

The Development of Global Advanced Producer Service Firms

Comparison Between Shanghai and World First-class cities

Binwen Yu^{1,*}

¹ Department of Management, Sub-project of Shanghai Philosophy and Society Project, Sanda University

*Corresponding author. Email: gwenbinwenyu@163.com

ABSTRACT

The advanced producer service firms plays more essential role for cities to turn into the global economic network and focus on providing high-quality modern producer service for local companies and business. The study focuses on the comparison of development of advanced producer service firms and the output of service value of those firms between Shanghai and other world first-class cities. In this paper, it also analyzes the current situation of the development of those firms in Shanghai, and puts forward relevant approaches for Shanghai to develop advanced producer service in the future.

Keywords: Advanced producer service firms, Shanghai, World first-class Cities

1. INTRODUCTION

The world first-class cities refer to the metropolises that play an important role in the global political, economic and other social activities and have the leading radiating and driving ability [1].

Those cities have the leading function in the production, global logistics, services, finance, and innovation, which include the advanced producer service firms that has already become the strategic development for modern global cities. Based on the evaluation of the Globalization and World Cities (GaWC) Research Network, this paper used the lists of Alpha++ and Alpha+ cities which are rated by GaWC(Table 1).

GaWC research points out that the global economic network activities base on global service enterprises that make cities gradually develop into global cities where multinational corporations and international institutions assemble into a city. The comparison of the numbers of global advanced producer service firms, to some extent, could illustrate the development of the global economic network of a city [2].

Shanghai has been rated as the Alpha+ in China Taking Shanghai as the research object, it could analyze the existing problems and future development

approaches of Shanghai as an international economic network city.

Table 1. Alpha++ and Alpha+ cities

Rank	Level	Cities
World super cities	Alpha++	London, New York
World First-class cities	Alpha+	Hong Kong, Beijing, Singapore, Shanghai, Paris, Tokyo

2. DATA AND METHOD

The data from this paper consist of the distribution of offices for 46 'global' advanced producer service firms over 55 world cities. Global firms are defined by having offices in at least 15 different cities. World cities are from the GaWC inventory of world cities. Service values for a firm in a city are given as 5,4,3, 2, 1 or 0 as defined in Table 2 [3].

The service value is calculated on the basis of GaWC through identifying global firms, depicting their global office network, and establishing a service value matrix, and then assigning service value to each city

office. Much of this measurement is done using the official websites of the list of companies [4].

Based on the list of advanced producer firms from GaWC website, this study collects the data from the official websites of those firms and uses quantitative analysis method to compare the networks of office numbers and service values among those cities and finds out the current situation of the development between Shanghai and other world cities.

Table 2. Evaluation of service values

Ranking	Service values
5	Global headquarters
4	Important functions outside the city
3	large-scale administrative offices(the number of staffs)
2	One "typical" office for each business
1	Offices have less functions, no corporate partners , etc
0	There is zero office or staff who work

3. OUTCOMES OF THE STUDY

The outcome of study has collected the data based on the lists of companies from GaWC , and the data covers the sectors of advanced producer firms that includes accountancy,advertising,banking and finance and law.Thereby, the comparison has focused on the four sectors.

3.1. Comparison of accountancy firms

Accounting firms reflect the city in providing corporate finance, management consulting and other fields. It is also an indispensable type of enterprise to support the city's development into a financial center and economic service function. GaWC research selects the world's top five accounting firms and conducts statistics according to the number of partners and the number of global institutions.

In terms of the number and partners of accounting firms, Shanghai has far fewer employees and offices (18) than cities such as London (703) and New York (439) .The city which posses the largest number of accounting firms and partners in the Asia-Pacific region is Tokyo(271), and Hong Kong is rated as the second in Asia-Pacific region.

3.2. Comparison of advertising firms

The amount of global advertising and media enterprises represents the cultural and creative industries and services of a city. The scale of offices reflects whether a city can support the advertising, media and brand marketing services that local companies need.

Based on the distribution of the number of advertising network offices from the world's top 12 advertising media enterprises that are selected by GaWC, it can be seen from the Figure 1 that the number of offices in Shanghai is the least, with only 7 offices, when compared with London (39) and Paris (35), the gap is stark.

Since London is one of the centers of European cultural and creative industries as well as the center of the English-speaking world, a third of Europe's media companies have settled global headquarters here, such as The Financial Times, The Economist, Ogilvy & Mather, JWT, McCann and other advertising agencies, including WPP Group -- one of the largest global advertising communication groups. Paris, as an international cultural center, has also become the attracting city, where the headquarters of PublicisGroup is located.

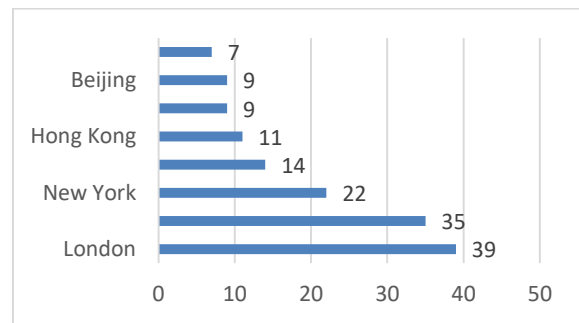


Figure 1 Total number of advertising network offices

3.3. Comparison of banking and finance

Based on the list of top 14 global banking and finance enterprises, the data involves their fax contact numbers, the number of headquarters and offices so as to evaluate its activity index in those cities.

Although the growth of banking in Shanghai has been remarkable in the recent years. However, from the perspective of the activity index of globalbanking and financial firm, Shanghai is still lower than other world first-class cities, which its activity index is only 15. Some of global banking and finance enterprises have not taken Shanghai as the key development area, so there is no related data of activity index in Shanghai.

From this aspect, it also shows that Shanghai still lacks the global network connectivity of banking and finance. London still tops the list, which enjoys 269 activity index, followed by Hong Kong (172). That

could explain that many global banking and finance firms have already settled their offices and headquarter in Hong Kong in the Asia-Pacific region in the early years, which could lead to the less activity index in Shanghai.

3.4. Comparison of laws

According to The Lawyer's list of The world's top 200 law firms in 2020, The United States and The United Kingdom have 171 and 126 law firms respectively, with emerging economies such as China stepping up their efforts to globalize legal services. Among them, China has 99 of the world's top law firms. According to available data, there were 75 in Shanghai, far below the 142 in New York, followed by 125 in London.

3.5. Comparison of outcomes of service values

To further compare the development of advanced producer service firms between Shanghai and other

world first-class cities, based on evaluation of service value of these firms in 55 cities around the world, and then it comes to add up all the service values into total values in those four service areas.

The Table 3 shows that the service values of global advanced producer firms in Shanghai is lower than other world first-class cities, especially the law field. The gap between banking in Shanghai and other Asia-Pacific cities is still significant, comparing with Hong Kong, Singapore and Tokyo.

New York has the highest total value, with law services firms having the highest value. London ranked second. Hong Kong ranks first in the Asia-Pacific region, with the highest service value from banking on a par with Tokyo and Singapore.

Therefore, Shanghai has still potential development of advanced producer service firms. As Shanghai plans to develop into a world first-class city, the government has implemented several policies to support the city for

Table 3. Service values of the world first-class cities

Cities	Shanghai	Hong Kong	London	New York	Singapore	Tokyo	Paris	Beijing
Accountancy	6	11	15	14	8	14	14	7
Law	4	17	26	36	10	14	19	5
Advertising	7	10	19	18	13	8	14	8
Banking	13	29	36	36	29	29	23	12
Total values	30	67	96	104	60	65	70	32

developing advanced producer service industry.

4. DEVELOPEMENT APPROACHES

4.1. Further improving the allocation of global resources

At present, with the construction of "five centers", Shanghai has greatly improved its urban energy level and core competitiveness, and initially has the function of global resource allocation [5]. It mainly benefits from the rapid improvement of shipping factors and trade factors, and is ahead of other domestic cities in the fields of finance and logistics. Shanghai should shift from "comprehensive promotion" to "focus on key points", and strengthen the supporting role of Shanghai's unique advantages. New York, London, Tokyo and other cities have all important support points for the

formation of their own unique advantages and the allocation of global resources [6].

Although Shanghai has been vigorously introducing the headquarters of multinational companies, compared with Singapore, Hong Kong and other cities, it should not only focus on the quantity of these companies but also on the "magnitude" and "energy level" gap, as well as "field" shortcomings. Therefore, Shanghai should comply with the regional headquarters to upgrade multinational companies, domestic enterprises internationalization development trend, continue to attract more multinational companies and international organizations, in order to cultivate its own endogenous global resource allocation.

4.2. Strengthening the international business environment

The international business environment is a significant basis for a city to carry out international cooperation and attract global advanced producer service firms [7].

Shanghai should further strengthen the construction of the Free Trade Area and establish business rules in line with international standards. In addition, it should aim at Singapore and Hong Kong that are evaluated as the leading economy by the World Bank Business Environment evaluation in the Asia-Pacific area.

It is still necessary to refer to the experiences of government service for multinational enterprises from world first-class cities, and ameliorate the procedures of cross-departmental work, which could, to the maximum extent, reduce the process, material, time and cost of business affairs and strive to enhance the convenience of business affairs.

4.3. Attracting and cultivating advanced knowledge concentrated talents

Human capital is an important factor in the development of global advanced service firms [8].

Based on the reform platforms of the Shanghai Free Trade Zone and the Zhangjiang National Innovation and Technology Zone, Shanghai should promote the development of talent policies with a high concentration on building an International Talent Pilot Zone with innovative elements such as talent, intelligence, technology, human capital management and service. Furthermore, it should also build a number of city-level innovation and entrepreneurship bases for overseas high-level talents, including advanced policies for the recruitment.

5. CONCLUSION

The emergence of a new regional network of connections in the area of advanced producer services companies has been essential for a city to develop into a global economic network center. There are also certain reasons for those companies to choose where to locate and develop their business [9]. The comparison analysis of development of those companies between Shanghai and current world first-class cities will help to find out the gap and target on developing into the world economy networks center in the future.

REFERENCES

[1] Taylor.J.Peter,World city network:A global urban analysis, *International Social Science* , vol.56, b or . a e . u k , 2 0 0 4 , pp.361-372.

[2] Ting,Liu, Research on the Network of Service Multinational Corporations, Fu Dan University Press, 2006.

[3] the Globalization and World Cities Research Network, <https://www.lboro.ac.uk/gawc/index.html>

[4] J.M,Geringer, Diversification Strategy and Internationalization: Implication for MNE Performance, in: *Strategic management Journal*, vol 10,1989, pp109-119

[5] Opinions of the Shanghai Municipal People's Government on Promoting the Development of Regional Headquarters of Multinational Corporations in Shanghai, <http://www.shanghai.gov.cn/nw2/nw2314/nw2318/nw26472/u26aw61406.html>

[6] Zhang, Yugui, et al. Effective M&As to Improve Global Resource Allocation Powe, *Beijing Review*,vol 59,2016,pp42-42.DOI:CNKI:SUN:BJZB.0.2016-19-020.

[7] Wang L , Chen H, A Review and Prospect on the Internationalization Process of Service Multinational Corporations, *Journal of Service Science and Management*, vol 8,2015, pp77-84.

[8] Derudder B , Parnreiter C, Introduction: The Interlocking Network Model for Studying Urban Networks: Outline, Potential, Critiques, and Ways Forward, *Tijdschrift Voor Economische En Sociale Geografie*, vol 105, 2015, pp373-386.

[9] Zachary P. Neal,Ben Derudder,Peter J. Taylor, Should I Stay or Should I Go: Predicting Advanced Producer Services Firm Expansion and Contraction, *International Regional Science Review*,vol 42, 2019, DOI:10.1177/0160017618784739.