

Analysis of the success factors of Leipzig as a location

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Abstract. There are many Chinese enterprises in the city of Leipzig. This article uses SWOT-analysis to analyse the success factors of Leipzig as a site for Chinese enterprises. Among them, the example of Mingzhi Group, a machinery manufacturing company, was further analysed and concluded that geographical location, development history, infrastructure, as well as the number of residents and the labor market are important factors affecting the site selection of Chinese enterprises in Leipzig.

Keywords: location; Leipzig; SWOT-analysis; Industry; labor market; development; site selection.

1. Introduction

1.1. Problem definition

The topic of this seminar paper is to analyse the success factors of Leipzig as a location for Chinese companies. Various location criteria, such as the infrastructural location within Germany, the size of the population, local transport conditions and the availability of skilled labor, are to be analysed.

The city of Leipzig has been cooperating with Nanjing since 1988. They have many co-operations about culture, environment and urban economic development. For example: June 2022: Nanjing's participation in the World Canals Conference 2022. In 2020: Chinese Spring Festival at Plant II to mark the start of the 'Year of the Rat', organized by various Chinese stakeholders in Leipzig.

Since then, there have been numerous temporary collaborations between various companies, universities, hospitals and cultural institutions. The question of 'Leipzig's success factors as a business location for Chinese companies' is of great interest. After all, it is about how attractive the location is to foreign investors, especially Chinese companies.

1.2. Objective

The following questions need to be answered in the seminar paper: What measures attract the successful Chinese companies, such as Mingzhi, to build a company in Leipzig and produce and sell the goods? Which location criteria are important for these companies, especially in China? The following research question is intended to explain why Mingzhi decided to build his company in Leipzig and not elsewhere? And what practical tasks did Mingzhi actually do?

1.3. Structure of the work

Chapter 1 is the introduction. It deals with the problem, objectives and structure of the work. After the introduction in chapter 1, chapter 2 shows some important theoretical terms and bases such as location and success factors. In addition to the definitions, the more precise state of research is described in chapter 3. After explaining the key success factors in theory, these are analysed in more detail using the example of Mingzhi Technology GmbH and the differences in location criteria between Leipzig and other locations in practical chapter 4. Finally, I will mention the research of Mingzhi Technology GmbH in the future and a critical summary.

2. Theoretical foundations

2.1. Location factor

The location factor is understood to mean, in the geographical sense, one's own position on the earth's surface or in a suitable geometric reference system. Location factors are all aspects that should be taken into account when choosing a company's location.

Günter Schmolz (2014, p. 29.) has found through her research that the term location factor '... is common in economic geography and refers to a defined location-specific characteristic that can be relevant for a company or an individual when choosing a location'[1]. (Günter, S., Standortfaktor Gesundheit - der Beitrag des ÖGD, 2014, p. 29.) From this I can deduce that location factor is often used in economic geography and describes any location-specific factor that may be relevant for a person to locate or influence a business decision to locate industry in a particular place.

2.2. Success factors

The success factor refers to the elements, determinants or conditions that have a decisive influence on the success or failure of entrepreneurial activity. Furthermore, success factors can be described as factors that can be influenced and that have a sustainable and long-term positive influence on the success of a company. These factors can be predetermined or the results of certain analysis methods. (Müller, 1999; Rusnjak and El Kharbili, 2009) First are right strategy, management, values, structure, innovation, collaboration and last is tools. Then I discuss two of the most important points in 7 arguments.

2.2.1. Sustainable market economy

The market economy is understood to be a central concept in economic theory and economic history. In the theory of economic systems, a market economy (formerly also known as a transport economy) refers to an economic system in which decision-making and trading rights are organised through the legal institution of private ownership of the means of production.

Wolfgang Vieweg's research has shown that 'the sustainable market economy explicitly expresses the fundamental guiding principle of sustainability and forms the guiding principle for the transformation that is underway. Sustainability has long been a top priority in many (not only large) companies and the German government has already set up an effective sustainability management system'[2]. (Wolfgang V., Public Health Forum, Standortfaktor Gesundheit-der Beitrag des ÖGD, 2024)

2.2.2. Free and open labor markets

The labor market is understood to be the place where the demand for labor meets the supply of labor. Jutta Rump and Silke Eilers (2024 p.159-236) have found through their research that grassroots work is an essential part of the labor landscape in Germany. For this reason in particular, it is important to focus more on the working conditions of grassroots workers[3]. (Cf. Jutta R. and Silke E. , Influencing factors and approaches to action - New perspectives on grassroots work, 2024, p.159-236)

2.3. Relationship between success and success factors

A relationship is the connection or contact between individuals or groups or an inner connection and reciprocal relationship. In any case, it is important to consider the entire range of possible success factors. All potential factors should then be recorded in their entirety. This means that environment, industry, competitive structure and companies are the source of these factors. The prerequisites for long-term entrepreneurial success are therefore only in place once the relevant factors have been identified. The evaluation of success essentially requires the naming of certain measurement figures, and on this basis success can be more or less determined. It is more important to use the same expression when evaluating successful variables.

3. State of research

3.1. Research results on the site conditions in Central Germany

The Leipzig region can look back on centuries of history as an outstanding pan-European trade and exhibition centre. This is due to its unique location in the heart of Europe: Even in the Middle Ages, the important long-distance trade routes from northern to southern and from eastern to western Europe crossed here. Today, an outstanding trimodal infrastructure for road, rail and air transport transports this role into the present - as a central portal to Europe's growth markets. Meanwhile, strategic investments are helping to further increase the importance of the Leipzig region in globalised trade and goods traffic. DHL, for example, deliberately operates one of its three global hubs worldwide at the site, which it is continuously expanding. As a planned megacity, Leipzig still offers plenty of building land in the heart of the region - and in a prime location. In addition, there are highly attractive brownfield sites on old industrial sites that are available for revitalisation and new land development. Industrial and commercial sites are also available in the districts for land-intensive sectors and their companies.

3.2. Research results on the infrastructure in Leipzig

As the second largest cargo airport in Germany and one of the top 4 cargo hubs in Europe, Leipzig/Halle Airport is a beacon around which numerous national and international companies from the logistics and manufacturing industries have already established themselves and continue to do so. Air traffic is supplemented by a freight transport centre at the intersection of the transport axes from Scandinavia to Southern Europe and from the Benelux to Central and Eastern Europe. The Berlin-Munich and Dresden-Frankfurt high-speed lines, which provide extremely fast connections to Berlin, Munich, Frankfurt and Hamburg, intersect at Europe's largest terminus station, Leipzig Central Station. (Source: <https://www.invest-region-leipzig.de/region-leipzig/lage> , accessed on 06/07/2024)

3.2.1. Research results on life and cultural conditions in Leipzig

The city and the surrounding area are currently attracting many people to find their centre of work and life here. The region and the people who live here are said to be cosmopolitan and friendly, making Greater Leipzig a place worth living in and ensuring that more and more newcomers want to grow with it in the long term.

With over 600 years of history as a university location, excellent education has long characterised life in the Leipzig region. 14 universities - including excellent educational and research institutions such as the University of Leipzig, HTWK or HHL as well as a large number of different technical and vocational schools in the region - attract thousands of young people from Germany and all over the world to the region every year and act as a constant fountain of youth. (Source: cf. <https://www.invest-region-leipzig.de/region-leipzig/arbeit-und-forschung>, accessed on 06/07/2024).

3.2.2. Research results on work and research in Leipzig

The city of Leipzig is one of the fastest growing business locations in Germany. The inhabitants are many. In 2023, the city of Leipzig has a total of 628,718 inhabitants and has grown by 4,029 people in one year. Of these, 294,324 workers have employment subject to social security contributions. The unemployment rate at the end of 2023 was just seven per cent.

And rising population figures, sufficient affordable housing and a high quality of life form a solid foundation for finding skilled labor in Leipzig. But the need is greater. Both the demographic development in Germany and the economic dynamism in the trade fair city ensure a constantly growing demand for well-trained employees. This applies to innovative occupational fields as well as established sectors such as the skilled trades, catering and healthcare. (Source: cf. <https://www.invest-region-leipzig.de/region-leipzig/arbeit-und-forschung>, accessed on 06/07/2024)

4. Analysis of the practical example of Mingzhi Technology GmbH in Leipzig

4.1. Information from Mingzhi Technology GmbH

Mingzhi was founded in Suzhou in 2003. Then in December 2017, Mingzhi Technology Leipzig GmbH was founded as a new European production and trading centre. As part of the Mingzhi Technology family, this site continues to manufacture high quality core making equipment and works with Suzhou Technical Group to develop and produce innovative core machine products and services for current and future global customers. (Source: <https://www.mingzhi-tech.eu> , accessed on 06/07/2024)

4.2. SWOT analysis

SWOT analysis, that is, situation analysis, is to list the main internal advantages and disadvantages and external opportunities and threats closely related to the research object through investigation and arrange them in the form of a matrix, and then use the idea of system analysis to compare various factors and draw a series of corresponding conclusions, and the conclusions usually have a certain decision-making.

4.3. Analyse Mingzhi-Technology GmbH with SWOT Analyse

Strength: 1. state-of-the-art product development and manufacturing process: the safety, environmental and quality management systems are certified. In addition, equipment products for the core shop have CE labelling and industry certification. 2. Innovation and high quality: As an accredited company is recognised for the Postdoctoral Cooperative Programme, technological progress is gained and we hold over 145 patents, including 75 for new inventions.

Weakness: 1. The available financial condition is not stronger than other larger companies because it belongs to a small business. 2. Their technical level is certainly not comparable to that of well-known high-tech companies.

Opportunity: 1. The market in Germany is completely new and has deep market potential, and there is an empty market for the manufacture of such products that can quickly take market share. 2. When purchasing and using local German machines, you can avoid import and export duties, reduce costs and achieve an advantageous sales position.

Threats: 1. Employee salary costs are high because the salary level in Germany is higher than in China. It is difficult to control employee payroll costs. 2. There are cultural differences and there can be conflicts between the top and the bottom of management.

5. Summary

5.1. Conclusion of the work

By analysing the above text and the SWOT analysis, the following corresponding conclusions are drawn, which solve the problems raised in the objective: First, Leipzig has a centuries-long history as a European trade centre. And it was an industrial location with tradition and a future. The city of Leipzig is one of the fastest growing business locations in Germany. This is a good location in central Germany. Even in the Middle Ages, the most important long-distance trade routes in Europe crossed here. And the infrastructure plays this role in the present - as a central portal to Europe's growth markets. And another infrastructure requirement is a mature logistics system. Then inhabitants are more than other cities in central Germany. There is a wide range of skilled labor and highly skilled workers. The job opportunities are good and the unemployment rate is also low. The machine building market is new for Mingzhi and it has higher competitiveness and deep market potential. The city of Leipzig is actually dominated by the foundry, and Germany is an industrial power and rich experience in manufacturing.

5.2. Limitations of the work

In terms of technological innovation, the technology is not known as industry, like Silicon Vally in America. And another aspect is the popularity of the city, which is definitely not as good as that of the capital Berlin, Frankfurt and even Hamburg. The current energy crisis, combined with spiralling costs and material shortages, is causing a dramatic slump in business prospects for the commercial sector. Uncertainty among companies is greater than ever before.

However, this work has limitations due to time factors. After all, the factor I have studied are only the current and past factors that cannot predict the future.

5.3. Open questions for Leipzig in the future

People's needs will also change in the future, which means that the factors involved in selecting an urban location will also change. For example, companies can pay more attention to whether the policy is supported and the level of economic development. How Leipzig will stand out among many cities as a location for the company is a question worth considering.

References

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