Advertising Amsterdam: the rise and growth of an international advertising industry
Roling, R.W.

Citation for published version (APA):
Röling, R. (2011). Advertising Amsterdam: the rise and growth of an international advertising industry
Amsterdam: Universiteit van Amsterdam

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Download date: 13 Dec 2018
Chapter 2: Advertising as a global networked advanced producer services industry and a cultural industry

Advertising as a global networked advanced producer services industry and a cultural industry
2.1 Introduction

This chapter will present some of the major background themes relevant for this study on international advertising in Amsterdam. In the beginning it is important to note that the process of globalisation has played an important role in the increasing internationalisation of the advertising industry. In the contemporary global economy, the global cities house central nodes of international office networks of advanced producer service industries. Advertising is both an advanced producer services industry, characterised by far-flung international offices networks that connect major cities worldwide, and a cultural industry. The latter has a different spatial logic that is primarily based on agglomeration economies of locally clustered networks with external creative specialists, for which Gernot Grabher coined the term ‘the project ecology of advertising’.

2.2 Globalisation: the emergence of an integrated world economy

2.2.1 Globalisation before World War Two

In the 19th century, several factors contributed to increased integration of world markets. The invention of the steam engine led to a spectacular decline in transport time and costs; the first telegraph cable lines connected the leading European capitals and their financial markets; numerous trade tariffs were lowered or abandoned, and foreign investments increased as companies explored new profit opportunities (O’Rourke & Williamson, 2001). The advance of industrial capitalism during this century transformed the basis of international economic activity (Lindgren, 1985). Mass production, in combination with rising incomes, spurred the rise of mass consumption in Western Europe and North America. It is argued that ‘by 1914, there was hardly a village or town anywhere on the globe whose prices where not influenced by distant foreign markets, whose infrastructure was not financed by foreign capital, whose engineering, manufacturing, and even business skills were not imported from abroad, or whose labour markets were not influenced by the absence of those who had emigrated or by the presence of strangers who had immigrated’ (O’Rourke & Williamson, 2001, p.2). The European nations still dominated the world of the 19th
century. It was particularly the bourgeois lifestyle of the upper class in cities such as Paris or London that set the international standards of what was seen as civilised social behaviour and culture. Paris is generally perceived as ‘the capital of the 19th century’ (Scott, 2000), serving during that period as the centre for fashion, arts and craftwork.

In the 20th century dominance shifted from the countries of the European continent to the United States of America. The two World Wars had devastating effects on the economies of the European countries. In the meantime, at the start of the 20th century, the foundations were laid for an American conquest of the world through the ‘democracy of business’ (De Grazia, 2005). American president Woodrow Wilson was the inspiring leader who spearheaded the global conquest undertaken by American companies and their products. His agenda had two parts. On the one hand, his goal was to contribute to world peace by bringing down the ‘barriers of taste’, which were (in his opinion) the cause of revulsion, distrust, and conflict. On the other hand, his goal was to increase the profits of American corporations and in turn increase the wealth of US citizens (De Grazia, 2005, p.3). Wilson had a strong belief in the capacity of his country to produce mass standardised goods (thanks to Henry Ford’s mass production techniques) and to sell them across the globe with the new marketing techniques of American advertising agencies. Already before World War One, American corporations founded overseas production facilities, e.g. General Motors and Procter & Gamble; their advertising agencies soon followed. In the interbellum period, the same process continued, before it was abruptly stopped by the start of World War Two.

2.2.2 Globalisation after World War Two

In the aftermath of the disastrous World Wars, several international arrangements were enacted that would go on to exercise significant influence on the processes of globalisation. The pressures to introduce these arrangements came from the United States, although many of the ideas were of British origin, by thinkers such as John M. Keynes (Hobsbawm, 1994). The US sought to introduce a new liberal economic world order (dominated by free trade) in which American corporations could play a leading role. The first major steps of ‘modern globalisation’ (to distinguish it from the precursors of globalisation) were established at the Bretton Woods conference, held in 1944. This conference was organised in order to regulate the international monetary and financial order in the postwar era. Two major institutions were founded as a result: the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), which became the World Bank at a later stage. Another important measure was the introduction of fixed exchange rates between currencies. One of the most important goals of these measures was to liberalise international trade.
The United States were clearly the winners in the aftermath of the World Wars. Especially the 1950s was a period of an unchallenged US economic supremacy (Frieden & Lake, 1999). Many American corporations expanded overseas and sold their products. ‘One must constantly bear in mind that in 1950 the U.S.A. alone contained 60 per cent or so of all the capital stock of the advanced capitalist countries, produced 60 per cent or so of all their output’ (Hobsbawm, 1994, p.257). European nations and Japan quickly rebuilt their countries and their economies, but the United States remained the dominant economic power for the duration of the 20th century. New York was the world’s major global capital, from which American consumer culture spread around the globe, significantly fostered by American advertising agencies.

One of the most important contributors to modern globalisation is the rise of international capital flows, in the form of foreign direct investments (FDI). Saskia Sassen (2006, p.17) argued that from the 1980s onwards financial and specialised services became the dominant component of international transactions, which resulted in a remarkably sharp growth of FDI -- mainly within the triad of the United States, Western Europe, and Japan. Foreign direct investment can take different forms, for example investors buying firms or shares, or investors and entrepreneurs establishing companies in foreign countries. Technological innovation is one significant explanation behind the exponential increase in international capital flows. During the 1980s the ICT revolution introduced a new era that would become labelled as the information technological paradigm (Castells, 2000). Ewald Engelen (2007, p.9) argued that the widespread introduction of ICT facilitated the rise of financial capitalism: ‘Radically enhanced computing capacities combined with increased miniaturization and declined costs have resulted in a sweeping dispersal of personal computers, mini-computers and mainframes, enabling even small and medium-sized enterprises to process enormous information and data flows, lowering information and transaction costs still further. Combined with severe overproduction in a growing number of global consumer and producer markets, resulting in declining profits, and a sharp increase in indirect savings hunting for profitable investments, these developments have resulted in a growing ‘financialisation’ of the economy’.

With increasing globalisation, the geographical organisation of multinational firms gradually changed. Today, the headquarters of multinational firms are primarily located in the global or word cities, where they can enjoy access to the knowledge of producer services firms. R&D facilities are located where specific scientific or technologic knowledge is widely available or can be attracted, while the actual production is executed in locations that offer cheap and sufficiently skilled labour (Dicken, 1998). An IBM executive argued that this ‘globally integrated enterprise’ developed in three different phases. In the 19th
century there was the ‘international model’. Firms were still based in their home country and sold their products through sales offices abroad. This was followed by the ‘classic multinational firm’ model, where the parent firm created small versions of itself in other countries. Today, large transnational firms are evolving into more globally integrated business models. Firms move people and jobs around the world ‘based on the rights cost, the right skills and the right business environment’ (Economist, 2008, p.11).

The dispersal of the operations of multinational firms around the globe created a demand for specific knowledge that specialised services firms can offer (e.g. in banking, legal, insurance, management consultancy, and advertising). For example Ton Elfring (1989) and Manuel Castells (2000, p. 21–26) have illustrated well the rising importance of the service industries. In the 1970s, services accounted for about 24% of the worldwide stock in FDI; by the end of the 1980s, this had grown to 50% of the stock and 60% of annual flows. In 2001/2002, services accounted for more than 70% of FDI inflows to developed countries. One of the main elements of globalisation is the central position of transnational firms as ‘strategic organizers’ (Sassen, 1991). World or global cities (the location of the offices and headquarters of these transnational firms) function as the central nodes in the global network economy. Global financial markets have emerged as another crucial institution that organises and governs the world economy. Also the stock markets are located in these global cities (Sassen, 2006).

Compared to the precursors of today’s globalisation, global connections in ‘modern globalisation’ are different in four important ways. First, global connections today are much faster, both the physical connections (e.g. by aircraft or high-speed trains) as well as the virtual connections (via the Internet or mobile phone). Second, the scale of globalisation affects nearly every inhabitant of the world. Third, the scope of globalisation is much wider: its effects are not just economic, but also technological, political, social, cultural, and environmental. Fourth, the dynamic and unmediated interactions between actors in the global arena create new levels of complexity in the relationships between policy and practice (United Nations, 2001).
2.3 Advertising as an advanced producer services industry

There are various ways to define a service; one example is to focus on the utility it provides. Some yield short-term utility, for example a restaurant, a concert, or the delivery of a parcel by a courier. Other services have an intermediate time-length of utility, such as the cleaning services in your house, the garden designed by a garden architect, or the repairs on your car. Finally, some services have a long-term utility, particularly with respect to finance and insurances, such as a mortgage or a life insurance. All these examples are consumer oriented. The most often used classification for services is to distinguish between consumer focused services on the one hand and producer focused services on the other hand (Dicken, 1998; Daniels, 1993).

However, in some service industries, there is significant overlap between the two categories, for example in banking and insurance. Some have suggested to label them mixed services, or circulation services, because these services are ‘produced within the process of circulation and for circulation, and not intermediate services produced primarily for other branches of industry or final services produced for consumers’ (quote from Allen, 1988; in Daniels, 1993). Harrington et al. (1991, p.77) added a spatial component to the division between consumer and producer services, stating that consumer services are generally location bound to consumer markets of adequate size. The choice of office location for producer services is based on factors such as urban agglomeration economies and proximity to clients and suppliers.

There is no doubt that advertising is a specific producer service industry (e.g. Sassen, 1991; Coffey & Bailly, 1992; Daniels, 1993; Dicken, 1998). Hall & Pain (2006, p.4) refer to ‘advanced producer services’, which they describe as a ‘cluster of activities that provide specialized services, embodying professional knowledge and processing specialized information, to other services’. Of course, these services are primarily geared towards producer companies, but can also target other service firms, governmental bodies, and other types of organisations. Hall & Pain (2006) have identified eight advanced producer service industries that operate on the international level: advertising, banking/finance, insurance, law, accountancy, management consulting, logistics and design consulting. In fact, advertising is in a unique position, because there is a separation between those who buy their services (mostly producer firms) and those who consume them (commodity buyers) (Taylor, 2006a). Advertising professionals primarily develop brands and add symbolic value through advertising campaigns, with the aim of influencing consumers to purchase a particular product or services. The symbolic value that is added varies and depends on
the target group of the specific product or service. In short, advertising ‘is the structured and composed non-personal communication of information, usually paid for and usually persuasive in nature, about products (goods, services, and ideas) by identified sponsors through various media’ (Arens, 2005).

Advertising has become more important since the 1980s, as ‘the trend has been towards more production innovation and differentiation’ in the post-industrial era (Coffey & Bailly, 1992, p.859). In addition, ‘divisions of labour and specialization within the production process have encouraged the demand for producer services’, such as advertising, design and packaging (Daniels, 1993, p.17). Just like the other advanced producer services industries, advertising has undergone a strong process of internationalisation since the early 1980s. Through a process of worldwide mergers and takeovers, some of the advertising organisations have developed into international ‘marketing-service conglomerates’ (holdings). The aim of these organisations is to offer a ‘global package deal’ to their clients, that includes various marketing related activities, such as advertising, media, market research, sales promotion, public relations, and management consultancy (Dicken, 1998).

2.3.1 The spatial configuration of advanced producer service firms in the network of world cities

The growth of advanced producer service industries since the 1980s has contributed to the repositioning of cities as centres of economic growth and as central nodes in the world economy. In the post-industrial era, Saskia Sassen (2006, p.16) identified several ‘crucial sites for financial and services transactions’: the world cities and their financial markets, advanced corporate service firms, banks, and the headquarters of transnational corporations. Jean Gottmann (1983) named this type of city the ‘transactional city’, while Manuel Castells (1989) preferred the term the ‘informational city’. Such cities are characterised by the dominance of white-collar employment (rather than the blue-collar employment that dominates in industrial cities) (Daniels, 1993). The advanced producer service offices in these cities function as suppliers of specialist knowledge. The processes of supplying knowledge and exchanging information demand frequent face-to-face contact between service firms and their clients. The headquarters of transnational corporations and their services suppliers are likely to cluster together in cities, which keeps transaction costs low. Information and communication technology and international airports further stimulate and enable the growth of the international network of global cities.

It is not only advanced producer services industries that make a city a world or global city from an economical perspective. According to Peter Hall (1999), there are in effect several
sectors that show rapid expansion in global cities: (1) financial and business services, (2) power and influence (or command and control), (3) creative and cultural industries, and (4) tourism. With power and influence, Peter Hall is, among others, referring to governmental bodies, non-governmental organisations (NGOs), and supranational organisations. Friedmann (1986) also mentions (5) global transport and communication networks, which are crucial for the connections and networks between city-regions.

In the ‘world-city hypothesis’, John Friedmann made one of the first efforts to develop a hierarchy of world and global cities (Friedmann, 1986). He distinguished between primary and secondary cities, in both core and semi-peripheral countries, thereby using the world-system model of Immanuel Wallerstein (see Wallerstein, 1976). Friedmann argued that international investment flows and the supporting service industries fuel the global economy and the cities that function as central nodes in this world system. Primary cities in core countries are cities such as New York, Los Angeles, London, Paris, Zürich, and Tokyo. On the other hand, examples of secondary cities in core countries include San Francisco, Brussels, Milan and Sydney (Friedmann, 1986).

More recently, Peter Taylor’s ‘Global and World Cities’ (GaWC) research group at the Loughborough University studied the formation of a world city network by using a functional approach. They examined the patterns of global advanced producer service firms and their office networks. Peter Taylor saw world or global cities as ‘global service centers’ within an interlocking network (Taylor et al., 2002). The position of a city in the roster of world cities was determined by enumerating the offices of the services firms (Beaverstock et al., 1999). They followed the arguments of Saskia Sassen (1991) that the formation of a hierarchy of world cities is, to a considerable degree, the result of the globalisation of advanced producer service industries. Taylor’s approach is inspired by Manuels Castells’ argument that ‘world and global cities should not be considered as a place or a single entity, but rather as a process by which centres are connected in a global network’ (Taylor, 2004, p.8). In other words, these cities are open entities, connected with other cities throughout the world.

Figure 2.1 shows a schematic presentation of the world city network. The score of each city is compared to London, the most connected global city in the world (closely followed by New York). The cities Paris, Tokyo, Hong Kong and Singapore follow, but lag considerably behind. Amsterdam is comparable with cities such as Los Angeles, Sao Paolo, Frankfurt, Milan, Madrid, and Sydney. This representation is based on the office networks of eighty different global firms from six different advanced producer services industries: accountancy, advertising, finance, insurance, legal services, and management consultancy. The firms
were selected on the basis of largest firm rankings, worldwide in each specific industry. Additionally, each firm should have offices in at least fifteen different cities. Each individual office was rated on the basis of its function, ranging from international headquarters to back office.

Figure 2.1: World city connectivity, proportioned to highest connectivity (London =1.00)


2.4 Advertising as a cultural industry

In addition to the common perception of advertising as an advanced producer service industry, it should also be seen as a cultural industry. Cultural or creative industries are among the five sectors that Peter Hall identified as characteristic for the economies of world cities. Especially since the end of the 1990s, cultural and creative industries have received increasing attention by scholars and policy-makers. Today they are considered as one of the key sectors for urban economic growth. Lash & Urry (1994, p.4) noticed an
increasing aestheticization in the post-Fordist world, i.e. an increase in the value given to
the aesthetic or design component in both material goods and non-material objects: ‘What
increasingly are being produced are not material objects, but signs. These signs are of two
types. Either they have a primarily cognitive content and are post-industrial or informational
goods. Or they have primarily an aesthetic content and are what can be called postmodern
goods. The development of the latter can be seen not only in the proliferation of objects
which possess a substantial aesthetic component (such as pop music, cinema, leisure,
magazines, video and so on) but also in the increasing component of sign-value or image
embodied in material objects’. (Lash & Urry, 1994, p.4)

It is acknowledged that all sorts of cultural products and services constitute an increasing
share of economical output in contemporary capitalism (see Scott, 2000; Kloosterman, 2003;
Hartley, 2005). Above all, they are also considered as the growth engines for a significant
number of world cities (Currid, 2007). The term culture or creative industries is a rather
broad concept; there is no consensus about which sectors it comprises or whether it should
be labelled as ‘cultural’ or as ‘creative’ (for consistency I will continue to use ‘cultural industries’
here hence forth). The output of cultural industries comprises both goods as well as services.
The advertising industry is clearly considered a cultural industry. Its creative professionals
develop brands and add symbolic value through advertising campaigns, with the intention
of influencing consumers and stimulating them to buy specific products or services.

Advertising agencies are in fact the link between their clients and the potential consumers.
As mentioned before Pierre Bourdieu (1984, p.366) introduced the term cultural inter-
mediaries for occupations and professions that establish this link between the worlds of
producers and consumers, and that in turn provide the symbolic added value to goods
and services. After Bourdieu, other studies (see du Gay, 1998, p.181; Kuipers, 2010) also
emphasised that cultural intermediaries play an important role in connecting the worlds of
production and consumption. They play a central function in the information cycle between
producers and consumers, by raising the interest of consumers for products or brands and
also by providing consumer feedback to producers.

The advertisements produced by the major (American) advertising agencies until the 1960s
could hardly be labelled as creative. The first half of the 20th century was dominated by the
American approach of advertising, which spread American consumer culture around the
globe. During this period, the advertising industry reached the zenith of its influence, as it
‘achieved an unprecedented level of power over the creation of mass markets and consumer
identities through an alignment with the Fordist system of mass production’ (Leslie, 1997,
p.1017). The approach generally adopted in advertising was that of ‘hard-sell’ tactics, which
implies a persuasive ‘tell-and-sell’ style (Beard, 2005, p.55). This style could be characterised as repetitive, serious and dreary, in which aesthetics or humour played a subordinate role. Because the textual aspect dominated advertising, the key creative professional within the advertising agency was the copywriter. During this period advertising was mainly limited to print advertisements, commercials were only produced for cinemas, and the production of advertisements was mainly an in-house affair.

From the second half of the 20th century onwards, there was a creative revolution in the advertising industry; it shifted to more subtle ‘soft-sell’ tactics, with visual and aesthetical aspects gaining in importance. The art director entered the advertising agency and obtained equal status with the copywriter, together establishing the ‘creative team’. Technological innovation, such as the introduction of colour television in combination with the introduction of commercial television channels and more recently the Internet, created new platforms for advertising during the second half of the 20th century. Creativity increasing gained on importance within the advertising agency. Lash and Urry (1994, p.139) argued that ‘advertising in effect evolves from a free-professional type of business services, in Fordism, to an industry and, in post-Fordism, to a full-fledged: “culture industry”’.

2.4.1 The socio-spatial configuration of advertising as a cultural industry

As an international advanced producer service industry advertising has its own spatial logic within a world city network; which is different from its spatial logic as a cultural industry. Allen Scott (2000, p.11-12) provided a summary of five technological-organisational characteristics of cultural industries: (1) there is considerable human capital involved, in combination with advanced flexible computer technologies; (2) production is mostly organised in dense networks of small and medium-sized firms, which are relying on each other for specialised inputs; (3) cultural industries rely heavily on local labour markets for a variety of skills; (4) cultural industries are characterised by numerous networks, for which local agglomeration or clustering is useful; and (5) agglomeration facilitates the development of an institutional infrastructure within a local industry. All these characteristics emphasise the likeliness of cultural industries to cluster together, because they rely on frequent interaction with a large variety of specialists.

Not all big cities have a critical mass of cultural or creative firms and workers; some cities are better able to attract, satisfy, and retain this group of workers. In one of the most influential books on this topic, Richard Florida (2002) spoke of ‘the rise of the creative class’ as the driving force behind economic growth in urban economies. Although he used
a rather broad definition for this creative class (it comprises around a third of all employees in the United States [Florida, 2002, p.8]), he did provide some interesting insights about what attracts creative worker to cities. Cities should offer a rich diversity in facilities that are favourable for the lifestyles of creative workers, for example attractive neighbourhoods with a diversity of restaurants, pubs, coffee bars, music venues, parks, festivals, theatres, art galleries, and residents from around the world. City centres have gradually changed from centres of production to centres of consumption (Burgers & Van der Land, 1997). Creative people such as advertising professionals like to live in vibrant city centres. The continual input of consumption information is important for their work. Diversity in the urban atmosphere provides inspiration for creative workers. Already several decades ago, urbanist Jane Jacobs (1961) stressed the importance of diversity for cities. The cross-fertilisations that occurs between people from diverse backgrounds are even referred to as ‘Jacobs externalities’ (Lambooy, 1997, p.297). Florida (2002, p.232) coined the term ‘quality of place’ to refer to the city’s attractiveness to creative workers, emphasising three dimension: (1) what’s there -- a combination of the built and the natural environment; (2) who’s there -- the diversity of people that creates urban communities; and (3) what’s going on -- street life in general, nightlife, recreational facilities, cultural atmosphere and other factors.

Elizabeth Currid (2007, p.77) stressed the importance of social networks for the fashion, art, and music industries in New York: ‘No market relies more heavily on social networks than the exchange of cultural goods, like fashion, art, and music. Cultural industries are driven by taste rather than performance’. She argues that the ‘walkability’ of New York’s creative districts make frequent (un)intentional encounters possible, which increases the matching opportunities between people looking for and people offering specific skills. One of the most influential scholars on social networks was Mark Granovetter, who is particularly well-known for his influential publication on the theme of ‘embeddedness’. In the 1980s he introduced a new direction in economic sociology, in which the embeddedness of economic behaviour in social relations played a central role. Although social relations are one of the central topics of interest in sociology, Granovetter argued that they play a subordinate role in the study of economic behaviour. One of the main reasons why social networks are important is the key role of direct personal relations and social networks in building trust and reputation (Granovetter, 1985). Because actors have to protect their reputation in social business networks, it serves as a restraint on their impulse to cheat. Reputation is particularly of great importance in industries where the lion’s share of the work is subcontracted to external specialists. A good reputation secures repeat contracts and creates new business opportunities, by world-of-mouth recommendations. ‘Sloppy or lazy work will undoubtedly be punished by disparaging critiques, which will influence the product’s market success’ (Currid, 2007, p.78).
Apart from reputation and trust, according to Brian Uzzi (1996, p.678), embedded ties have two important additional functions. First, they are more efficient for fine-grained information transfers than arm’s length ties, i.e. they can include strategic and tacit know-how that can boost a person’s or a company’s transactional efficacy and responsiveness to the environment. Word-of-mouth, or ‘buzz’, is an important mechanism in social networks in local business clusters (Storper & Venables, 2004). Second, embedded ties enable joint problem-solving arrangements, including working through problems, providing feedback and thereby learning from each other. This has a positive influence on the innovative capacity of a firm or industry.

Another important form of embeddedness is ‘institutional embeddedness’. Ash Amin and Nigel Thrift (1994, p.14) argued that local clusters are identified by ‘institutional thickness’, defined as: ‘the combination of factors including inter-institutional interaction and synergy, collective representation by many bodies, a common industrial purpose, and shared cultural norms and values. It is a “thickness” which continues to stimulate entrepreneurship and consolidate the local embeddedness of industry. It is, in other words, a simultaneous collectivisation and corporatisation of economic life, fostered and facilitated by particular institutional and cultural traditions, which appear to have been central to the generation of success within neo-Marshallian nodes in global networks’. More precisely, institutional thickness implies the presence of a wide body of organisations: different types of firms, branch unions, education and training facilities, interest groups, suppliers of capital, and others. Further, there needs to be intensive interaction among the just mentioned actors. As a result of this interaction, a sense of collectivity will likely emerge, along with a mutual awareness that the industry is in fact one common enterprise. A sense of collectivity instigates the creation of a jointly held industrial agenda (Amin & Thrift, 1994). Cities, regions and industries have been dramatically transformed by globalisation; the institutional setting is one aspect that clearly distinguishes a particular city, region or industry from their competitors. This diverse institutional setting shapes in an important way the development of the general economy and/or the trajectories of specific industries, cities and regions.
Advertising as a project-based industry

As the key unit of empirical analysis in this study, one particular spatial-organisational structure of the advertising industry requires special attention: the project. Generally the firm is considered the basic unit of analysis in economic-geographical research. Gernot Grabher (2002, p.246) argued that ‘the firm is assumed as the notorious “black box” in which inputs are transformed into outputs, transaction costs are minimized or learning processes are optimized, it appears as the elementary unit of collective commercial agency’. However, the boundaries of economic action are not simply restricted to the organisational make up of the firm. There is a wide range of industries in which the ‘project’ is the central unit of economic action, especially for highly differentiated and customised demand. The composition of project teams (including in-house and external professionals) is likely to change and vary from project to project. These organisations are frequently referred to as ‘project-based organisations’ (see Hobday, 2000; Sydow and Staber, 2002; Sydow et al., 2004). In project-based organisations, the project is the primary business mechanism for coordinating and integrating all main business functions of a firm (e.g. production, R&D, personnel, finance, and marketing) (Hobday, 2000).

There is a wide range of ‘old’ and ‘new’ industries that design their activities around projects. Apart from professional services (advertising, architecture, law, management consultancy), projects are also used in cultural industries (film-making, game development), high technology industries (ICT, biotechnology), and construction industries (engineering) (Sydow & Staber, 2002). With increasing technological and product complexity, there is a shorter time window to seize market opportunities; the need for cross-functional integration and fast response to changing client needs will likely only increase the use of the project-based approach (Hobday, 2000). The flexible and reconfigurable nature of projects links with the system of flexible specialisation and is in sharp contrast to the hierarchically organised production systems. The project-based approach stands in contrast to the procedures of mass production and other hierarchical organisational forms that imply standardisation, repetition, and routine (Ekinsmyth, 2002). Project work is far from standardised, as each individual project has its unique character.

In his study of the London advertising industry, Gernot Grabher (2002, p.246) invented the term ‘project ecology’. He defined the project ecology as: ‘the organisational and physical space constituted by the interdependencies between projects and the particular firms, personal relations, localities and corporate networks from which these projects draw essential resources’. This definition already clarifies that the project ecology consists of several different layers: the core team, the firm, the epistemic community, and personnel networks (Grabher,
The core team, consisting of an art director and a copywriter, is the creative team of the advertising agency. The account manager is the link with the marketing manager of the client and is responsible for harmonising the clients’ goals with the efforts of the creative team. The core team has a temporary project based focus, while the firm has a broader long-term view. Account planners in the agency have a long-term perspective, developing the strategy for the brand and the means to reach the target groups. Grabher (2004b, p.1493) defined the epistemic community as all project participants who contribute to the production of knowledge necessary for accomplishing the specific task, even if only partially and for a limited time. Finally, personnel networks are latent networks; they exist in the background and can be used to resolve problems when needed.

As Figure 2.2 illustrates, two important external networks are involved in advertising projects: client networks and creative networks (Grabher, 2002). The client network refers to the relationship between an account manager of the advertising agency and the marketing manager of the client. These networks tend to be very strong, which is sometimes reflected by a combined transfer of both the account manager and a client account to a newly started advertising agency. Whereas the client networks tend to be long-term, creative networks have a more temporary nature and are tied to the duration of the project.
In order to produce an advertising campaign, the creative team frequently collaborates with external creative specialists. The concept of the advertisement is the result of the dialogue between the creative team and the account planner on the one hand, and the marketing department of the client on the other. However, the actual production is usually subcontracted to external specialists. The production of a television or Internet commercial is generally the product of collaborations between the creative team, production company, post-production company and sound studio. For print campaigns, external specialists such as photographers, graphic designers/illustrators, or photography retouching companies are subcontracted. While these creative networks have a more short-term character, they can also become embedded. Grabher (2002, p.252) argued that ‘the selection procedure is shaped by past experience and affected by the shadow of future collaboration and, over time, tends to fill a pool of preferred project partners, each of which represent a particular specialization’.

2.5 Conclusions

This chapter presented the main background themes for my study of the international advertising industry in Amsterdam. Both the concepts of the local and the global are very relevant for addressing the central research question of how Amsterdam’s international advertising industry is embedded in the local and connected to the global. I emphasised that advance producer service industries, such as advertising, are spatially organised in global office networks that connect the major cities of the globe. From the perspective of advertising as a cultural industry, it has been argued that these kinds of industries tend to cluster in networks of local small and medium-sized creative firms. This local and global nexus will be studied with Gernot Grabher’s concept of the ‘project ecology’ in the advertising industry, which is an appropriate tool for examining the production networks of the advertising campaigns produced by the international advertising agencies in the Amsterdam Region.