companies, particularly somewhat bigger players, image and status reasons are clearly significant. They have clients coming to their offices, which means that image issues matter. If a company is looking for a prestigious location, the centre of the city is definitely the best place to be:

> *"When we founded a company our options were either to get an office on Aleksi [Aleksanterinkatu – the main high-status street in Helsinki] or run the company from home. If you have an office it has to be located on Aleksi, because the status value is high. In practice where you are located in the Metropolitan Area doesn't make any difference, so we decided to keep the office at home, because of lower costs."*
>
> Consultancy 2, interview, 2008

Another way of gaining some status from the location is perhaps surprisingly locating in a business centre or park. The largest company we interviewed in this sector are now located in a business park, which they find to have a nice high-tech image and gives a positive picture to the clients. The whole area is actually a newly created centre of art and design with also a lot of creative and knowledge intensive companies as well. Just being located in a well-known area like this gives a nice signal of success to the clients. The consulting company that is located in a business centre close to the technological hub of Helsinki says that one reason they are there are because a good address was important. Also the one-man company is located in a business incubator centre for new start-ups, and is satisfied with both the central location and the services and mentoring it has to offer. Also, it is good for networking, which is important particularly at the early stages of business.

The accessibility is important to all of the companies interviewed, although it means different things for them. Two of the companies in the study value public transportation very highly, and therefore the company has to be located along good connections. On the other hand, two of the companies say that people in the business, or at least in their companies use private car as the main mode of transport.

In addition, in this sector as in the others, one of the most important factors for office location is the cost, look and feel of the office space. The office has to be suitable for the company both price wise as well as size wise.

Soft location factors came up in one of the interviews. The small one-man company is located in the centre, which according to the founder is very good.

> *"Helsinki is lively and diverse, at least on a Finnish scale. Where you operate from is important, because life is not just working... The residential environment has to be enjoyable".*
>
> Consultancy 1, interview, 2008

6.3 Networks

Also in this field networks, both business partnerships as well as informal networks are considered vital for success. Personal networks are used extensively in recruiting.

One way of going international with the business is doing it through international networks, which is what one of the interviewed companies is planning and preparing for. One of the companies is engaged in quite close collaboration with international companies of approximately the same size in the same field.

Similarly as noted in the other sectors, younger consultants seek informal and business networks much more eagerly than more experienced consultants, which have had time to make a lot of contacts during their career. One of the consultants wondered whether running around in different events and business forums bring any returns for lost time.

> *"We have been to these events quite a lot, but not seen any profit from them. It is interesting to exchange experiences, but there is not much business to be created from there."*
>
> Consultancy 4, interview, 2008

The same company has not really noted any cluster advantages from being in a business park. There is not much cooperation between the companies in the business park, not that they have looked for any partnerships either.

> *"I don't think networks are dependent on physical location"*
>
> Consultancy 4, interview, 2008

6.4 Role of local government, organisations and the city

In this sector the role of the public sector is much smaller than in the other industries we have investigated. It looks as public support is only needed in the starting phases of the companies, as well as when the company is taking a larger development leap. Only one of the companies interviewed received funding at the moment. One of them had used some in a starting phase. The other two did not consider public actions or the role of the local government at all relevant for them, and they had not even thought about it. As one of the experienced consultants said:

> *"We are business and management consultants, so we should know how to run our companies. We are the specialists. That would not look too good if we needed any public support"*
>
> Consultancy 2, interview, 2008

6.5 Main drivers for location

The business and management consultancy sector in Finland is very domestic, and also strongly Helsinki centred, with 62 percent of the jobs in Finland being located in Metropolitan Helsinki. When looking at the employment figures, it is not a very large sector. It employs about one percent of the total workforce in the Helsinki Metropolitan Area. In an international comparison, the use of consultants in Finland is still relatively uncommon. Thus, there is a good potential for growth in the sector. Business and management consulting is one of the Knowledge Intensive Business Services (KIBS), which provide knowledge-intensive support for the business processes of other organisations. Providing KIBS has been emphasised lately as one of the basis of building new innovations and a creative knowledge economy. Like other KIBS-sectors also consultancy is expected to grow in the near future. Nevertheless, the field is quite sensitive to economic fluctuations. When companies are forced to cut costs, consultancy services are often the first ones they cut back on.

When asked why the companies are in Helsinki, the managers also in this sector talked about the whole business being located in Helsinki and the tradition of consultants working from Helsinki. However, compared to the other sectors that we studied, particularly one factor rose above anything else: the location of clients. All interviewed managers regarded the fact that most actual and potential clients are located in the Helsinki region as the main driver of location.

Thus, the sector seems much more client-oriented than the other studied fields. This becomes evident also in the emphasis on image reasons for location choice. Some managers said that the company would be lose some of its credibility if it was located somewhere else in Finland.

Prestige reasons also come out when looking at the companies' location within the Helsinki region. It seems as in business and management consultancy selling the product receives more weight. Things like the status and appearance of the company can be important in trying to sell the clients consultancy activities. Therefore the prestige of the location can be relatively important. A good location gives the company added value. If a consultancy company is looking for a high-status location, it should be located in the city centre, preferably at a good, extremely central address such as Aleksanterinkatu. Also business parks and hubs are considered surprisingly prestigious. If the company is not in the centre, or perhaps in another high-quality address, the location does not seem to matter that much. Because the consultants often visit their clients, and not the other way around, it is common to just have their office at home. The time is spent at the clients', so the office can be where the consultant happens to live. A majority of the companies in consultancy are small one- or two-man companies, which makes them flexible. Thus, the individual residential preferences of the company managers affect where the offices are located. The large multinational consulting companies of course have different requirements for office space, which restricts their location choice.

Also in this sector, accessibility is mentioned as being important for company location. By this the managers mean that the clients should be reached quite easily, but also that the workers (of a larger consultancy company) have to have good access to work.

This sector stands out as being clearly the most "business oriented". In consultancy the "hard" location factors appear to be by far the most important. None of the managers interviewed mentioned any soft factors as main drivers of the location of their company. However, if the office is at the owner's home, the personal preferences of where to live comes into play, and in those soft factors may take a larger role.

7 CONCLUSIONS

In this study we have tried to discover what the drivers behind companies in selected knowledge intensive and cultural industries are to settle in the Helsinki Metropolitan Area. Also, we wanted to find out why they are located in that particular place in the region, what factors influence the location decision, with special focus on the "hard" or "soft" factors. In this chapter we will discuss the results in three different sections. In the first one we will look at why the companies in the studied sectors choose to locate in the Helsinki Metropolitan Area, and then discuss why they choose a certain location within the city region. In the last concluding chapter we will examine Helsinki's strengths and challenges as a creative knowledge city.

7.1 Why Helsinki?

First and foremost, it is important to keep in mind Helsinki's position as a capital city, and an undisputable primate city in Finland. Much of the economic activity and the people are located in the capital region. Helsinki is the clearly largest city in Finland, and the only one that could be called a lively and diverse city; even a metropolis. Our results show that for most of the managers interviewed, there is no other choice for settling their companies. Helsinki is where, generally speaking, things happen, where the right people are, where the clients are, and for some the only place you can operate an international company from. Our study also shows that the economic sectors we have chosen for this study are proportionally more heavily clustered into the capital region than companies on average. It is likely that companies in creative and knowledge intensive industries are particularly eager to settle in the Helsinki Metropolitan Area than elsewhere in the country, as the tendency in the fields have been also elsewhere. Clustering is particularly strong in the Film and TV industries, which are also quite heavily concentrated locally into certain parts of the city.

The economic sectors chosen for this study were very different from each other, and thus had varying location demands. In our results, there are clear differences in location patterns between the different sectors because of their different types of needs and business logic. The location factors vary according to the size of the companies and time they have been in business.

However, some similarities emerged to what was important for a location choice. The factor that came up as the most decisive was the need for a supply of specialised and skilled labour force. Several companies mentioned labour availability as the main driver of settlement in the Helsinki Metropolitan Area, in software and computer games, film and TV as well as consulting. Interestingly, also internationally oriented companies were dependent on recruiting locally, even though most of their other networks were international. Other frequently stated reasons for operating from Helsinki were that the clients are located there.

This was the most common factor mentioned among consulting companies, but came up also in the other sectors in the study.

Our results thus point to the fact that "hard" factors are the ones that matters the most for creative knowledge companies in Metropolitan Helsinki. However, a general statement to the question of being in Helsinki was that "everyone is here" or that "the whole business is here". Clustering regionally (in Helsinki) or locally (in a certain area of Helsinki) thus seem to be important for the companies. Companies, labour and support infrastructure tend to concentrate together, and gain advantages through clustering. In Finland this is well exemplified by the film and TV industry. Both the specialised labour and the companies flow to Helsinki, which helps both employees and employers to find jobs and labour respectively, as well as the right equipment, studios etc. However, "soft" factors where not insignificant either, but played a subordinate role, particularly when regarding the residential choices of the managers themselves of the workers in the company. For quite many, access to good quality housing or perhaps a lively city culture is important.

Only one manager, the one owning a one-man web design company, regarded soft factors, as crucial for settling in Helsinki. He regarded the diversity, "feeling" and "creative inspiration" of the city as important for working in Helsinki. Other than that, "soft" location factors did not straight out seem important for the managers' company location decisions. A few managers mentioned the atmosphere of the city and the availability of high quality residential space as quite important, but regarded it more as a "bonus", not a determining factor for locating in the Helsinki Metropolitan Area. In film and TV it seems as if the soft factors and the urban lifestyles of the people in the industry lie beneath the actual location decisions, despite the fact that managers directly stated hard, classic motivations for company location choice.

Also, it cannot be neglected that many of the interviewed managers were born or had studied in the Helsinki Metropolitan Area, which makes locating their business in this area a natural development course.

7.2 Where in Helsinki?

When it comes to company location locally within the metropolitan area, also here the hard factors tend to dominate. Accessibility was deemed the most important location factor, and surprisingly the availability of parking spaces was valued very highly. The dependency on private cars was the same in all sectors, even the highly creative film industry. Also, image and prestige of the locality seemed quite important for location choice. Particularly newly established companies were concerned about the status of their location, and wanted to gain credibility by choosing a high-image location. The most esteemed place for the companies in all sectors is the city centre. However, most companies cannot afford or do not want to invest in the high rents there. Also being located in business parks is considered to give a good image to the company.

Our study also shows that many location decisions are not based on "hard" or "soft" factors, or on positive clustering effects, but simply on personal grounds. In many cases the determining factor for locating in Helsinki was done based on the manager's personal reasons.

Most of the company founders are born, have family or have studied in the capital region, which certainly influence where they want to start a company at. This is true also when choosing the location within the city, particularly when the company is not located in the city centre. Many companies are established close to where the founding manager lives. Our study also shows that where you have studied may influence company location decisions locally. The ICT-cluster has not accidentally sprung up around the University of Technology in Otaniemi, Espoo. Interestingly there is also a strong connection to where people live. Studies have shown that a lot of technical innovators employed in the companies situated around Otaniemi also reside in these western parts of the metropolitan area. This again affects the establishment of new companies, who want to be located near the appropriate work force. Thus, family ties and personal trajectories seem to be a relatively important and perhaps somewhat neglected factor to take into account when investigating location patterns of companies.

In this study the “highly creative” stand out as having somewhat different preferences than the rest of the workers. People employed in “highly creative” professions such as film making or web design appears to value “soft” location factors more, such as the ambience of the city. This is in line with the results in our previous sub-study on creative knowledge workers in Helsinki (Kepsu and Vaattovaara, 2008). However, these soft factors influence company location much less than they influence where these people choose to live. Although many times the managers would like to locate their companies in the city centre, “harder” business reasons outweigh the “softer” factors. They often choose to locate in a less “inspiring” area because the accessibility is better and rents cheaper. In their residential choice, “highly creative” people have more freedom to choose the location of their home within the city.

7.3 Strengths and challenges of a creative knowledge city

So, how does Helsinki measure as a creative knowledge city for the interviewed managers? In the following section we will examine the strengths and problems of the Helsinki region and their implications for the competitiveness of the city.

Generally speaking, most companies are quite satisfied with their location in the Helsinki Metropolitan Area. One of the main reasons is of course that Helsinki is the undisputable primate city of Finland, and much of the economic activity is centred there. For the studied sectors, as for probably most businesses in creative or knowledge intensive fields, locating in the capital region gives the businesses cluster benefits of being geographically concentrated. Helsinki is also were the most educational and cultural institutions have been established, which have pulled the people and the businesses into the region. For example, some software companies seem greatly dependent on the graduates from the University of Technology. Likewise, the film industry has developed into the only cultural capital of Finland, where all the main institutions in the field have been established. Many new companies are then founded in the area based on the tradition in the sector. Also, as the clearly largest city region in the country, Helsinki is also the most urban, diverse and “creative” of the cities in Finland.

The business environment in Helsinki has many advantages. The low hierarchy in business organisations has frequently been mentioned as one of Helsinki’s strengths. Also the closeness of networks and the relatively small size of the city help lower the hierarchical structures. Anyone can be reached by phone if you really want to get in touch with the person. Cooperation between different organisations and actors in the city also works quite well. The government, the municipalities, the universities and the businesses are willing to work together.

Most companies also think that the city and local government supports the industries and functions well. There has been serious investment in developing Metropolitan Helsinki into a competitive, innovative and creative knowledge region. Indirectly, one of the strengths of the region is based on free for all, high quality education, which supplies the region with highly educated people. Also, there has been constant investment in R&D and innovation activities. Some companies are very satisfied with the support activities for small innovative start-up companies, such as the business incubator centres, technology parks and cooperation clusters that the local governments have been involved in. They offer support services for the newly started companies, such as funding, help with networking, developing entrepreneurship and acquiring the knowledge and skills needed for operating a successful business. These support centres have helped some of our interview companies get started with their businesses.

Helsinki and Finland are also characterised by being highly organised, which means that usually "things work" in the city. This is supported by the following interview statements:

> *"Helsinki is reliable and is functionally prepared for most. Things here work in a precise way. They function as has been promised, you can trust that."*
>
> Consult 4, interview, 2008

> *"In Helsinki the public services also work. The bureaucracy is not bad. The city can stop traffic if needed. However, the city has a reputation that everything works, but nothing can be arranged. Helsinki needs to let know that the authorities are sympathetic towards culture and making films."*
>
> Ahokas, interview, 2008

In general then, companies are relatively satisfied with being in Metropolitan Helsinki. However, according to the managers, there are certainly some obstacles for the future of a competitive knowledge city. The companies had many worries and suggestions for improving the operational environment for creative knowledge industries.

Our results suggest that the problems are two-level: structural and cultural. The structural obstacles include issues such as infrastructure, the supply of a skilled labour force, taxation, housing policy and public support. By cultural obstacles we mean issues related to the general atmosphere of the city, related to culture and creativity as well as entrepreneurship.

As we have seen accessibility and transport connections was a determining location factor for the companies in all three sectors. Thus, it is obvious that the transport infrastructure needs work well in the region. Interestingly, one of the most frequently mentioned **structural obstacles** by company managers was the lack of parking spaces. This was the case in all the studied fields, but was surprisingly a problem especially in the most creative of the fields, the film industry. The film companies are quite dependent on private car for transportation, especially during the filming stage of the production, when it is extremely expensive to keep the film team waiting. The lack of parking space in the city centre may force film companies to locate their businesses outside the core of Helsinki, despite their wish to be centrally located. Naturally, this is the case also for companies in other fields, whose personnel frequently use private cars.

Another structural condition that raised concern was the supply of a skilled labour force. Our study shows that the existence of good labour is a location factor of highest importance, when the companies choose to operate from Helsinki. Currently the situation is adequate in most fields, but in all sectors the managers were worried about the small talent pool. The labour situation is particularly bad in the computer games sector. Also, the managers of the innovative software companies were concerned of both the quantity of the highly-skilled workers and the quality of the education in Finland at the moment.

> *"I am somewhat sceptical about the future [of software]. The bottleneck for the future is the skilled people. Talent and putting one's heart into it is much more important than for example education. My worry is that when information technology is not in fashion anymore the best talents do not want to get into it anymore. At the same time the field develops very fast. The Indians are skilled and very hard workers, and still quite cheap to hire. I am worried about the quality of education as well. At the University of Technology they created big problems when they increased the intake of new students by 100-400, at the same time as they raised the productivity efficiency. This is why they had to lower the quality of instruction and some of the important practical courses had to be cut down. This lowering of the quality of education has widely been seen as a concern for the development of the sector."*
>
> Software 7, interview, 2008

> *"Maybe you could also blame Nokia for something. It has in Finland drawn so many intelligent people into work. In Finland we are quite conservative and too satisfied. The really smart ones don't want to go and create something new in their own companies."*
>
> Software 4, interview, 2008

One of the solutions that have been brought up for the labour situation is to bring in skilled highly-educated workers from abroad. However, one of the problems here is whether Helsinki is able to attract these sought-after people. This question will be investigated in our upcoming empirical stage in the ACRE project (work package 7), when we will interview transnational skilled migrants working in Metropolitan Helsinki.

Another structural condition that was mentioned to work against innovativeness and entrepreneurship is the tax system. Generally people accept high taxes as an expense of the welfare state model, but the taxation of enterprises is problematic particularly for large international companies.

> *"The taxation of options and the double taxation of dividends upset me. We are approaching the limit. Some large companies have moved out recently, such as Elcoteq. An increase of 15 percent was unreasonable. This is how they push successful people out of the country. The people who have created a highly successful company could do it again, and it is a waste that they are not appreciated enough."*
>
> Software 7, interview, 2008

The City of Helsinki's director of economic development Eero Holstila believes that the taxation is also a large obstacle to attracting workers from abroad. Right now the tax level is such that foreigners very rarely come to Finland to stay for very long.

An important structural obstacle mentioned by the managers and experts is the housing situation in the Helsinki Metropolitan Area, which is crucial for the existence of relevant labour. From an international perspective the standard of housing in Helsinki is low both quantitatively and qualitatively, even according to Eero Holstila, the City of Helsinki's director of economic development. Many of the skilled workers have lived abroad for some time, and learned a higher standard of housing from there. Back in Helsinki, the standard of housing is hard to maintain. It is clear that the housing needs of the skilled people are not met. In our study, the problem comes out in two different ways depending on the sector. It seems as the residential choices are different between the technical innovators and the highly creative, due to different lifestyles. Firstly, the skilled experts with technical and knowledge-based backgrounds, in our study represented mainly by the software sector, value spacious living in a single-family or at least a semi-detached house close to nature. Thus, they are looking for spacious, high-quality homes usually outside the centre, in the suburban areas. Right now, there are not enough homes to meet the needs of these top experts. The second part of the housing problem is the lack of reasonably priced apartments in the centre of the city. The "highly creative" workers, in our study represented by the workers in the film sector, attach great importance to being close or amidst the buzzing urban life. Currently, finding an apartment in the centre, particularly if you have children, is very difficult. The housing prices have risen out of reach, and these people are seldom looking for anything luxurious.

> *Helsinki is expensive. The housing market actually works against creativity. You can't find a reasonably prices family apartment in Punavuori [district in the centre].*
>
> FilmTV4, interview, 2008

In order to accommodate companies in the Helsinki Metropolitan Area, housing policy needs to be paid special attention. This is in line with our result from the previous empirical ACRE sub-study, where the satisfaction and demands of the Finnish creative knowledge workers was examined. Their message was that the housing situation is anything but satisfactory in the region (Kepsu and Vaattovaara, 2008). This study clearly shows that the labour supply is extremely important for the location of creative knowledge companies in Metropolitan Helsinki, and thus their workers' demands should be taken seriously. If the region wants to attract creative knowledge companies it needs to take care of the people potentially working for them. Also, from a local point of view, there seems to be a strong relationship between the location of businesses and the highly educated workers employed in them. As we noted above, where the employed live varies somewhat according to economic sector, and thus it is important to take into account both groups.

The support policy and the orientation of it is also one issue that created negative response from the manager's interviewed. The views on public support varied a whole lot depending on the sector and the time the companies had been in business. Generally speaking the managers who had been in business long and had their operations quite established were not reliant on any support measures, as did not the most business-oriented sector, the consultancy sector. However, the recently established companies were more dependent on public support.

Despite the general satisfaction of the business incubation centres and cooperation clusters, there are many things that our managers believe could be improved in the system. Many managers who had experience of these projects think that the current support centres are to passive and should focus more on the follow-up of the companies, and not so much on the quantity. Now they try to get as many small companies started as possible, but leave them alone after a few years. More help should be given for the company to expand, internationalise, and create business networks.

The sectors also view their possibilities for receiving funding very differently. In some currently "fashionable" fields, such as in computer games, the managers say that you can almost get as much funding as you want, if you are credible and professional. In film, which is totally dependent on public funding, there is naturally much discussion on what criteria the support is directed. Right now the Finnish Film Foundation has a sort of a "gatekeeper's" role to what films are made in Finland. However, the film producers recognise the difficulty of the task, and are on the whole quite satisfied. All of them request more funding for films, and feel that the potential of the film industry culturally and economically is not recognised enough.

A whole different set of challenges for the Metropolitan Helsinki to be a competitive, innovative and creative city is what we call here the **cultural obstacles**. The managers were often negative about the atmosphere in the city towards entrepreneurship and success. Helsinki and Finland is not considered to be a very encouraging place to be an entrepreneur. Many companies wish for a more positive attitude towards creating your own business. A quote from a software manager sums this up:

> *Innovation activity is more about mentality. An atmosphere should be created that entrepreneurship is a good thing. The message should be: Try! And if you fail, try again! Failing is a horrible stigma. People who have gone bankrupt are treated badly. The atmosphere is like that, and the mentality of the nation.*
>
> Software 4, interview, 2008

The egalitarian society model also brings with it some negative consequences for competitiveness. There not many success stories or forerunners that serve as examples or whom entrepreneurs can look up to. Top talents are not supported or taken care of. One of the interviewed managers has created a highly successful company, but feels like he is not respected in society. He has seriously contemplated moving abroad to a nicer climate:

> *" I want live in surroundings where the atmosphere is good... where you can be successful and still aim high, without feeling guilty. I want to feel like I am a respected person in society. Where I could do what I am good at and get other services from elsewhere, such as cleaning."*
>
> Software 7, interview, 2008

The atmosphere of the city is also something that seriously can hinder attracting foreign highly skilled persons to Helsinki. The same manager as was quoted above has much international experience, and he says:

> *"The region does not come out as particularly interesting in the eyes of a foreigner: a horrible climate, a country far away from everywhere, high taxation, a foreign language*

> *and a terribly socialistic culture that equalises everyone. Until the year 2000 we were internationally viewed as being on top, but after that we have started to decline."*
>
> Software 7, interview, 2008

Another cultural obstacle that was mentioned several time, was the attitudes towards culture in Metropolitan Helsinki. "There is no culture of culture", as one interviewee puts it. In our study, particularly managers from "highly creative" companies, such as in film, were widely concerned about the lack of support for cultural industries, and were worried about the appreciation of their field, some even highly critical to the whole support system of the institutions. In their minds the policy-makers have caught up on the jargon of the importance of being creative and investing in creativity, but in practice not much happens.

> *"Helsinki offers nothing for the creative fields. They focus on other things. The tradition is that it is just a hobby. Except if you start selling your product, then the tone changes… If there is no functioning framework provided for you, you have to use your own head and creativity. What we need are premises for our activity, we need money. Culture should be supported more on a grassroots level. The society does not support culture in Finland, or give any tools for it. The city should support creativity now, but they don't know about the creative fields. There are no such people there. There should be a tradition of supporting the creative fields. But it [the lack of support] tells what things are important in our society today.*
>
> Software 3, interview, 2008

> *"In Finland everything works from top to bottom, the structures are really conservative. The institutions fund randomly on nonsense grounds.. you just say you are creative this and creative that… They also want to limit what kind of art is made… there is a strong conservative passivity…Creativity is not controlled from the top down, although the decision makers think that."*
>
> Hannula, interview, 2008

The managers also criticise everything being about money, which is difficult to combine with creativity.

> *"If and when the whole world of experience is reduced to make profit, there is not much left for living."*
>
> Hannula, interview, 2008

The challenge for the policymakers and the City of Helsinki is how to be a creative on the one hand and well-functioning and organised at the same time. How much can they vitalise and diversify urban space, while simultaneously being the organised and "clean" city where everything works, and which is considered as one of its strengths.

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Expert interviews:

Ahokas, H. Head of Domestic Distribution, Finnish Film Foundation. Interview 9.5.2008

Holstila, E. Director of Economic Development, City of Helsinki. Interview 10.3.2008.

Hannula, M. Director of the Helsinki Academy of Fine Arts and chairman of Nordic Network of Art Academies. Interview 6.5.2008.

APPENDIX

Interview guidelines

Structure of the interview (Firms)

Short introduction of the interviewer and ACRE (2 minutes)

Warm-up question to start the interview

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

Possible opening questions:

Origin of the Firm and Activities

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

Activities

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

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

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

Business Models and Markets

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

Labour process and Recruitment

- How is the labour process organised in your company?
- What types of people with what skills/knowledge do you employ?
- Role of freelancers / people with permanent contracts / subcontracting of work?
- How do you recruit your employees?

- Where do you recruit them?
  - Regional /national / international scale
  - Universities / Fairs
  - Problems
- What kind of educational content would you look for to foster the professional advancement and creativity of your employees?

Networks

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

Location Factors (soft and hard)

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

Public Support

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

Prospects

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

Comments

- Did important points concerning your firm and the sector of your firm at the location of (your city/region) not come up? Do you want to add something?
- Any other comments about what the most important local conditions are that led to the attachment of your firm to this place?

Questionnaire (to be filled in after the interview)

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