The Business of Cities

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Contents

Acronyms and glossary

BREEAM - Building Research Establishment Environmental Assessment Methodology

C40 - The C40 Cities Climate Leadership Group

CBD - Central Business District

CSR - Corporate Social Responsibility

Collaborative Consumption – shared use of products or services, rather than use based on individual ownership. Pioneered by companies like AirBnB, which rents spare rooms to people looking for places to stay, and Lyft and BlaBlaCar which connect people who need to travel with car drivers who have empty seats.

FDI - Foreign Direct Investment

ICLEI - International Council for Local Environmental Initiatives

LEED - Leadership in Energy and Environmental Design

MNC - Multinational Corporation

TfL - Transport for London

UCLG - United Cities and Local Governments

Interpretation notes

i.   All monetary figures have been converted to Sterling (whereas original source material might cite US Dollars or Euros) using exchange rates current in September 2014.

ii.   Case Study references appear chronologically from page 51 onwards.

iii.   All websites referenced were accessed on 19 September 2014 unless otherwise stated.

Introduction: business and cities
- the future agenda

One important trend in the investigation into the future of cities is the rapidly evolving relationship between cities and business. Cities and commerce have always been inextricably linked, but at least three global trends appear to be changing the bonds between the two:

- Cities are becoming essential places for businesses to locate in, sell to, and engage with, and are becoming assets for businesses in terms of brand, R&D, and innovation.

- Businesses are re-organising their relationship with cities in an effort to generate advantage and move with the times. At the same time cities are seeking to become more entrepreneurial in their outlook and strategies.

- Cities and businesses are learning from one another and forming partnerships. On the one hand businesses are urbanising and re-urbanising. On the other, cities are taking on some of the features of globally trading businesses.

As Bruce Katz and Greg Clark of the Brookings Institution have observed:

> *"The growth of cities—and their middle classes—has developed larger markets for the consumption of advanced goods and services, causing corporations to become city savvy and pursue distinctive strategies. Rather than having a "China strategy" or a "US strategy," corporations are customizing their growth plans for a Chengdu versus Chongqing or a Phoenix versus Pittsburgh. Rather than spending time with prime ministers or the heads of national ministries, they focus on work with mayors and local business chambers and universities."*[1]

These new dynamics are fostered by some big changes. Both cities and businesses are reacting and changing in response to fundamental processes, the most significant of which are:

Urbanisation and re-urbanisation: cities are big business

Every two years the proportion of the world's population living in cities grows by around one percent.[2] In the developing world, where over 90 percent of urban growth is occurring, cities are absorbing close to 70 million new residents each year.[3] Cities' growing share of population is also mirrored by a growing share of corporate and enterprise locations. In the UK for example, eight of the ten largest cities have seen private sector jobs become more concentrated in their city centres.[4]

In economically developed countries, the scale of urban expansion, which began with the Industrial Revolution, has stabilised.[5] But in most cases cities are densifying and becoming re-populated with the rise of the knowledge economy and changing lifestyle and transport preferences, which together are beginning to reverse the suburbanisation of the second half of the 20th century. With re-urbanisation comes new business locations in cities, including the densification of business districts, the rise of the second and third districts, new campus city centre locations, new innovation districts

and the redevelopment of old industrial locations into new corporation and enterprise hubs.

The effect of rapid urbanisation in developing nations and re-urbanisation in higher-income nations is that cities are now, more than ever, the world's most important markets, hubs and sites of business innovation. The top 300 metropolitan areas account for 19% of the world's population but 48% of global GDP. Rates of patenting and invention are higher in dense city-regions than elsewhere.[6] The concentration of economic activity, innovation and interaction in urban areas is only predicted to grow. By 2025, McKinsey Global Institute projects that the economic output of the world's 600 wealthiest[7] cities and metropolitan areas will grow by £18 trillion compared to its 2010 level, accounting for almost two-thirds of all global growth.[8]

Mobility and globalisation: cities are hubs of mobile networks

Ongoing global economic integration, lower cost transport, and technological innovations are increasing the number of internationalising cities whose roles in trade, services, migration and labour exceed national boundaries. Cities today must directly compete in national, regional and global markets in order to attract manufacturing, services, tourism, students, workers, innovation, global events and intergovernmental institutions. This competition drives cities to become more business friendly and investment ready, and invites them to define their niches and specialisations more precisely.

Their internationalised role has seen cities grow in importance as economic entities, and large cities are often now the key engines of growth for national economies (see Figure 1). In countries such as Germany and Italy, large urban areas are the major wealth centres and are much more productive than smaller cities or rural areas. In the UK and France, secondary cities tend to underperform versus average national output, but in most cases are growing their jobs base and once again becoming more attractive to the private sector.

Figure 1: Economic Performance of Second Cities Relative to National GDP Average[9]

	GDP per capita/ £'000	Number of regional cities above national GDP average	Cities (**above**, below)
Germany	26	8/8	**Cologne-Bonn**, **Frankfurt**, **Hamburg**, **Hannover**, **Mannheim**, **Munich**, **Nuremburg**, **Stuttgart**
Italy	20	6/8	**Bologna**, **Brescia**, **Florence**, **Genoa**, **Milan**, **Turin**, Bari, Salerno
Canada	26	4/8	**Calgary**, **Edmonton**, **Hamilton**, **Ottawa**, Montreal , Quebec, Vancouver, Winnipeg
Spain	18	3/8	**Barcelona**, **Bilbao**, **Zaragoza**, Alicante, Malaga, Oviedo, Seville, Valencia
France	24	2/8	**Lyon**, **Toulouse**, Bordeaux, Marseilles, Nantes, Nice, Rennes, Strasbourg
England	23	1/8	**Bristol**, Birmingham, Leeds, Liverpool, Manchester, Newcastle, Nottingham, Sheffield

Recently, new types of 'global city' have emerged. Cities can become globally oriented, and not only as international centres of finance, like London and New York. Instead they can become global hubs for knowledge and technology (San Francisco, Tel Aviv),

competitive producers of cultural content (Seoul, Mumbai), or lifestyle capitals and tourism destinations (Barcelona, Sydney).[10]

City and regional systems: platforms for local trade and innovation

The World Bank and OECD have led a new wave of thinking which considers that cities are not independent entities, but rather exist within interdependent national or regional systems, whose size and relationships determine each city's functions, specialisations and opportunities for manoeuvre.[11] Within these 'systems of cities', population shifts, mobility, resource management, economic and capital movements, amenities, infrastructure and services all operate through dynamics of change, flow, complementarity, competition and connectivity.[12]

The recognition that cities operate as nodes within larger networks has encouraged collaboration between cities, both within and outside national systems. Cities have become important sites of inter-governmentalism, collaborating on global political issues from climate change e.g. the C40 Cities Climate Leadership Group, to poverty reduction e.g. the Cities Alliance's 'Cities without Slums' action plan. City leaders are sharing best practice, and taking part in international decision making processes through influential networks such as ICLEI, UCLG and Metropolis. This new networking of cities has invited partnership from business. At the global scale firms such as Siemens, Arup and IBM have supported the C40 and ICLEI. Oracle and GDF Suez partner Metropolis – the world association of cities with more than 100 members. The trend continues amongst national level city networks: the USA's National League of Cities has more than 35 corporate partners representing industries as diverse as engineering (Parsons Brinckerhoff) to retail (Home Depot) and transport (Enterprise car rental). Some city networks even allow businesses to join as full members - GDF Suez, Cisco, and Microsoft are amongst the members of the City Protocol network.

Cities as units of performance: benchmarking and ranking the cities

Global competition between cities has increased inter-city comparison. Measuring and comparing city performance has become a key tool for understanding the processes of urban change, and for judging which policy and development approaches are successful. A flourishing quasi-academic field has emerged as a result, seeking to measure the success of cities by way of benchmarking, indexes and comparative reports. Businesses have innovated in using their management science of 'benchmarking' and applying it to cities. Hence we have seen the firms such as PwC, Mercer, Siemens, MasterCard, AT Kearney, Knight Frank, and McKinsey leading the way on city benchmarking.

Methodology and structure

The purpose of this paper is to review and explain the important new agenda arising from the changing relationships between cities and businesses. It has been compiled through the review and analysis of a wide variety of secondary sources, in particular:

- Recent literature published on cities by academics, journalists and practitioners representing disciplines including urban studies, economics, politics, architecture, urban design, geography, history and psychology;

- Business publications such as prospectuses, indexes, rankings and benchmark reports; and

- Online material including reports by mainstream and business media, official city websites, corporate publications, and published commentary from expert bodies including major consultancies, think tanks, policy organisations and academic institutions.

The report also relies on insight gleaned by the authors through their advisory work with a large number of firms and cities, carried out over the course of more than a decade, and their observations from recent seminars, conferences and summit meetings.

The paper is split into three parts:

- **Part 1** explains the changing dynamics of cities and businesses, looking at recent trends in their changing relationships. The section explores why cities are becoming increasingly important markets for businesses, how companies are responding by re-urbanising both physically and strategically, and the significant role that cities are playing in business innovation.

- **Part 2** explores the relationship from the other perspective, by looking at the new roles that businesses are playing in city development, acting both as inspiration for and partners to city governments.

- **Part 3** concludes by reflecting on the extent to which cities and businesses truly have become similar entities, and by assessing the implications that their changing relationship has for the future of cities.

Part 1: The changing dynamics of cities and businesses

Trend 1: Cities as emerging markets for business

Since the days of the Ancient Greek market-place and Roman forum, cities have always been hubs for trade and commerce, and traders and businesses have recognised cities as key markets for their wares. However, in the latest cycle of globalisation, businesses are focusing on cities and city dwellers more than ever as a means of enhancing their growth and profitability. Cities are emerging as the key market for businesses for three main reasons:

1.1 Size of the market

The scale and density of cities means they are the biggest markets for companies which sell goods or services. Businesses of all types benefit from synergies and economies of scale in serving large, dense markets of clients and customers. City markets are getting bigger and bigger with continuing population growth, immigration, urbanisation and re-urbanisation. These trends are not forecast to slow down for at least another quarter century.[13] The relentless growth of purchasing power in most cities has created massive markets for the consumption of advanced goods and services. By 2025 there will be a two billion-strong 'consumer class' in emerging market cities.[14]

1.2 Shift in nature of products

The growth of the service and innovation economies has encouraged the commercialisation of urban space. Booming amenity and leisure industries including restaurants, bars and retail benefit from dense city locations.[15] Cities provide unrivalled opportunities for businesses to invent new things, and opportunities to test and sell them. As analysts such as Leo Hollis (2013), Ed Glaeser (2011) and Bruce Katz and Jennifer Bradley (2013) have acknowledged, cities are the natural environment for innovation.[16] Glaeser writes, "*ideas move from person to person within dense urban spaces, and this exchange occasionally creates miracles of human creativity.*"[17] As Richard Florida has observed, companies in the booming technology sector are particular beneficiaries of these economies of agglomeration, and see cities as both their natural habitat.[18]

1.3 Cities themselves are customers of increasing importance

As cities grow in size, their governments develop greater purchasing needs. Population growth places strain on urban infrastructure, which needs frequent expansion, upgrading or replacement. The building and retrofit of cities creates boundless demand for the deployment of advanced technology and innovations in the design, finance, and delivery of city systems. Business consulting firm Booz Allen Hamilton estimated in 2007 that the world's cities would have to spend around £24.5 trillion over the next 25 years to modernise and expand their infrastructures.[19] Of this amount, £14 trillion would need to be spent on water management systems, £5.5 trillion on power grids, and £4.7 trillion on road and rail networks.[20] In addition, city governments themselves are important customers of services, buying everything from legal to landscaping services. In the UK, local government spends over a quarter of its annual expenditure on procuring goods and services from third parties.[21]

As a result, companies are developing new products or 'solutions' to sell to cities. 'Smart' technologies, for example, are offered to help city governments to address some of the key challenges of urbanisation, helping them to minimise resource consumption and improve service delivery efficiency through better management of demand and supply. Businesses, in particular engineering and technology firms, appreciate the huge potential value of this market. Estimates of the size of the global smart cities market vary, but the UK government has suggested that it will be worth over £245 billion by 2020.[22]

Trend 2: The re-urbanisation of business

2.1 Upper Income Nations

During the second half of the 20th century, businesses in the UK, US and leading industrialised nations played a part in the process of suburbanisation. Offices, retailing and industry moved away from city centre locations towards the rural-urban fringe, attracted by the promise of good accessibility by car (particularly from motorways), cheaper rents, and a more pleasant, less dense working environment. As industry, offices and shops decentralised, business parks, industrial estates, retail parks and out-of-town shopping centres sprang up. In the US the trend was very significant – corporates often chose to locate in isolated campuses along suburban corridors and in gated science parks. By 1986, 57% of American office space was located outside of the nation's central cities. Similar trends were observable in continental Europe. By 1990, city centres accounted for a minority of office space in the major Dutch city regions of Amsterdam (19%), Rotterdam (40%), The Hague (36%) and Utrecht (30%). The trend was also visible in lower-income nations – in 2005 the traditional Johannesburg CBD only accounted for 26% of all office space.[23]

Attempts to revitalise inner city economies in the 1970s and 1980s had largely been unsuccessful, but from the late 1980s onwards, many established cities have witnessed a reversal of urban 'sprawl'. There has been a noticeable re-urbanisation of business in many upper income countries, as industry, retail and offices move their operations back to city centres:

- In the **UK,** research by the Centre for Cities found that eight of the 10 largest cities in Britain have seen private sector jobs become more concentrated in their city centres since 1998. Knowledge intensive business services (KIBS) jobs are almost twice as likely to be concentrated in the central areas of cities as private sector employment in general.[24] Therefore cities with high or growing proportions of KIBS jobs have experienced the trend of re-urbanisation particularly strongly. Nearly half of all of London's jobs are KIBS jobs. (It is worth noting that, for this reason, the UK's smallest cities provide an exception to the re-urbanisation trend, on average witnessing an increasing number of private sector jobs based *away* from their city centres).[25] Last year, *The Economist* reported that construction of new out-of-town office space in the UK had fallen by around 90% since 2007.[26]

- In **Melbourne, Australia,** Jones Lang La Salle found that in the five years between 2008 and 2013, 42 major tenants moved into the CBD from suburban locations.[27]

- In **Canada,** Colliers International has reported that 2014 has seen commercial vacancy rates falling in downtown areas, but creeping up in suburban markets. The movement is particularly noted amongst non-traditional occupiers of core urban space i.e. companies other than financial services and legal firms.[28] Businesses

securing large new downtown premises include many tech companies such as Amazon (Seattle), Google (89,000 square feet premises in Toronto), Shopify (100,000 square feet in Ottawa) and Sony Imageworks which has moved from suburban California to a new 74,000-square-foot studio in downtown Vancouver.[29]

Case Study: The Re-urbanisation of business in the USA and the UK

In the second half of the last century, big business in the USA was proud to have its headquarters in gleaming suburban mega-complexes. There is evidence this trend is changing as businesses large and small move their operations from out-of-town campuses to city centres.

Corporations which have recently made the move include United Airlines and Sara Lee, which have both moved from suburban Illinois to downtown Chicago. The CEOs of companies like Zappos and Quicken Loans have not only moved their suburban headquarters to downtown locations in Las Vegas and Detroit respectively, but have become urban evangelists and catalysts for entrepreneurial growth. The urbanisation trend is visibly strong amongst tech companies, which are attracted to the city by the prospect of clustering in innovative hubs (as opposed to sprawling research parks) and by the lifestyle preferences of talented employees in their sector. Pinterest and Twitter are amongst the major tech companies which have moved from Silicon Valley to 'loft style' offices in the SOMA district of San Francisco.

Many mega-companies are maintaining their existing headquarters, but intensifying their presence in core city areas. Google's headquarters are remaining in suburban Mountain View, California, but it is also expanding into cities like Pittsburgh and Cambridge, Massachusetts. Coca Cola is opening a new 2,000 person IT office in downtown Atlanta, whilst Yahoo is expanding its San Francisco offices. The JLL Emerging Trends in Real Estate Report 2014 (Americas edition) rated central city offices amongst the best prospects of property sectors for investment, whilst suburban offices were the lowest rated of all sectors.

In the UK, tech companies again are leading the re-urbanisation trend, as the growth of the globally significant Silicon Roundabout district - now home to around 3,200 tech firms and 48,000 jobs – testifies (Centre for London, 2012). Google's new £1 billion UK headquarters will open in Kings Cross, London, in 2016. Amazon and LinkedIn have also acquired major new office hubs in central London. Outside of London, companies, including BUPA and engineering firm Jacobs, are planning moves from business parks of South Manchester and Warrington to Manchester City Centre.

Demand for office space in central areas is rising – 70% of respondents surveyed by the British Office Council indicated that they expect the demand for city centre locations to rise over the next decade (JLL, 2014). Developments, such as Spinningfields in Manchester and Eastside in Birmingham, have capitalised on the trend to date, and new office developments in central Bristol and Glasgow are in the pipeline. Property consultants GVA have noted that business parks, which are struggling to attract traditional office occupiers, are now diversifying and looking to attract hotels, leisure and even residential uses.

- In the **USA**, Richard Florida has charted locations of venture capital investment and startup activity by Zip Code, using data from 2011 and 2012. He found that within many major metropolitan areas, investment is now heavily concentrated in central areas, rather than in the suburban or fringe areas which have traditionally been home to startup activity. In the New York metro area for example, 80% of venture capital investment went to companies near the urban core in 2011.[30] Similarly,

predominantly urban zip codes account for more than 60% of venture capital investment in Dallas and Washington DC; roughly three quarters of investment in Boston and LA; and more than 80 percent of venture investments in San Diego, Seattle and Austin.[31] The Wall Street Journal also reported that across the USA, commercial vacancy rates in CBDs have gone down faster than those in the suburbs since the start of the real estate recovery in 2011.[32]

- In **major European cities**, specifically Brussels, Paris, Amsterdam, Madrid, Berlin, Frankfurt, Munich and London, real estate specialist Savills found that cheaper rents in CBD locations during the Global Financial Crisis attracted more occupiers to central areas, pushing up CBDs average share of office take-up to 42% in 2010 compared to 33% in 2007. [33]Although non-CBD locations have increased their competitiveness and appeal since 2010, Savills data shows that CBDs still remain more popular than other locations – with an average vacancy rate of 6.4% compared to the overall city average of 9%.[34]

- In Japan, Cushman and Wakefield predict that the **Tokyo CBD** is expected to see the highest absorption of office spaces in the Asia Pacific region in 2014.[35]

Commentators have identified a number of reasons for this shift back to the city centre:

> *"Economic activity in and around inner cities will take root if it enjoys a competitive advantage and occupies a niche that is hard to replicate elsewhere … Only attributes that are unique to inner cities will support viable businesses. My ongoing research of urban areas across the United States identifies four main advantages of the inner city: strategic location, local market demand, integration with regional clusters, and human resources."*

> **Michael Porter**, Harvard Business Review, 1995[36]

In their report The Urban Tendency published in 2014, Jones Lang La Salle identified six driving forces behind the (physical) re-urbanisation of business in UK cities:[37]

i. Demographics

After decades of suburban flight, young, affluent and educated workers are returning to congregate in regenerated and re-converted urban neighbourhoods. Demographic trends such as later marriage and higher divorce rates are delaying the traditional move to the suburbs to start a family. As more families have two working parents, the importance of short travel times between work and childcare is encouraging inner city living. Individual preferences have changed from favouring working environments in attractive 'green' areas, to those in amenity hubs, where restaurants, bars, coffee shops and public transport links are all within easy reach. The net effect of these trends is that companies see re-urbanisation as key to recruitment of young skilled employees who are clustered in city centres.

ii. Immigration and Globalisation

Many companies value and actively seek to recruit a multi-national and diverse workforce. In sectors such as financial services and computer programming as much as one fifth of the workforce is foreign born.[38] International migrants disproportionately cluster in cities, and businesses that hope to recruit them follow suit. As diversity of workforce has been proven to correlate directly with innovation,[39] tech companies and

other companies looking to innovate are particularly drawn to central city areas. In addition, companies which transact over international boundaries are also attracted to cities, where they can recruit multi-cultural and multi-lingual workers more easily. Many firms are locating their **global sales offices** in the most diverse cities so as to be able to attract talent with useful linguistic skills. Amsterdam shows this trend in action. The vast majority of Dutch people are fluent in English, more than half speak German fluently, while a quarter speak French. 1,400 international companies currently have an office in the Amsterdam Metropolitan Area, and sales divisions represent more than half of the city's new international business operations.

iii. Changing working practices

The rise of flexible working and self-employment, perhaps counter-intuitively, reinforces the need for central meeting points. City centre business locations may offer better late night transport options and improved security for those working irregular hours.[40] London, for example is taking steps to introduce a 24-hour underground service, joining other cities such as New York and Copenhagen which already provide round the clock public transport.[41]

iv. Sustainability

Companies are more aware of their environmental impact, and for image, regulatory and ethical reasons, many are keen to be as 'green' as possible. City centre locations offer businesses a greener alternative than out of town equivalents: they are generally more accessible by public transport or on foot or bike; carbon emissions are reduced in more compact buildings; and land or open space in the greenfield can be preserved.

v. Policy

Government policy plays a significant role in the incentivisation of city centre development. In European countries, governments have been supportive of re-urbanisation of business, whether through land-use and zoning regimes to facilitate new industries, new heritage rules to boost attraction to creative sectors, or educational and training programmes for management or entrepreneurship.[42] In the UK, a 'Town Centre First' approach – which requires developers to consider urban locations ahead of greenfield sites - has been enshrined in planning law for almost two decades, and is continued under the new National Planning Policy Framework. New Enterprise Zones have been established to bring new businesses into the heart of cities such as Birmingham. As early as 1999, the Phoenix Development fund was set up to support inner city startups and 'micro' companies, following a recommendation by the Government's Social Exclusion Unit.[43] There is also a renewed focus to support the high potential cities outside of London, as exemplified by the government's recent City Deals. European centres such as Berlin and The Hague have also instigated influential pro-core city policies.[44] In North America, decisions to create a buffer zone around urban sprawl, as in Toronto, can force planners and developers to return to downtown intensification.[45] Public regulations relating to carbon emissions and sustainability also encourage the selection of urban over suburban business locations.

vi. Transport improvements

In the 20th century, companies were attracted to suburban locations by their ease of accessibility by car and proximity to motorways. Today, improvements to public transport speed and reliability – particularly rail links – diminish the advantages of being close to

motorways. In the UK, Crossrail, and the proposed high speed rail line HS2 (and possibly HS3) will further improve connectivity within and between city centres. By locating in city centres businesses can also accommodate workers' environmental concerns, allowing them to take advantage of the growing trend for walking or cycling to work.

In addition to JLL's list, other factors driving companies back to the centre of cities include:

- **Technological advances** encourage companies to re-urbanise. With cloud based computing, remote access options and a move towards paper free offices, businesses' footprints are shrinking, enabling them to move back to the city core despite higher rents.[46]

- The shift to the **knowledge economy** has means that knowledge-intensive corporates wish to be near other knowledge intensive firms, research labs, and universities so that they can share ideas and practice "open innovation." **Startups** are also choosing a different path. Instead of inventing in isolation, entrepreneurs are starting their companies in collaborative spaces like 1871 in Chicago, the Cambridge Innovation Centre, Techcity in London, 22@ in Barcelona, Herzilya in Tel Aviv, and Benjamin's Table in Philadelphia. Startups cite an enormous range of advantages to the inner city; access to legal advice, business mentoring and venture capital; high-street visibility; client-facing brand; potential for commercial and political networking; and stronger community relations.[47]

2.2 Developing Nations and Emerging World Cities

It is not only in established markets that companies are moving to the central city. A foreign corporate presence is returning to the inner city of many emerging megacities, such as Johannesburg and Mexico City, aided by improved security systems, better public spaces and re-landscaped streets. Retailer Ackermans, Credcor and Johannesburg Water are among the companies which have moved into Johannesburg's CBD following the revitalisation efforts of city authorities.[48] Other emerging cities whose development has been car-oriented and uncontrolled – such as Shenzhen - are now seeking a more compact form in order to attract higher value industries.[49]

Western multinationals are also expanding their presence in emerging world cities, locating in new city centres for the first time in the expectation that their future success will depend on their ability to win in emerging megacities.[50] These multinationals usually locate at least some functions within core central city areas. In China for example, the trend is for foreign multinationals to locate their HQs in central areas, with back-office business (R&D, logistics, data management, warehousing) in suburban areas.[51] Meanwhile in the Philippines, there has been extraordinary office growth in central Manila's business districts and other cities fuelled by a booming business process outsourcing (BPO) sector.[52] BPO workers tend to buy apartments close to work to avoid long commutes in heavy traffic, which has led to the emergence of new work-shop-live complexes in central urban areas.[53] Other multinationals are locating in emerging cities to obtain first mover advantages in response to specific opportunities. For example when Doha was announced as the host city for the 2022 FIFA World Cup, Siemens responded by quickly opening an office in the city.[54]

As emerging markets become increasingly important in the world economy, their **home-grown corporations** are also growing in size and global reach. As early as 2006, 100 companies from emerging markets already had total assets of £318 billion.[55] Emerging

market corporates in sectors such as electronics (LG of South Korea; Lenovo and Hisense of China), IT (Wipro and Infosys of India), transport (Embraer of Brazil; Tata Motors of India) and industrial products (Arcelor Mittal of India; Cemex of Brazil) are profoundly urban businesses. Many produce products for urban consumer markets and locate their operations in cities, both at home and abroad (Figure 2).


The Next Generation of Global Corporates and their Cities

In 2012 McKinsey published a report entitled Next Generation Global Organisations which argues that the next decade will see fundamental changes in the organisation of global companies and identifies strategic approaches which will play an important part in shaping this next generation.

One emerging approach detailed in the report is 'Making Growth Markets a Centre of Gravity'. It is widely recognised that many global companies are shifting their geographic focus and immersing themselves in emerging markets such as Brazil, China and Nigeria. McKinsey expect global companies to re-organise themselves for success in these markets, 'unbundling' their structures and establishing corporate functions in new locations that best fits their market, cost and talent needs. This has profound implications for cities in emerging markets, which can expect to see an increase in the number of centres of excellence and shared service functions (e.g. HR, finance, legal etc.), as well as relocations of regional (and even global) headquarters.

The approach has already been adopted by several world leading companies - IBM's global emerging business for example is now headquartered in Shanghai, a conscious separation from its central functions in New York. GE, Honeywell, Dell and Cisco have also already placed functional or geographical hubs in emerging markets. Cisco's Globalization Center East in Bangalore was established to develop local leaders in functional areas who will soon account for 20% of the company's senior leadership team. Four of IBM's 11 research centers are in emerging markets. McKinsey report that altogether there are now 1200 multinational R&D centres in China representing £7.8 billion investment.

Figure 2: Some of the major global corporates headquartered in cities in China, India and South Korea[56]
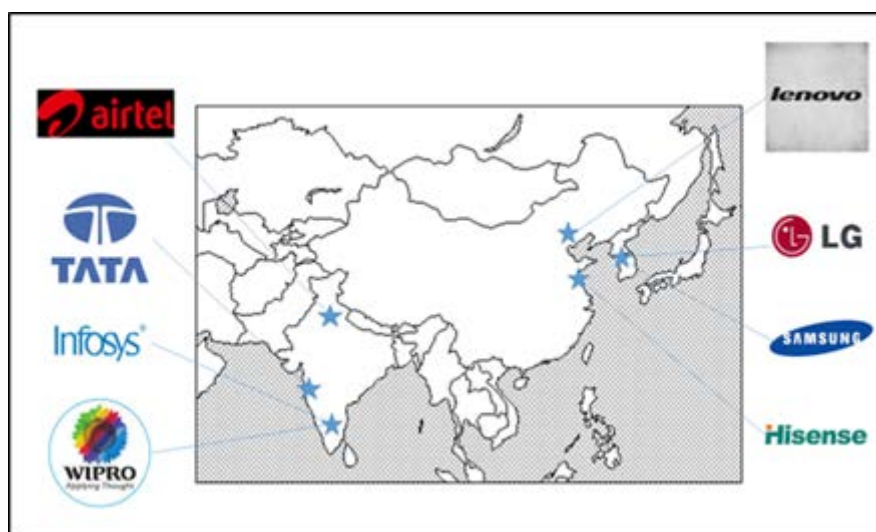
Trend 3: Growth of Tradable Urban Services and Solutions

'Urban services' - industries which support city building and growth, including planning, architecture, design, energy, water, infrastructure, engineering, waste management, and even housing development - have become important tradable economic clusters in many developed city economies. As the case studies profiled below suggest, urban services businesses which emerged to meet the urbanisation needs of their own (now mature) cities are rapidly internationalising to support the growth of cities outside their own national systems.

For example, whilst the future character of urbanisation in China may be difficult to determine, dialogue with businesses and city leaders makes it clearer that it will be Hong Kong and Singaporean urban services businesses that will largely be responsible servicing China's urbanisation needs.[57] Some cities (e.g. Barcelona, Melbourne, Vancouver, Vienna, Lyon, Bilbao) have become associated with certain urban services and are starting to advertise their strengths to other cities.[58]

Case Study: Tradable Urban Services in Sydney, London and Paris

Sydney, together with other Australian cities like Melbourne and Perth, has developed a tradable cluster of urban services based around engineering and construction. Companies such as Leighton Holdings, Worley Parsons, Woods Bagot and PTW Architects, all headquartered in Sydney, have developed significant presence in cities in the Middle East, particularly Abu Dhabi and Dubai, where their services as contractors, project managers and consultants are sought after on construction, infrastructure and sustainability projects. Urban projects in Qatar and Saudi Arabia present opportunities for further expansion in the region. Austrade, the Australian Trade Commission, has offices in Saudi Arabia and Dubai to assist local businesses looking to source competitive Australian suppliers.

London has developed a highly internationalised architecture and urban design cluster, and its architecture and engineering firms are exporting their services around the world. Foster and Partners has been responsible for designing Masdar City (Abu Dhabi) and West Kowloon Cultural District (Hong Kong), while Farrells has been commissioned to work on a number of projects in Chinese cities including the Beijing Olympics Cultural District, Pearl Island in Shenzen and Chaoyang CBD in Shenzhen. The engineering firm Buro Happold is masterplanning (amongst others) Kama Tri City in Russia, Sabah Al Ahmad Sea City in Kuwait and Gia Lam in Vietnam.

Parisian companies have strong historical links with Francophone Africa, and today major Paris-based corporates such as Veolia, GDF Suez, Egis and Saur International are exporting their water, waste and energy services to developing cities across the continent. Veolia, for example has developed the Durban Water Recycling Plant, while Egis is improving access to drinking water and sanitation for the city of Kisumu in Kenya, and is also involved in the development of new cities in Congo (La Cite du Fleuve) and Algeria (El Menea). Suez has won contracts for water and wastewater services in Algiers.

Trend 4: Businesses Rebranding for City Markets and Consumers

The growing importance of the city as a marketplace for companies is driving businesses to boost their engagement with cities. Companies are moving fast to align their products, services and operations to the rhythm and needs of cities in general and the distinctive competitive advantages of individual cities.

Mega-corporations in the transport, technology, engineering and consultancy sectors have been early pioneers of this trend, helping cities integrate their approaches to transport, energy, healthcare, security and water. They are now being joined by a wide variety of other companies who are inventing new products and processes to help cities grow in more sustainable and efficient ways and help city residents master the complexities of urban life. Business service firms like PwC, McKinsey and Deloitte are helping cash strapped city councils design new tools to finance infrastructure and leverage value.[59] Still other firms like Uber, Airbnb and BlaBlaCar are at the cutting edge of the sharing economy, taking advantage of the increasing preferences of urban dwellers for *collaborative consumption*.

As these companies align their services and products to make the most of new city based opportunities, many are rebranding to adopt 'city' branded offerings. The brand identities that businesses adopt in relation to cities are usually linked to the sector in which they operate. Figure 3 demonstrates this thematic clustering amongst a selection of major international corporates.

Figure 3: Thematic clustering of City Brands amongst major global businesses[60]

Engineering firms such as Siemens, Arup and GE tend to focus on **sustainability** and resilience concerns as the basis of their city brands (Sustainable Cities, Resilient Cities and Building Sustainable Cities respectively).[61] These firms concentrate on how cities can be designed to minimise environmental impact and withstand shocks, particularly environmental but also economic shocks. **Eco-cities** is a related term preferred by some companies – it is particularly associated with solutions for low-carbon urbanism.[62]

Meanwhile, technology firms such as Cisco, Ericsson and Hitachi have adopted brands focused on **smart cities** and networked cities.[63] These companies typically focus on enhanced city systems which use data and technology to achieve integrated management and inter-operability, although the term 'smart cities' can also take on wider meanings to reflect social and political forms of smartness. [64]

Liveability and liveable cities is an idea which (usually) centres on how cities manage growth effectively to ensure that commuting, cost of living and urban environment all meet rising citizen expectations.[65] A wide variety of companies centre their city offering around this brand, from sectors as diverse as real estate (Grosvenor), technology (Phillips) and the media (Monocle).[66]

Similarly diverse are the companies who identify themselves with **future cities**, or '**the city of the future**', which has no precise connotation but allows companies to harness the glamour of cities whilst inferring that they offer solutions that cities will need for future development.[67]

A '**global cities'** brand can also encompass a wide variety of meanings, activities, products and/or services. It is often adopted by advisory firms, such as banks (JP Morgan) and consultancies (AT Kearney).[68] The 'global cities' label implies a commitment to grasping the processes of globalisation and its impact all over the world.

Some businesses have adopted more 'niche' city brands or organising ideas. Rogers and Partners, the London based architecture practice, ground their work on an underlying principle of 'compact cities'.[69] PwC have developed city offerings, including an annual benchmarking survey, based around the theme of 'Cities of Opportunity'.[70] Participatory or citizen-led cities are also a recurring theme (Ernst & Young, BMW).[71]

The cross sectoral appeal of 'city' brands does not only reflect the changing demands of markets and consumers. City brands are also effective catalysts for companies for a number of reasons:

- **Cities are effective marketing tools.** By focusing on cities as the motif of their product, service or business, companies can harness the relevance, energy and glamour of urban living, and associate themselves with the same values. City brands reflect the values of open-ness, productivity and ambition that are attached to urban living. Lafarge, the French giant in the unglamorous world of concrete and aggregates, has recently adopted a new brand 'Building Better Cities'. The new brand aims to reflect the shift to urbanisation across the world, but also to associate the company with innovation and enterprise.[72] Berlin's Mayor Klaus Woweret also understood the power of the city's image when he declared Berlin to be "arm, aber sexy" (poor, but sexy). Companies, particularly web-based startups have been attracted to the city by its 'cool'.[73]

- **Cities provide 'organising ideas' for other offerings.** Businesses, especially large or transnational businesses, often have an extremely broad range of products, services and brands. Cities are a sufficiently broad concept to act as a central theme. Companies might have offerings in any or all of climate change, sustainability, competitiveness, infrastructure, logistics or place making which can be encompassed within a 'cities' umbrella brand. For example Philip's offerings in areas as diverse as lighting, healthcare and renewable energy are all covered by its 'Livable Cities' brand.[74]

- **Cities can be used to fulfil Corporate Social Responsibility (CSR) imperatives.**
  CSR has grown to become a fundamental part of most companies' strategy and values programmes. Making a contribution to society beyond their economic input is recognised as beneficial, not just for enhancing reputation, but also in improving staff engagement and morale, and in meeting customer or client concerns or even procurement requirements.[75]

Cities provide a sufficiently broad motif as to provide a unifying theme for a diverse range of CSR activities. Under the theme of cities, a company might engage in activities relating to environmental sustainability, poverty, education, health, urban mobility and /or community. IBM, Alstom, and BMW are amongst the MNCs to have 'Cities' themed corporate responsibility programmes. At present, cities-oriented CSR programmes are very visible among global banks, for example JP Morgan ('Global Cities Initiative')[76] and Deutsche Bank ('Urban Age').[77] In fact, suchprogrammes are not restricted to MNCs, but are adopted by companies of all sizes. Grosvenor is an example of a medium-sized UK company with a Cities' CSR programme:

Case Study: Cities as an Umbrella Brand: Grosvenor - Living Cities

Grosvenor is a UK based, privately owned property company. In 2009 it adopted a 'Living Cities' brand. As the company's website explains "*Our brand represents a unique combination – of values, history, city know-how and professional expertise.*" The brand was developed in consultation with staff, stakeholders and leading city experts including architect Jan Gehl.

Grosvenor's business involves managing, investing in and developing real estate assets in a number of cities, particularly London. The 'Living Cities' brand enables it to combine its core business with its wider activities and management principles, including tackling climate change and improving sustainability. The brand is based around eight goals for the future city:

- Good Governance
- Economically Resilient
- Healthy Environment
- High Quality Place
- Sustainable Resources
- Strong Community
- Climate Resilient
- Connected

The brand also extends to the company's CSR activities: the Living Cities Community Fund was founded by Grosvenor in April 2014 and will provide financial support for community projects in the southern half of the Borough of Westminster.

There are a number of distinct ways that companies are growing and developing their city brands:

i. Carrying out and sponsoring research on urban issues

> **Case Study: Cities as Corporate Social Responsibility**
>
> **IBM Smarter Cities Challenge**
>
> Launched in 2011, the IBM Smarter Cities Challenge is IBM's single largest philanthropic initiative. It is a three-year £30 million competitive grant programme in which a team of six IBM experts is dispatched to each of 100 winning cities to study a key issue identified by the city's leadership.
>
> Each grant provides consulting services valued at £307,000. Issues identified to date include protecting drinking water supplies, tackling food deserts, and reducing traffic congestion. Winning cities have been located across the world, ranging from Abuja to Atlanta. The Challenge is sponsored by IBM's Corporate Citizenship program and International Foundation.

Companies carry out and sponsor research on urban issues both for the benefit of their own knowledge, and also to promote themselves as key players in the cities space. Research can comprise anything from analysis of a specific market to a holistic examination of global mega-trends that affect cities. Often companies will sponsor, or carry out joint research with, an academic institution or research organisation in order to lend their research the necessary rigour and legitimacy. For example the property company Grosvenor has sponsored a Cardiff University project exploring the impact of 'creative planning' on urban environments and community success, and is also involved in a project with LSE which investigates the resilience of 30 global cities.[78] Similarly, French corporate Bouygues has been a member of *Efficacity* - a sustainable city research group made up of representatives from industry and academics.[79] The reports ultimately produced can be very widely read and cited. A sub-area of this activity is the compilation of benchmarking reports or city indexes, which is discussed in depth in Part 2 of the paper.

> **Case Study: Companies Researching Urban Issues**
>
> **BMW Guggenheim Lab**
>
> Described as 'part urban think tank, part community centre and public gathering space', the BMW Guggenheim lab is a mobile laboratory which travelled to New York, Berlin and Mumbai between 2011 and 2014. The lab sought to explore new ideas, experiment and create forward thinking visions around the theme of how people relate to cities and public space. Crossing disciplines of urbanism, architecture, art, design, science, technology, education, and sustainability the lab culminated in an exhibition at New York's Guggenheim museum where it showcased its findings.

ii. Creating signature city initiatives

Many of the largest global businesses are investing in a 'signature' city initiative. These raise profile amongst cities and citizens, show businesses' commitment to cities and

showcase expertise in the city sector. A signature initiative can take many forms including:

- An urban-focused **centre of excellence,** whether in the form of a research institution or permanent cities-based exhibition. Or specific issues faced by cities. One example of this type of initiative is Siemens' The Crystal, London (see case study). GE has an equivalent centre of learning at its 'ecomagination Center' in Masdar City, Abu Dhabi.[80]

- A cities **award** or **competition**. Competitions are usually tied to the company's specific cities brand or area of interest: Phillips' Liveable Cities Award aims to generate '*innovative, meaningful and achievable ideas to improve the health and well-being of city-dwellers'.*[81] The transport group Bombardier's 'You City' competition challenges students and professionals to develop a vision for the future of urban mobility in either developed cities or emerging cities.[82] While perhaps involving less financial commitment than other signature initiatives, the investment involved in competitions is still significant - Deutsche Bank's Urban Age Award offers a £61,000 prize for the initiative(s) which best utilises partnerships to improve the quality of life and the quality of the urban environment in a nominated city.[83]

- A **benchmarking** report or city index. Examples of benchmarks used as a 'signature' cities initiative include AT Kearney's biennial Global Cities Index and PwC's annual Cities of Opportunity assessment, which both represent the consulting groups' flagship products that promote their expertise in the cities space.[84]

- **Sponsorship** of a city-run project. Firms have actively looked to attach their name to forward-thinking transport projects or attractions. Citibank has paid £25m over five years to sponsor New York's bike sharing scheme, whilst in London the airline Emirates has sponsored a new Thames cable car river crossing in a 10-year deal worth £36m.[85] EDF Energy sponsors the city's most popular tourist attraction, the London Eye. The energy firm resolved to use the sponsorship to demonstrate its low-carbon credentials, by lowering the Eye's carbon footprint over the three year term.[86]

Case Study: Signature City Initiatives

Siemens – The Crystal, London

Siemens' Crystal is a £30 million exhibition and conference centre based in London's Victoria Docks. Opened in 2012, the Crystal is home to the world's largest exhibition focused on urban sustainability and a centre for 'dialogue, learning and discovery' about the world's cities. It also houses a conference centre and offices for employees from Siemen's Cities and Infrastructure division. The building itself showcases Siemens' credentials in sustainable design – it is the first building in the world to achieve top rankings in both the LEED and BREAM certification standards and forms the centrepiece of London's Green Enterprise District. The Crystal is also playing a part in raising Siemen's profile: it has attracted more than 100,000 visitors to date and hosted the G8 Innovation Conference.

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iii. Contributing to dialogue around future of cities

Debate and discussion around the future of cities is growing. Figure 4 shows the increase in the use of the terms 'the future of cities' and 'future cities' in Google Scholar articles over the last three decades.

Companies which engage in future cities debate and dialogue include:

- *Deutsche Bank*, which through its Urban Age project (run together with the LSE) considers how cities of the future should be designed to overcome the social, economic and ecological challenges of the future. The bank sponsors a series of conferences in which mayors, architects, city planners, academics and NGOs are brought together to discuss and solve urban issues.[87]

- *Gensler* whose 'City Vision 2050' initiative has been set up to analyse and assess challenges and opportunities facing the City of London. The Vision 2050 findings were presented to the City's Residents Committee in June 2014 and are being developed into a report which will present recommendations with the aim of directly influencing the City's future.[88]

- *Audi* which runs the Urban Future Initiative, a programme initiated in 2010 to establish a dialogue about future urban mobility and sustainable and enjoyable ways to move from one place to another. The initiative includes an internal think tank, a competition which aims to 'stimulate new visions for cities and urban mobility', and the hosting of events and conferences on the theme of future urban mobility.[89]

- *JP Morgan* which through its Global Cities Initiative (a joint project with the Brookings Institution) is hosting a series of forums each year between 2012 and 2017 on the subject of future economic growth in metropolitan areas. The bank, the institution and collaborating city leaders will look to "drive discussions, build consensus, and catalyse action about best practices and strategies for regional economic growth".[90] JP Morgan has contributed £6.1 million to the programme.

- *The Economist* which has hosted conferences considering future cities, including the Future Cities Infrastructure Summit (October 2013), and Future Cities: Creating Tomorrow's Urban World (2011).[91]

Figure 4: Occurrence of 'future cities' and 'future of cities' terms over the past three decades[92]
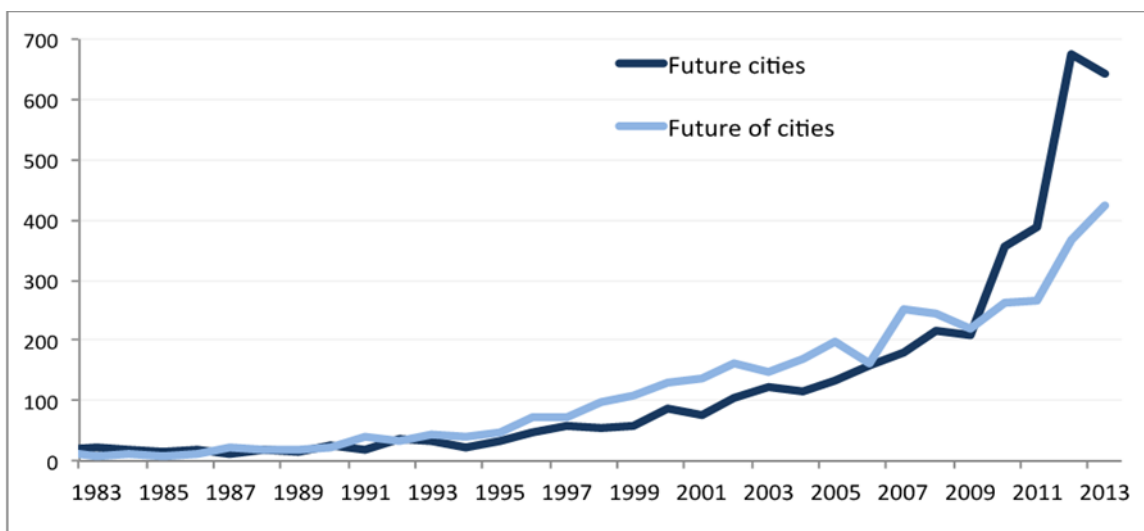
There are a number of possible reasons why companies might be keen to play a part in the expanding future cities discourse. Dialogue with the business community over recent years and a common sense approach suggest that the most probable are:

- Companies need to understand future markets in order to strategise and plan their own futures. As Trend 3 explored, cities will be the key future markets for many companies.

- Many companies wish to influence the future cities dialogue to their own advantage. The author Anthony Townsend points out that major technology companies have played a leading role in shaping our visions for future cities, but argues that this has led (historically) to '*more sorrow than success*', as visions are built on '*solving our problems for us'* and fail to put people at the centre of their plans.[93]

- Contributing to dialogue about the future of cities brings companies into discussion, and potentially collaboration, with other important players in the future cities space, including policy makers and innovators.

Trend 5: Business Innovation in Cities

Cities are centres of innovation. They are environments which encourage the exchange of ideas, and bring diverse populations with different ideas together. As Ed Glaeser put it in his 2011 book *The Triumph of the City* 'cities enable the collaboration that makes humanity shine most brightly'.[94] For Glaeser, as 'the points through which knowledge passes' cities are the natural homes of innovation.[95]

Cities support businesses as partners in innovation in a number of ways:

5.1 The nature of urban spaces encourage business and knowledge networks to form

Cities are uniquely suited to the creation of knowledge networks which increase the flow of innovative ideas and assists in bringing products to market.[96] Three characteristics of cities make them particularly appropriate as incubators of innovation networks. Firstly, the **density** of cities brings businesses working in similar sectors or fields into close proximity with one another. Academic studies have corroborated the anecdotal evidence of entrepreneurs as to the importance of geographical proximity in the creation of economically-useful knowledge (see for example Sonn and Storper 2003).[97] Secondly, cities are generally well equipped with **assets** such as developed transport and communications infrastructure which enable businesses to access each other. Thirdly, **urban institutions** (such as universities, incubators, economic development agencies) can act as important brokers, helping businesses to conduct transactions in the market, collaborate, or share ideas. These institutions can help overcome co-ordination problems by promoting and sustaining networks.[98]

The technology sector is the most frequently cited example of innovation networks flourishing in urban spaces. Indeed clusters of tech startups have formed in Tel Aviv, London, LA, Toronto, Santiago, Stockholm, Bangalore, Berlin, Melbourne and Nairobi amongst others.[99] These cities offer support for innovative tech companies opportunities to network, share ideas, and seek funding, as well as providing the infrastructure (broadband, office space) and vibrant lifestyle which are fast becoming necessities for

entrepreneurs. **Lisbon,** profiled in the case study box below, exemplifies the attributes of cities which make them attractive habitats for innovative young tech companies.

It is not only in the tech sector however that cities are proving themselves natural spaces for fostering business and knowledge networking. Innovative knowledge networks have developed in cities across a range of sectors, for example:

- Fashion in **New York**: New York's fashion industry centres around the historical Garment District, and consists of hundreds of highly specialised fashion and media enterprises. It is a highly innovative network of businesses, where new design boutiques form as spin-out ventures from the mainstream market. The city's sophisticated consumer base supports cutting-edge fashion products and design ideas. There is a significant degree of cross-fertilisation of ideas with the city's music, media and art sectors.[100] London, Milan and Amsterdam are other examples of cities with innovative fashion networks.

- Life Sciences in **Dortmund**: Dortmund is home to a vibrant life sciences sector whose growth has been heavily supported by the presence of the city-region's university and research institutions. Firms in the city regularly collaborate over the early stage research and development of new drugs and medical technologies. The Dortmund Project which was begun in 2000 was a pivotal, city led project, which has encouraged innovation and opportunities for life science businesses to grow: the project led to the redevelopment of brownfield land into technology parks, investment in university and institutional R&D, and the establishment of incubation and advice facilities for startup companies.[101] Dundee, Aberdeen and Boston are further examples of cities with innovative life sciences clusters.

- Creative and media in **Manchester**: Manchester has developed as Europe's second largest hub for the creative, digital and new media sector, which employs 64,000 people in 5,800 businesses in the city.[102] The relocation of five BBC departments to the 200-acre 'MediaCity:UK' development in 2011 helped to cement the city's status as a global leader in the sector, and since that time city and national institutions have worked to bolster the city's innovative credentials. The Greater Manchester Creative and Digital Launchpad is a £1m fund awarded to companies in Greater Manchester for carrying out innovative R&D projects that will lead to the development of existing or new knowledge and skills within the digital and creative sector.[103] Shanghai, Seoul and Lagos are other cities with innovative creative and media networks.

> **Case Study: Cities as hubs of innovation – The Tech Sector in Lisbon**
>
> The city of Lisbon is proving an attractive and fertile base for international entrepreneurs in the technology sector, for a number of reasons:
>
> - The city is home to a city-council led startup incubator, Startup Lisbon, which was established in 2011 and provides advice, services, networking opportunities and even office space for new startups in the tech, tourism and commerce sectors. It also provides links to strategic partners, access to angel investors, loan or venture capital funds such as the £354 million Portugal Ventures funds (which will invest up to £2million per tech start up).
>
> - Lisbon hosts tech events which provide local and international entrepreneurs with networking and idea-sharing opportunities (for example Seedcamp Lisbon, Tech Meetups Lisbon, TedX Lisbon) and even competitions for tech startups: notably the Lisbon Challenge: a three month acceleration programme where ambitious startups can compete for funding.
>
> - The presence of internationally reputable universities and research centres in the city provide a well-qualified and multi-lingual workforce, as well as opportunities for collaboration. The city council has also launched a number of "Fab Labs" - digital fabrication laboratories which allow companies to create prototype at low costs and as such act as 'links between ideas and industry'.
>
> - The city is affordable compared to other European capitals, and has a plethora of co-working spaces (Cowork Lisbon, Cowork Central, My Hot Desk) where micro-businesses can obtain office space at low cost.
>
> - Lisbon's climate, ocean-side location and vibrant cultural life is proving attractive to young entrepreneurs.

5.2 Cities as test markets

The size and increasingly diverse nature of cities makes them particularly appropriate locations for companies looking to develop and trial products or services for global markets. The most cosmopolitan cities are microcosms of the world at large. Between them, Londoners speak more than 300 different languages[104] whilst in Amsterdam people from 174 countries live and work together.[105] Smaller cities are also becoming cosmopolitan. For example, around 20% of the population in Christchurch, New Zealand are foreign-born and 15% speak more than one language.[106] This diversity allows everything from food, to medicine, to new technologies and gadgets to be road tested before release to a larger market (see case study).

Cities are aware that their diversity is appealing to businesses, and some actively market themselves as 'test markets'. For example Invest in Brussels, the Belgian capital's investment agency, describes the city as '*a microcosm of European diversity', 'straddling the border between Anglo-Saxon, Latin and Germanic cultures*'. As such, it argues, the city makes the perfect test market for businesses thinking about a pan-European launch. Mega-companies such as Beiersdorf and Coca-Cola are amongst those to have trialled products in the city.[107]

Companies also use cities as testing grounds for their national markets. Columbus, Ohio, has developed a niche as a test market for new fast food products to be launched in the US. Its demographics and tastes are thought to be broadly representative of the nation as a whole.[108] Bangalore plays a similar role in India: the city is diverse - less than half of its population is made up of local *Kannadigas*, it is seen as adventurous and interested in new things, and is a good size for product testing before release to the wider Indian market.[109]

Case Study: Cities as Testing Grounds for New Products

Blackberry – Jakarta

Blackberry, the Canadian smartphone manufacturer, was once the brand of choice for business people around the world. In recent years however, its fortunes have declined as tech users have developed preferences for more versatile smartphones produced by Apple, Samsung and HTC. In what the Financial Times has described as a 'last ditch battle', Blackberry have developed a new model of smartphone, the Z3. The Z3 will be launched in Jakarta, Indonesia, as a testing ground for Blackberry's new emerging market strategy of marketing more budget-friendly products.

Jakarta has the advantage of being one of the world's largest and densest cities. Consumer confidence is high, and the city is home to Indonesia's wealthiest customers. Blackberry has even nicknamed the Z3 the 'Jakarta' in the hope of creating a marketing buzz around the product. (Financial Times 12 May 2014).

5.3   Diverse Workforces

Cities provide a deep and diverse pool of talent – their large, highly skilled workforces allow firms to adapt quickly to new challenges and opportunities.[110] A growing body of evidence suggests that culturally diverse cities are the most innovative type of city, as they benefit from a wider range of international knowledge links, diverse decision making and being able to attract more innovative people.[111] Companies based in culturally diverse cities have the opportunity to build diverse teams which can access additional upstream and downstream markets, assisting process innovation and the commercialisation of new ideas.[112] For example, IT and digital industries use the diverse labour forces which are based in cities to develop content which works across cultural barriers.

5.4   Business - city innovation partnerships

Businesses are innovating in partnership with cities to develop practical new products to tackle specific city challenges. In the IT / smart cities sector, IBM has established a city-wide operation centre in Rio de Janeiro which connects all the city's agencies (of which there are more than 30), from transport to the emergency services.[113] The centre forms the company's prototype for a co-ordinated city management product.[114] Similarly, Microsoft has developed a trial cloud based platform with the city of Barcelona to collect and make public city data across a whole range of services.[115] Collaborative innovation is not limited to IT firms. Arup has worked with the city of Manila to explore practical solutions to address flood and water management issues.[116] Veolia, the French environmental solutions giant, has embarked on an innovation programme called NOVEA in partnership with the city of Lyon. Stakeholders in the city pool skills and expertise, share engineering capability, create R&D partnerships and conduct tangible testing in

order to speed up urban innovation and introduce new sustainable city concepts to the Greater Lyon area.[117]

A recent trend, particularly in the Smart Cities space, has been the development of 'Living Labs'. Living Labs are spaces in which businesses, in collaboration with city governments, and often with local academic institutions, run experiments in situ in order to increase understanding of local urban environments and to develop new products. Examples include Smart City Malaga (run by the electricity company Endesa in partnership with 11 other companies, 14 research centres and five public authority departments)[118] and London Living Labs (see box).

Case Study: Working as partners in Innovation

London Living Labs

London Living Labs is a project co-sponsored by Intel and the UK Government's Future Cities Catapult. Together, and in collaboration with a consortium of UK companies, the project is creating a series of testbed sites in a range of urban environments including schools, parks and inner city neighbourhoods. One such 'testbed' is in Brixton, South London where partners including TfL, council representatives and community groups. The 'lab' focuses on encouraging walking in the urban environment so as to measure the effects on air quality, health, community connectedness and place making.

Director of Intel Labs Europe Martin Curley said in an interview with the Guardian newspaper,

"I think it is really in the last four or five years [that] these outward-facing labs have become much more significant … there is this recognition ... that the most effective kind of innovation and where you can drive broad structural change is where you have physical labs in companies but you have this intertwining of the opportunity to create this shared vision between industry, academia and broader society. When we work together we can move much faster together." (The Guardian, 8 June 2014)

Trend 6: Businesses restructuring to better serve city markets

City savvy global firms are reorganising themselves internally, so as to better align with city-based opportunities. They are doing so in the following ways:

6.1 New 'City Divisions'

A handful of pioneering firms are going beyond city brands and dedicating entire divisions of their business to cities. Siemens has dedicated one of its four internal sectors to *Infrastructure and Cities*. The division, which was established in 2011[119] already accounts for 23% of the firm's revenue of around €75 billion and employs around 90,000 people.[120] Roland Busch, the CEO of the Cities and Infrastructure Division explains on the company's website:

> "*Cities are a key growth market for the future. By establishing the Infrastructure & Cities Sector, we're clearly gearing ourselves to this market. We have the portfolio, the know-how and the consulting expertise to make cities of all sizes greener and more competitive…..*" [121]

Other companies which divide their business by reference to cities include Buro Happold Engineering, which groups all its offered services into one of two branches: 'Buildings' or 'Cities'[122] and JLL, whose new Cities Research Center brings together its firm-wide resources and expertise on cities into one department.[123]

Some businesses are creating internally-facing cities divisions which act as advisory functions for the rest of the firm. KPMG for example has launched a Cities Global Center of Excellence, whose mission is to help its offices and member firms around the world to 'advise and support the sustainable development of cities and the effective provision of city services'.[124]

6.2 Representatives in Target Cities

Many businesses are actively developing the sales side of their cities business by placing representatives within target cities, enabling them to market products and services directly to city authorities and other urban customers. Bank of America has developed a Market Presidents scheme, placing a 'president' in target cities in order to champion the company's business strategy, deepen client relationships, and oversee its CSR activities.[125] Siemens' City Account Manager network is a similar programme. City Account Managers are 'on the ground' sales people, dedicated to a particular city. The managers seek to identify new sales leads by connecting into local city decision making networks, and aim to be involved as early as possible in city planning processes to obtain first mover advantages and secure opportunities later in concrete projects. There are presently more than 60 city account managers installed in cities across the world. The City Account Manager approach has already resulted in Siemens signing Memorandums of Understanding with the Chinese cities of Beijing, Qingdao and Wuhan. [126]

6.3 City Strategies

Companies are becoming more intentional about how they build relationships with cities, building corporate strategies and Customer Relationship Management (CRM) systems to manage their interactions with cities as current and future customers.

Case Study: AirBnB's 'Shared City' Strategy

AirBnB, the hospitality company and pioneer of the 'sharing economy', has had an historically tense relationship with cities. The company has faced backlash from traditional hospitality industry players over the unregulated nature of its business and the effective exemption of AirBnB hosts to business and hospitality taxes. It has even encountered resistance from citizens in smaller towns unused to high volume tourist turnover .(City Lab April 22, 2104).

As a result AirBnB has built a 'Shared City' programme – a corporate strategy designed to enhance its relationship with cities. Under the programme, AirBnB will:

- make it possible for hosts to donate a percentage of their fee to a local cause, with the company matching any donation made;

- offer free housing in cases of natural disaster or emergency;

- provide free smoke alarms and carbon monoxide detectors to hosts; and

- support city marketing campaigns.

Most significantly however, the company is also working on a system to help local governments collect hospitality taxes from AirBnB users. The Shared City programme is being piloted in Portland and San Francisco before being rolled out to other cities.

The company is engaging in other PR exercises in order to improve their relationships with cities. It has conducted studies in nine cities around the world to demonstrate its positive economic impact, and is also sponsoring Jane's Walk NYC a weekend festival of walks which celebrate the legacy of Jane Jacobs (Forbes March 26, 2014)

Part 2: The new roles of business in city development

Role 1: Cities use of business approaches and tools

1.1 Rankings and indexes

Measurement and comparison of city performance is one of the key ways to assess the success of different approaches to city development. Until recently, most comparative data on city performance were produced only by national governments, or by international institutions such as the UN and the OECD. Today, though, many of the best and most influential city indexes are produced by big companies - consultancies, banks, professional services firms and international magazines. These firms possess a unique combination of industry expertise, global coverage, analytical insight, and IT capability to fund the time-consuming and difficult task of accurate city and metro benchmarking. Often they pool their resources with public or private research institutions, such as Z/Yen, GFK-Roper, or the Chinese Academy of Sciences. This allows them to combine quantitative rigour with a commercial eye, in order to create accessible and well-designed indexes.

Although produced by commercial outlets, benchmarks are first and foremost a benefit for cities themselves. They allow city governments and publics to gauge progress, make the case for change, attract investment, and raise awareness. Examples of the way they are used by city stakeholders are shown in Figure 5.

Figure 5: Benefits of Using Indexes, Benchmarks and Reports to Measure City Success[127]
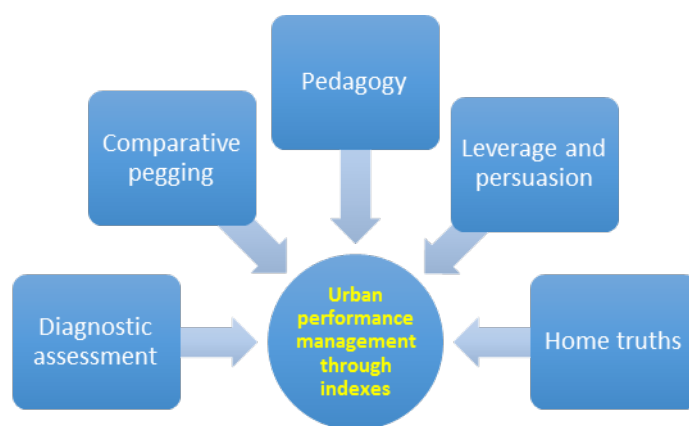
Businesses also have their own motivations for funding the creation and publication of a city index:

- For **large, established firms**, city rankings are a way to initiate and maintain channels of communication with city clients and related service providers. Opinion and perception surveys about cities, and regular results updates, can help companies engage with their disparate customer base. This was a founding purpose to the early expat-focused rankings of global HR specialists such as Mercer, the EIU and AON-Hewitt.

- **Smaller and mid-size firms** use city rankings to establish themselves at the cutting-edge of their sector. By providing the most up-to-date, detailed and rigorous overview of city performance or attractiveness, firms such as Tholons (outsourcing advisory), SportBusiness (sport sector intelligence) and 2thinknow (innovation agency) can establish themselves as leaders in their field.

- The **race** to become recognised in the booming '**smart cities' space** is also motivating companies such as Siemens and Ericsson to sponsor or develop technology-focused benchmark studies of city infrastructure.

- **Globalisation of media** is also driving the rise of city indexes. Publications such as the Wall Street Journal, Forbes and Monocle have large English-speaking readerships spread all over the world, for whom city rankings are a popular 'buzz' topic. Their annual classifications or 'top 10' city features on costliness, lifestyle or entrepreneurship are memorable products, proven to drive online traffic to their websites.

- Aside from using benchmarks as marketing and advertising tools, there is a visible desire amongst corporates to **understand the underlying dynamics** of urbanisation, metropolitanisation, and globalisation. Firms use city assessments in order to be ahead of the curve when it comes to their own development strategies.

- City rankings and indexes do have their limitations- not least accuracy, quality and comparability. In general, however, as more and more firms look to enter the world of city benchmarking, standards inevitably rise. Companies know that a poorly conceived or under-researched study is a risk to their reputation. As the number and influence of benchmarks grow (a 2013 paper by Clark and Moonen identified over 150 existing indexes, [128] many of which are circulated by media in dozens of countries upon publication), they have begun to drive healthy civic debate about a city's present and future.

> **Case Study: Auckland's performance on a range of city indexes and benchmarks**
>
> Business-led city indexes and benchmarks have been an important tool for Auckland's regional government to assess its place in the world and develop future strategy. Auckland Council leverages the city's established top five position in Mercer's Quality of Life survey to make the case to national government and local people that it can become the world's most liveable city in the next two decades.
>
> Indices are also used to highlight areas of weakness for Auckland – low GDP compared to liveable European centres, high relocation risk for foreign firms, and lack of business brand outside its own continent. Results have been used to build a new export-oriented strategy that increases Auckland's open-ness to foreign capital and investment, while also making more of the city's Maori heritage as a differentiator. Index-related targets are at the heart of how Auckland Council measures progress going forward. This is one example of how business measurement of talent and corporate needs provide momentum for cities to restructure and re-galvanise.

1.2 Business leadership and cities

We are witnessing a new kind of leadership in cities, inspired by private sector examples. As an OECD study on new city growth and investment strategies since the 2008-9 recession indicated, city leaders all over the world are adopting pragmatic and can-do approaches to adjust to long-term austerity and global competition.[129] They are beginning to plan using long-term, multi-cycle approaches.[130] In negotiations with higher tiers of government and other city stakeholders, city leaders are taking approaches based on compromise, astute lobbying and open-ness.[131] Fiscally, they are increasingly realistic and innovative.[132]

Case Study: Manchester's City Leaders Get Innovative

Sir Howard Bernstein and Sir Richard Leese are, respectively, the Chief Executive and Leader of Manchester City Council. Over the past decade, they have been at the helm of governance innovations designed to secure a better future for Manchester. These innovations take their lead from the pragmatism, focus on evidence and data, costs and results, more typically associated with the world of business. They include:

The Greater Manchester Combined Authority – in 2011 Manchester's leaders advocated for and created a new scale of city government institution for the UK– the combined authority. This amalgamated the central city with nine boroughs of the Manchester region into one overarching authority, and represents one of the first attempts by a city government to match political geography to its functional economic area. The GMCA has secured wider ranging powers from central government than other regional cities in the UK.

The Manchester City Deal. Along with other large cities in England, Manchester has taken advantage of a shift in the governance landscape to negotiate tailored reform packages with central government, and secure a degree of devolution, in the form of new so-called City Deals. However Manchester's leaders have negotiated and secured a particularly long-term, innovative and pragmatic deal for the city. The Manchester City Deal incorporates an 'earn back' mechanism, allowing the Combined Authority to earn back from the Treasury up to £30 million each year, as it is generated from local investments in transport infrastructure.

The Manchester Independent Economic Review – an exceptionally high quality, evidence-based report on the state of Manchester's economy, which was supported and called for by Bernstein and Leese (amongst others). The MIER review panel comprised some of the world's most respected economists, including Sir Tom McKillop (former chair of RBS), Jim O'Neill (chief economist at Goldman Sachs) and Harvard economist, Edward Glaeser. It delivered a robust economic narrative that has informed and driven debate regarding the economic future of the city, and an evidence base which can be used to underpin future policy choices.

The report found that Manchester was 'punching below its weight' - considering its scale, density, and the presence of the highest concentration of skilled workers outside London, productivity was too low. Focusing on fostering agglomeration economies, the report found, was the way to solve the productivity gap. Policy recommendations included: release of more greenfield land for housing and industrial development in property hotspots such as South Manchester; large-scale investment in public transport in order to improve access to jobs; improving early years education in deprived areas; and greater pooling of local authority sovereignty. The report also concluded that the city needed to nurture and grow its strategic assets such as the Daresbury Science Campus, universities, and Manchester Airport.

City leadership is also becoming more actively and positively engaged with the private sector, and many fruitful partnerships have been built to organise the city or regional economy more effectively. One example of such collaboration is in South Africa, where the Western Cape Economic Development Partnership brings together over 130 members from the city and provincial administrations, other public sector organisations, business, academia, civil society and trade unions in order to meet the challenge of economic growth and job creation in the province.[133] The willingness of city leaders to co-operate across multiple sectors and systems has been recognised and commended by urban commentators such as Benjamin Barber, Bruce Katz and Jennifer Bradley, who argue that city leaders can be the most effective political leaders of our time. [134]

1.3   City strategy

Long term strategic plans have become much more popular in cities and metropolitan regions as a way of managing complexity. Strategic planning is a key tool that cities and regions have adopted from business that operates as a more holistic managerial practice. Business models such as Porter's Five Forces, Barney's VRIN model, or the balanced scorecard have all influenced a strategic approach to city competitiveness.[135] The World Bank has endorsed this approach by creating an Urban Strategy series and proposing SWOT analysis for gauging developing city competitiveness.[136]

By developing co-ordinated plans with all stakeholders, cities can prioritise and set targets for attracting investment, people and businesses. They can also plan for land-use, transport and infrastructure investments over the medium to long-term. Through strategic plans, cities can breed continuity of strategic direction beyond individual electoral cycles and encourage consistency despite possible changes in leadership. Strategic plans aid prudent budgeting and fiscal management, and also encourage cities to consider and address their preparedness for and resilience to population growth, environmental and technological change.

One example of a city strategy which takes on business principles is Barcelona. The Barcelona Metropolitan Area, which encompasses 36 municipalities and over three million people[137], was created as an administrative unit by law in 2010. Simultaneously, PEMB – *The Strategic Metropolitan Plan of Barcelona, Vision 2020* was launched.[138] Following the business strategy emphasis on productivity, infrastructure, human capital and business culture, it aims to make the metropolitan area one of the most attractive and influential regions in Europe for global talent. Key drivers are the extension of port capacity, support for new sectors such as biotechnology and sustainable mobility, English language proficiency and growing entrepreneurial values. Like all cities, the challenge for Barcelona is to ensure that its strategy can survive political cycles and become embedded in city policy over the long-term.

1.4 City Branding

Increasingly, cities are using thoughtful promotional brand strategies to better project their advantages, and to foster a clear identity and reputation that will help them win the competition for mobile opportunities over time. These identities and reputations are much more than logos or strap lines, they communicate a 'whole story' about the value added that the city can offer to mobile activities. The purpose of the brand is to provide an authentic and aspirational message about the city.

The concept of city branding is of course borrowed from corporate branding, itself a development of pure product branding. Branding theories developed in the corporate context can be of use in the construction, communication and management of a city's brand. However differences lurk in the fact that there is often no overarching management body responsible for a city, as in the case of a corporate organisation. Creating a coherent brand out of disparate images, groups and spaces, is one of the key challenges inherent in developing an effective city brand.

Successful brand campaigns are honest and robust, reflecting the city's strengths, and recognising and avoiding its weaknesses compared with its competitors. They understand where (global) demand lies, and respond to that demand. History shows that the best brands make the city's promise personal to the people or businesses it wants to attract (see, for example the success of Glasgow's various branding strategies, profiled below). Increasingly, city governments are fostering partnerships with private companies and institutions within their city to jointly invest and communicate the same messages through a shared brand platform.[139] The brand platform becomes the property of the whole city, not just the city government.

Case Study: City Branding in Glasgow

Glasgow has embraced city marketing and branding since the 1980s, when the city had been hit hard by de-industrialisation and was widely associated with urban poverty and a decaying urban fabric.   Glasgow set about improving the perception of residents and visitors alike with a rebranding campaign based around the slogan 'Glasgow's Miles Better'. Launched in 1983, the campaign was widely lauded as a success, and is credited with having helped the city to become European Capital of Culture in 1990.

By 2004, Glasgow wanted to encourage a new wave of inward investment and attract tourists in greater numbers to the city. It rebranded itself as *Glasgow: Scotland with Style* in a £1.5 million campaign which sought to draw on the legacy of Charles Rennie McIntosh and the city's architecture to re-cast Glasgow as a cultural and visitor-friendly city. Again, the city's brand achieved its aims helping to bring events such as the MOBO Awards, UEFA Cup Final, World International Gymnastics and Commonwealth Games to the city. Over the brand's nine year existence the city also lured in £975 million worth of conference business.

By 2013 the city needed a brand to complement its growing aspirations. Whilst *Scotland With Style* enhanced the visitor, cultural and creative elements of Glasgow's economy, the city needed a brand which appealed to a wider business audience in sectors as diverse as life sciences, financial and business services, low-carbon industries, engineering, manufacturing and design and higher and further education. After a four week public consultation run by the city council's marketing bureau, *People Make Glasgow* was unveiled as the city's new brand. Time will tell whether it will be as successful as its predecessors in breeding a new perception of the city.

1.5 Cities and Investment

Cities, like businesses, recognise that investment rate matters. It matters to cities precisely because cities are in competition with each other as markets for business, people and institutions. Cities face risks and costs just like corporates, and need investment to enable them to adjust to changing circumstances. Furthermore, investment deficits can be highly visible, impacting on reputation and confidence – and like businesses, cities can get stuck or 'locked in' to cycles of decline.

Investment rate acts as an operating platform for the city. It matters because investment creates a virtuous circle of city development - enabling systems integration and city smartness, helping to create a business climate and incentive structure, and assisting in the creation and capture of further value. It also builds city resilience – the greater the investment rate, the greater the speed of adjustment of the urban fabric and infrastructure to changing demands.

Cities have become increasingly innovative in devising strategic interventions to increase their investment rate, particularly in the context of lessened hand-outs from central government. Some have made better use of their assets, revenues and programmes. For example in 1992, Bilbao consolidated its public sector land assets, amalgamating the separately owned land parcels of the Bilbao Port Authority, rail companies ADIF and FEVE, the Basque Government, Provincial Council of Bizkaia, and Bilbao and Barakaldo Town Halls into a single company, Bilbao Ria 2000. Ria 2000 invested in building work on the land, selling off resultant plots to finance its activities. Through this process the city was able to regenerate 348,500 square metres of waterfront and open up a new promenade in a previously inaccessible part of the city.[140]

Other cities have raised additional resources through new instruments and innovative deals. The Earn Back mechanism incorporated in Manchester's City Deal (see case study above) is one example of such innovation. A third group of cities have been concentrating their efforts on making themselves more attractive and visible to external capital. For example Brisbane's economic development agency, Brisbane Marketing, has its own Investment Attraction Unit which focuses on sourcing investments from international markets.[141] The agency connects local partners to international business networks in order to attract FDI in digital, food, logistics, cleantech and infrastructure industries.[142]

Role 2: Business and City Partnerships

Businesses are developing 'special relationships' with particular cities. Not only are they developing signature cities initiatives which associate them with specific cities, they are also partnering and collaborating directly with city governments for their mutual benefit. Some of the ways in which they do this include:

2.1 Collaboration in the development of 'new' cities

New cities around the world are springing up from scratch as national governments look for new spaces to house growing populations and for spaces to road-test or showcase new concepts in city building and place making. Businesses – particularly large multinational businesses – often play an integral role in the development of these cities.

The definitive example of collaboration in city building is that of Cisco and the Songdo International Business District, a 1,500-acre new city built on reclaimed land on the coast of Incheon, South Korea. Cisco is an official partner of the city, having signed two contracts worth £29 million to deliver networked-based technologies to the city. Cisco will be installing 10,000 'telepresence' units throughout the city which will enable integrated building and facility management, on-premises safety and security, home networking, and virtual concierge services. The company will also establish a global showcase for its technologies and applications for smart cities in a trade tower in the city. [143]

Other new city projects are supported by multiple companies. Tianjin Eco-City is a new sustainable city development co-conceived by the governments of China and Singapore. The city's development corporation has signed investment and strategic partnership agreements with companies including Panasonic, General Motors, Phillips and Sky.[144] But mega-corporations are not the only companies investing in new city building. In Ghana, RLG Communications - a national ICT company - is financing 30% of the development of Hope City, a new smart city in the Greater Accra region. The city is projected to cost £6 billion and is being developed in collaboration with the Government of Ghana, as part of the national development policy framework which aims to turn Ghana into an active player in the global knowledge economy.[145]

2.2 Joining forces to enhance exports and foreign investment

In some cities, businesses are joining forces with city authorities to enhance a city's international profile and improve its competitiveness as a centre for foreign investment. In Japan for example, Hitachi has signed a partnership agreement in which it agrees to support the development of Yokohama as an international city.[146] Again, it is not only multi-national conglomerates which are part of this trend. In Portland, Oregon under a new Metro Export Initiative companies of all sizes which work in the city's clean tech, tourism and education sectors are clustering together to enhance exports and foreign investment by collaborating with local government authorities in a "We Build Green cities" branding campaign.[147] A similar collective marketing programme is also in operation with sustainable businesses and local government in Copenhagen.[148]

2.3 Businesses providing financial support for city development

Some companies are lending a hand to cities by providing financial support for city development. This could be by way of a philanthropic initiative (such as the IBM Smarter Cities Challenge) or as a part of their business model. Banks are prevalent in this area of city-business collaboration. Citibank has worked with the New York Housing Authority,

investing in funds to preserve public housing in the city,[149] whilst JP Morgan has recently committed to investing in the bankrupt city of Detroit (see case study).

Firms such as Ernst & Young, PwC, McKinsey, Deloitte and Siemens are designing new tools to finance city infrastructure, plugging the gap left by cautious bank lenders in the wake of the Global Financial Crisis. These companies are funding projects using innovative solutions ranging from standardised leasing models to complex structured project financing. Siemens, for example part financed London's Thameslink trainline through its finance division Siemens Financial Services. In this instance, Siemens' lent £400 million in an innovative finance package in which certain elements of the loan were guaranteed for drawn down at a later date at a fixed interest rate. It is thought that this deal would not have been available from traditional banks, but enabled the borrowing developer to draw down funds only as and when necessary. [150]

Case Study: Financing City Development

JP Morgan Chase – Detroit

In May 2014, JP Morgan Chase announced that it would be investing £61 million in Detroit over the next five years. The investment represents the bank's largest investment in a city in its 200 year history. The money, in the form of loans and grants, will help the debt-ridden city to finance housing repairs, blight removal, skills training and economic development projects.

£3.4 million of the investment will be made in strategic initiatives that are important to Detroit's future economic growth. In particular, JP Morgan will be investing in the new M-1 rail line and bringing the Global Cities Initiative to the city. The Global Cities Initiative is a project run jointly by the bank and the Brookings Institution which aims to help leaders in U.S. metropolitan areas reorient their economies toward greater engagement in world markets.

Role 3: Businesses and City Governance

Business is playing an increasingly important role in city governance, particularly through the formation of business leadership organisations, but also through its involvement in inter-city collaborative networks. Although the role of business in city leadership varies from place to place, not least because of the different perception of the business community in different parts of the world, many firms and group organisations are taking opportunities to fill governance gaps and build delivery capability for cities.

3.1 Business Leadership Groups

Business leadership groups are organisations in which members of the private sector, based in a particular city, join together in order to develop thinking and advocate for policies which would enhance that city's competitiveness. The groups research, discuss and debate strategy, and inform, lobby and work with local government. They often also seek to collaborate with other stakeholders including academia, civil society and wider public sector organisations.

These organisations have become a driving force in almost all of the world's most successful cities. London First is a key player in advocating for pro-London finance and infrastructure policy, and the New York City Partnership plays a similar role in New York. Bombay First, World Business Chicago, Edinburgh Business Forum, Barcelona Global, the Committee for Sydney and the Committee for Auckland play similar roles in their cities. The groups are not only relevant to the world's biggest and most globalised cities. In Colombia, ProBarranquilla and ProAntioquia have been vital forces in city and regional development. ProBogota has been recently established following their success.[151]

Business leadership groups (BLGs) are different from traditional Chambers of Commerce: they are more dynamic and proactive, less focused on traditional member services, and more concerned with making contributions to urban development. They also tend to have far fewer members, and therefore can be nimble in their decision making and actions.

BLGs are popular not only with their private sector members, but also with local government. They overcome many of the constraints which bind city authorities, in particular having the following advantages:

- Thinking **beyond short-term electoral cycles.** BLGs can frame their thinking in terms of the business and economic cycles which are most relevant to city development. This year, the Committee for Sydney will launch a special commission exploring 'Sydney at 2050'.[152] Pro Bogota is setting goals for the city to achieve in the next fifty years.[153] The Regional Plan Association's Fourth Regional Plan will create a blueprint for the New York region's growth for the next 25 years.[154] Local government rarely has the inclination or resources to take such a long-term view. Sometimes the collective voice of a BLG on issues such as housing, transport or immigration can insulate leaders from the political costs of making expedient city decisions, and in particular from the disabling threat of mass media uproar.

- Looking **beyond local political geography**. BLGs can think outside of the silos of municipalities to consider their city's entire functional economic region and to recognise inter-linkages with neighbouring towns and cities. The Regional Plan Association considers the functional tri-state region of New York-New Jersey-

Connecticut as a whole. In contrast, local government decision making remains fragmented across the three states. The Committee for Sydney describes itself as 'an effective voice and champion for the whole of Sydney' which engages in 'big city thinking'.[155] Similarly, Pro Bogota will consider and develop recommendations for the capital city and its wider metropolitan area.[156] In cities where political divides run deep, business leadership can sometimes have a powerful professionalising and sobering effect on politicians and the standard of political discourse.

- Contribution of **private sector expertise to city development.** The members of BLGs have useful experience in branding, sales and marketing, and are used to setting agendas and prioritising. Private sector leaders often have a much deeper understanding of 'the competitor' (i.e. other cities) and the global nature of marketplaces than City Hall does. Business coalitions can be a source of confidence, energy and knowledge for other stakeholders in the city. They can also be a source of evidence-led analysis for the region that public sector institutions are sometimes unable or unwilling to do. Evidence-based exercises and commercial knowledge can clarify the range of future paths a city can choose, and present alternative opportunities for taking a new path (e.g. densification, economic diversification, transit-oriented development).

- **Effective advocates**. BLGs have a strong bargaining position with national governments, leveraging their position as 'customers' of government services. The collective voice of a city's businesses can have much more clout than that of a 'subordinate' local authority.

Case Study: Business Leadership Groups

Committee for Auckland is a not-for-profit leadership organisation which has been set up 'to contribute to making Auckland one of the world's great places to live and work'. Members comprise leaders from the private sector, tertiary and not for profit sectors, who support long- and short-term projects which seek to promote positive change for Auckland. Current projects include Enabling Future Auckland – a project which brings together local and central government, business leaders and thought leaders to consider a new funding framework for Auckland's city government. The group also engages in advocacy – it has recently petitioned Auckland Council to address a lack of planning for the region's three harbours.

The Committee for Auckland forms part of the Committees for Cities & Regions, which is an influential network of business leadership organisations in Australia and New Zealand, each of which independently operate within their particular city or regional area to enhance their economic, social and environmental development.

Case Study: Business Leadership Groups

London First

London First is an influential business leadership group, comprised of around 200 members who represent the UK capital's leading businesses. Together, London First's members account for approximately 25% of the GDP of the city. The organisation's mission is to make London the best city in the world in which to do business.

London First advocates on behalf of its members, with the aim of influencing national and local government policies and investment decisions to support London's global competitiveness. Advocacy is not limited to 'business' policies – at present it is campaigning for an increase in housing supply in the capital, for London to be given greater autonomy over investment decisions, and for a business led economic development strategy.

Amongst the group's most notable successes to date was the crucial brokering role it played between central government and London's business community to ensure the success and survival of the Crossrail project. Specifically, London First facilitated a deal that sees over two thirds of the project's anticipated cost of £14.8 billion coming from future fare revenue, a range of private sector contributions and a supplement on business rates paid by London's larger businesses.

Case Study: Business Leadership Groups

Barcelona Global was formed by business leaders and companies who '*care about Barcelona and its future'*. The association's mission is: '*to actively contribute to making Barcelona one of the most attractive cities in the world to attract and develop talent and economic activity'*. Its c.200 members represent companies which make up the majority of Barcelona's employment, as well as individual business people with '*reputation and talent'*.

In the latest economic cycle, Barcelona has struggled to develop a business brand of the same strength as its world-leading tourism brand. Barcelona Global's members are seeking to address this gap by conceiving and implementing projects to enhance the city's status as a globally competitive destination for business. Some ongoing initiatives include 'This Way Up' – a project which aims to make Barcelona the European capital of entrepreneurship and 'Brand Barcelona' – a collaborative initiative with the City Council to promote, protect and manage the city's brand.

3.2 Business involvement in City Networks

Cities are increasingly joining together in networks to share best (and worst) practice, advocate for change and innovate on cross-border issues such as climate change, terrorism, economic resilience, drugs, poverty and inequality. Joining together in this way not only allows cities to share ideas and expertise, but also gives them a louder voice on the world stage. Indeed city networks have a growing influence in world politics, a fact which has been recognised by recent urban commentators including Barber (2013) and Acuto (2013).[157] Collaborative city networks are particularly active – and effective - in trying to address global issues where nation states have struggled to make collective progress, for example in climate change and global security.

Increasingly, businesses are joining, funding or working in collaboration with city-networks, seeing them as an influential means of shaping policy, building relationships with city authorities and other stakeholders, or fulfilling CSR imperatives. Some city networks are working collaboratively on specific projects with global businesses (see case study), whilst others are allowing corporates to become fully fledged network members. The City Protocol is one such example – it is an online network which seeks '*to promote, guide, and accelerate the responsible transformation of cities for the benefit of all urban communities throughout the world.*'[158] Members include cities such as Amsterdam, Barcelona, Moscow and Quito, and also companies such as GDF Suez, Cisco, Microsoft and Schneider-Televent, as well as academic institutions.[159] The partnership of global cities with some of the world's largest businesses benefits both groups by creating a global governance force to be reckoned with.

Case Study: Businesses and City Networks

C40 Cities Climate Leadership Group

The C40 is a network of 69 megacities which are committed to combatting climate change. The group was founded in 2005, and today its members represent 1 in 12 people worldwide and 18% of global GDP. Acuto (2013) has described the group as "perhaps the most significant case of global city agency in global environmental politics" and explains that 'it is in the development of common strategies, shared policies, transnational instruments and preferential connections amongst global cities that the Group has been thriving'. Barber (2013) concurs, arguing that the network has succeeded in making real progress in climate change co-operation where national governments have failed.

Whilst C40 remains fundamentally a network of global city governments, in recent years global corporations have collaborated with the network. The group has partnered with Arup to deliver a series of workshops and reports including 'C40 Urban Life', and 'Climate Action in Megacities' (published in two editions in 2011 and 2014). It has also recently partnered with AECOM to release *Protecting Our Capital*, a report that highlights the risks climate change poses to cities and businesses – and shows how city government climate adaptation actions are contributing to business resilience. In 2013, C40 announced a new, broad collaboration with Siemens which takes the form of a technical partnership as well as a global awards competition to recognise innovative city driven climate actions.

Case Study: Businesses and City Networks

World Economic Forum

The World Economic Forum is an international institution committed to improving the state of the world through public-private cooperation. It has several initiatives which connect businesses to its network of cities:

- SlimCity is a World Economic Forum Industry Partnership initiative that provides a marketplace for cities and the private sector to exchange best practices in sustainable development. The initiative aims to assist cities in achieving reduced carbon emissions and increased resource efficiency and involves companies from a range of sectors including chemicals, engineering, construction, energy, information technologies, mobility, and real estate.

- The Future of Urban Development Initiative seeks to foster greater collaboration between businesses and cities in order to accelerate the transition towards innovative urban development models. The Champion City scheme (part of the Future of Urban Development Initiative) brings together experts from different sectors in a nominated city to identify strategies and outline implementation paths to address key urban development challenges. Tianjin in China was the inaugural Champion City in 2012, and received support from companies such as Colliers International, Siemens, Arup (which was Project Champion), Audi, BT and Toshiba amongst others.

- The WEF's Global Agenda Council on Infrastructure and Urban Development aims to equip city leaders with information on new models of city-making. In 2012 the Council developed Urban Anthologies: Learning from Our Cities which showcases transformational models of infrastructural and urban development from cities around the world, to act as inspiration for city leaders. The highlighted innovations are selected on the basis that they can be replicated in other cities. Many of the innovations are industry-driven efforts. In 2014, a second edition of the anthology will be released, which will profile best practices from cities around the world in addressing the vulnerabilities and unlocking the positive externalities of the informal sector and informal settlements.

Case Study: Businesses and City Networks

World Business Council for Sustainable Development's Urban Infrastructure Initiative

The WBCSD is a network of companies and their CEOs, 'united by a shared commitment to provide business leadership for sustainable development in their respective countries or regions'. The organisation comprises 66 Global Network Partners in 64 countries representing over 35,000 national businesses.

A key project for WBCSD has been the groundbreaking Urban Infrastructure Initiative (UII), in which experts from 14 leading global companies, from different sectors, join together to help 10 cities around the world identify and develop innovative, realistic and effective solutions to realise their sustainability visions. Active member companies include AECOM, Schneider Electric, Siemens, TNT, Toyota, UPS and United Technologies.

Part 3: Reflection

1. Are Cities Like Businesses?

As globalisation and urbanisation intensify the relationship between businesses and cities, it has become increasingly common to draw parallels between them. The language of business has influenced and infiltrated city policy making and urban studies: concepts such as city branding, city marketing, the 'CEO mayor', the investment rate, and the city balance sheet have fallen into common use.

Some urbanists consider that the citizens, businesses and investors of the city should be viewed as its customers (as consumers of its services) or as its shareholders (as beneficiaries with an inherent interest in its success or failure).[160]

There are indeed a number of ways in which cities have become more like businesses as a result of recent global trends:

- **Competition in contested markets.** As globalisation has made the content of national and city economies more mobile than ever before, cities must directly compete in national, regional and global markets. Cities compete not just in relation to price but also on factors such as environment, provision of services, amenities, quality of life and presence of skilled labour, all of which make them more or less attractive to mobile businesses, people and institutions.

- **Innovative use of financial resources.** Cities, like businesses, have finite budgets within which they must operate. In recent years, and particularly in the current constrained economic environment, both entities have had to innovate in order to achieve more with less. Many cities have looked to the private sector for inspiration as to how to do that.

- **Clearly defined goals.** Businesses have plans – they set out to achieve clearly defined goals, whether this be international expansion, enhanced market profile or a targeted level of profit. Increasingly, the same is true of cities. City administrations around the world are also now developing visions and setting clearly defined targets and goals. Long-term strategic plans are currently enjoying a renaissance in cities and metropolitan areas across the world including London, Paris, Auckland, Johannesburg, Sao Paulo, Singapore, New York, and Barcelona.

- **Networking.** Both cities and businesses are increasingly collaborating and co-operating in order to benefit from economies of scale, to share knowledge, and to increase their influence. Collaborations may be organised around geographic ties e.g. World Business Chicago or Centrope; or around common interests e.g. Construction Products Association or UK Healthy Cities Network.[161]

- **R&D, Innovation and Investment.** Businesses carry out and fund research and development activities in order to remain ahead of, their competitors. Cities are finding that they also have to adjust, reinvent and differentiate themselves from other cities in the global marketplace. They have to change old patterns of land and resource use, and connect assets with opportunities in new ways and over new spaces.

- **Human Capital.** Human capital is at the heart of the well-being of businesses and cities. Businesses place great emphasis on employing 'talent', and therefore cities must also look to attract human capital if they are to compete with other cities in the offering they provide to globally footloose businesses. Of course cities are also employers in their own right, and form part of the global market for talented individuals.

- **Brand.** It is increasingly accepted that branding (traditionally a practice associated with business) is equally important to the attraction and retention of a city's customers: that is mobile capital, firms and people. Cities need to be able to define their unique offering and communicate it to the world effectively. Many cities, like businesses, have recognised the potential benefits of using a clearly thought out brand identity in order to do this and differentiate themselves from their competitors.

- **Leadership.** There are striking similarities between mayors and CEOs: both are the figurehead of an organisation, the public face, and often make the key decisions. There is often considerable overlap between the public and private sectors in this area, as former CEOs move into politics and run as city leaders. Examples include Michael Bloomberg, ex-Mayor of New York (see case study), and George Ferguson, who ran his own architecture practice before becoming Mayor of Bristol. Former CEOs are popular candidates for leadership because they are seen as having many of the qualities needed to make a good mayor: vision, entrepreneurial spirit, good budgeting ability, strong negotiation and leadership skills.

However, cities remain distinct from businesses in some fundamental ways. The analogy that cities are like businesses needs some caution. Cities may have become more like businesses but that does not mean that they have stopped being cities, or that the transformation is complete. We should be careful not to over-simplify when analogising:

- **Risk taking is controlled.** Companies are free – within the constraints placed upon them by their shareholders – to take risks. They can decide to use their cash reserves, borrow money and /or take new directions. Cities are more constrained. Firstly, any 'gamble' is made with the money of the taxpayer, to whom they are directly accountable. Secondly, cities have to work within wider governmental frameworks, which may constrain their access to the cash, financial powers or leverage required to take significant risks.

- **Poor fit between institutional and market geography.** Matching institutional and market geography enables organisations (whether cities or businesses) to tailor their services appropriately, gives them the opportunity to benefit from economies of scale, and to reduce inefficiency and negative externalities across local boundaries, whilst remaining of an appropriate size to be accountable, responsive and accessible to the consumer. Companies are generally internally organised around their economic markets. They either serve one specific market, or are divided into appropriate city-wide, national, or regional units. However this matching of institutional and market geography rarely occurs in cities. This is largely because economic boundaries evolve and change over time. Businesses can easily change their structures to reflect changing markets, but political boundaries are more difficult to modify. The explosive recent growth of cities means that most now functionally stretch beyond their political and administrative boundaries.

- **Complex governance and institutional arrangements.** The governance frameworks within which cities operate are far more complex than those affecting most companies. Cities are almost always subordinate to national governments. Service provision and fiscal autonomy can be devolved to a greater or lesser extent from higher tiers of government. In some cities, national governments remain heavily involved in 'city' affairs. In Australia, for example, national government provides certain 'regional' services such as transportation. In Mumbai, city government is divided between the Municipal Corporation of Greater Mumbai, the state of Maharashtra and the government of India.[162] Other cities are more autonomous, with their own spending and revenue generating powers. US cities, for example tend to have significant autonomy on fiscal matters. Some cities have the authority to raise revenue subject to tax limits, whilst others, including those in the UK, rely largely on funding from central government. Businesses are rarely subject to such hierarchical levels of control.

- **Customers / shareholders cannot be chosen.** Cities, unlike businesses, must provide services to all their citizens, no matter how desirable or profitable that service provision is. Demand for services can often overwhelm the limited resources available to provide them, but city governments cannot prioritise certain citizens over others.

- **Citizens have a wider range of interests than customers.** Cities must provide services at the lowest possible cost for their citizens, but their responsibilities extend beyond this, to the social and environmental, and to the preservation of public values such as equity, accountability and citizen voice.

- **Cities cannot choose which products and services they sell.** Cities do not have free rein to determine what goods and services they provide. They cannot focus on the most profitable, or most popular products. They are required to provide a core set of services: whether this is waste management, land-use planning or highway maintenance. These services cannot be abandoned if they are not profitable.

- **'Profit' is often retained by higher tiers of government….** and cities often have little control over the inputs to their bottom line. Higher tiers are responsible for determining levels of local government grants, often establish property tax rates, and may have control over or powers to cap other elements of local taxation.

- **City leaders are democratically elected….** Mayors are voted into their position of power, either by their fellow council members or in many cases by the electorate. This makes them accountable to those who have voted them in. They must campaign, pledge and make promises based on what outcomes the electorate want to see (and often also based on the leanings and preferences of their own political party). They must then try and deliver on these promises once they attain office. Leaders of businesses have more freedom. They are accountable to shareholders, but have more liberty to be creative as to what strategies they pursue in order to achieve their goals.

- **… and may have limited power.** The CEO of the company is the ultimate decision maker and risk taker. In cities, the individual autonomy of the leader varies from city to city. In the US for example some cities have 'weak mayors' who have no formal authority outside their council, no power to appoint or remove officials, and no veto power over council votes. Other cities have 'strong mayors' who are given almost

total administrative authority and a clear, wide range of political independence. Cities around the world have leaders at differing points on this spectrum of autonomy.

- **Identity and brand are substantially shaped by others.** Cities are not as autonomous as businesses when it comes to branding. Pre-existing national or state brands, or perceptions of the city's nation / state can limit the identity with which the city chooses to imbue itself.

- **Cities do not 'fail' to point of extinction.** Companies have a bottom line. They must make a certain amount of profit in order to retain their viability in the marketplace. Whilst cities can file for bankruptcy in the same way as businesses can – see for example Stockton, California or Detroit, which have both filed for bankruptcy in the last two years - countries and cities do not go out of business, in the sense that they cease to exist.

The analogy of 'cities as businesses' is very helpful to observe and assess how cities are developing more competitive trading and innovation dynamics. It can also help us see some of the gaps and deficits that cities face. But the metaphor must be used wisely, because there are risks in assuming that cities have the same freedoms as businesses, when the main challenges facing cities are substantial governance and investment deficits.

2. Conclusion: Business and the Future of Cities

In the new global era, cities and businesses have become strongly inter-connected and inter-dependent. They are, and will remain, distinct types of entity. But both future businesses and future cities can reap rewards from understanding, enhancing and utilising their mutual interests.

Cities are now the most important markets for businesses. Businesses therefore need to embark on a journey to become **city savvy**. Mega-corporations like Siemens and IBM are leading the way, but there are benefits for businesses of all sizes and in all sectors. Businesses should be looking to adopt the ideas of the first movers and innovators. Those that are slow to adapt will find it difficult to reposition and rebrand.

Cities must also look to take advantage of their new relationship with businesses in order to secure their best possible futures. They can do this by:

- **Being business friendly and investment ready**. Business friendliness is not a code word for tax cuts and low regulation. Being business friendly in a deep sense means learning to partner and serve businesses in order to be prepared, agile and competitive in the global marketplace. It means ongoing collaboration, relationship-building, and co-advocacy to ensure that the long-term interests of both are achieved. Investment readiness on the other hand means cultivating a reliable supply of opportunities for inbound capital (which match investors' risk appetites and funding demands), and developing a credible and efficient framework and process for investment.[163]

- **Drawing inspiration** and lessons from the private sector, and borrowing techniques and tools. Businesses have the potential to help cities to develop new skills such as operational efficiency, budgetary discipline, and new ways of working and engaging with stakeholders. The adoption by cities of branding and marketing strategies shows

the transferability of many private sector tools. There is still plenty for cities to learn from business, particularly in areas such as city finance and city leadership.

- **Collaborating with business** for hugely beneficial outcomes. City-business partnerships have the potential to enhance innovation, governance and competitiveness. **Innovation partnerships** in particular can help cities to develop their own bespoke solutions to future challenges - solutions which they would not have the resources to finance, conceive or implement alone.

- **Seeking support from the corporate world** to negotiate desired future outcomes with higher tiers of government. Where cities may have insufficient influence on their own, support from the business sector can add clout to advocacy for certain policies or futures.

- Welcoming **diverse and international populations**. The presence of a talented workforce is a major consideration for businesses deciding where to locate. Open cities are attractive to diverse populations, and have a better chance of attracting the interest of international business in turn.

- **Remaining mindful** of their distinctiveness from business, and the separate, but complementary roles that cities and businesses each have to play.

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