

# 1 Introduction: Addressing globalization locally

Cities represent the driving force of development in economic, social and cultural life and reflect the spatial organization of human society. Today's global cities have new challenges ahead; they are no longer self-sufficient, but embedded in broader, global developments. Furthermore, the city or strategic urban regions are becoming increasingly important players in the global economy, as the impact of national states decreases while the impact of cities and urban regions is increasing. The process of globalization is reflected in the tendency for gaining competitiveness and efficiencies of global trends.

Spatial and organizational effects of globalization show the concentration of financial and other specialized services in cities, deindustrialization, land use change and the importance of information and communication technologies. The last two hundred years of civilization defines an extensive variety of city visions. Our relationship with the city extends towards the environment, as well as the economy and quality of life. Technology, globalization and the growing complexity of life set cities in the centre of economic development and social progress. Cities are becoming centers of innovation, globalization, urbanization, scientific discoveries and dissemination of information and by the "natural structure" on the other hand also an optimal social unit to implement change and improve people's lives. Although small, because they possess sufficient community cohesion for approval and adoption of new programs, yet large enough to display demonstration effects; they represent messengers of the future in terms of "change cities, change the world".

In a large number of countries, and especially in the EU itself, there is growing interest in the economic contribution cities can make to the GNP. Of course, cities remain enormously diverse. There is not a single model of an urban development and the challenges are not the same in every city. Important differences shape the challenges that cities face: social composition, their economic structure and functions, geographical location and size. Simultaneously, national differences in cultures and traditions, institutional arrangements, economic performance, and government policy have an important impact upon cities, too. The problems of global cities like New York or Berlin or Brussels are far from those in medium-sized cities. Declining large industrial cities with less skilled work force, substantial immigrant communities and exhausted manufacturing economies, face very different dilemmas from fast growing cities based upon high-tech industries. Cities in the periphery face different social, economic and environmental challenges than those in the core.

Nevertheless, despite the differences between them, cities are affected by many common trends and face common challenges. In particular, the key challenge they face is to develop new models of decision-making which will increase their economic competitiveness, but at the same time reduce social exclusion. The size of a city does not matter here. Cities face this dilemma whether they are at the core or periphery, growing or declining economically, large or small. And the challenge confronts decision-makers at all government levels – supra-national, national, regional and local – and in all three sectors – private sector, government and civil society.

Despite the challenges presented by globalisation, institutional change and economic restructuring, many cities have substantial social, economic and cultural assets – and potential. Many of the factors which attract investment, people and events to particular places – education and training, the cultural, residential and physical environment, the quality of labour, the communication and transportation infrastructure, the planning and fiscal regimes, remain under the influence – if not control – of cities. They can be affected by urban strategic management, city policies, although increasingly in particular with other actors. And there are very many examples of successful responses to the new challenges throughout the world.

Many cities have achieved substantial physical regeneration, especially through the renovation of their city centres, which offer impressive retail, cultural, commercial and residential facilities. Many have concentrations of intellectual resources in knowledge hubs – universities as well as research and innovation institutions which encourage high level of innovation. Many cities play important roles as centres of decision-making, communication and exchange. Many have substantial cultural resources, which are increasingly the source of economic growth and job creation. Cities also have enormous integrative potential with the capacity to encourage community participation and civic identity. And many cities remain social and ethnically diverse and offer vibrant cultural opportunities which attract residents (especially creative class) and visitors.

Contemporary society is characterised by what might be described as “extraordinary global change” (Learning City Network, 1998). Globalisation – the “economic and cultural linking of diverse societies across large distances” (UNCHS 2001) – is occurring now with greater scale, scope, speed and level of complexity than ever before. A worldwide mobility of labour, the growth of the knowledge-based economy and information society, and the pervasion of information and communication technologies throughout all aspects of life mean that change is not only extent but ongoing.

Linkages at national and international levels are having significant economic, legal, social, technological, cultural and political effects locally and regionally within cities and urban regions. Institutions, organizations and Individuals – indeed, entire communities – need to develop adaptability and resilience if they are to be able to function socially, politically and economically on a continental and/or global stage. Thus “...as the constraints of geographical distance are becoming less important, the specific features of particular locales are becoming *more* important...” and cities are constantly challenged to maintain skills, knowledge and systems that are relevant and competitive. The global phenomenon of the Learning City has evolved in response to this challenge. “A Learning City is any city, town or village which strives to learn how to renew itself in a time of extraordinary global change. Using lifelong learning as an organising principle and social goal, Learning Cities promote collaboration of the civic, private, voluntary and education sectors in the process of achieving agreed upon objectives related to the twin goals of sustainable economic development and social inclusiveness...” (Learning City Network, 1998).

Rapidly changing modern cities are creating a need for strategic development that offers constant renewal of processes, innovation and peoples’ attitudes. It is important that a city’s management are able to see processes and events in a new way. An intelligent city has to be able to see what happens through time. An intelligent city needs to analyse, reach conclusions and define its present reality. They need to develop their strengths and eliminate their weaknesses by using out opportunities and reducing threats. That is how we create visions, ideas, and a strategy. This is how we create and prepare for the future. It is essential that a city management has the power to implement all this. Some city managements stay in the analytical phase and never move on to formulating and implementing their visions and dreams.

Strategic intelligence and social analysis involves learning from the past but, most importantly, understands trends and principles of development in the future. Social intelligence is an area of high importance related to city intelligence, being a substantial part of strategic urban management.

City managements leading a city towards an uncertain future are like the captains of a ship. The passengers and crew comprise their customers, employees and citizens. In this way, navigation is very similar to the management of a large organisation or a city.

City governments are highly complex organisations. They need to manage the allocation of resources between different, competing claims and respond to the demands of several different groups at the same time. To make sure that cities reach their development goals they need to be aware of their starting position. City managements need to ask themselves some important strategic questions, identify their strengths and work towards eliminating weakness. Once cities have identified where they are, they need to decide where they want to be in the future. And to reach the destination, they need to understand the significant trends that will influence the direction in which the future unfolds. On that journey, cities need to manage properly their assets by taking a holistic approach. Each asset depends on the others, that’s why the holistic approach in urban management is so important. The necessity of taking a holistic emerges particularly strongly from the knowledge-based economy.

These issues have been dealt with in this book through six chapters.

Chapter 2 (Concept of urban competitiveness) starts with a general introduction to the concept of competitiveness. After that, the concept of urban competitiveness is examined in more detail by having a closer look at the determinants that have been identified by modern literature to have a major impact on the development of a city's competitiveness potential. At the close of this part, the author points out some of the major challenges when trying to measure the specific competitiveness levels of cities. Improved competitiveness is something that every business, nation, region or city, is trying to achieve. The term is frequently used by politicians, economic experts or commentators on business matters as the ultimate goal for achieving economic prosperity. In reality, competitiveness is a very complex concept that is often poorly understood or misinterpreted, notwithstanding that policy makers are investing remarkable monetary and non-monetary resources in order to improve it.

Chapter 3 (Strategic management of cities) is based on a fact that city governments are highly complex organisations. They need to respond to the demands of many different groups and manage the allocation of resources between different, and often competing, claims. To make sure that cities reach their intended destination they need to be aware of their starting position. This requires them to ask some important strategic questions, identify their strengths and work towards eliminating areas of weakness. Once cities have identified where they are, they need to decide where they want to be in the future. And to do this, they need to understand the significant trends that will influence the direction in which the future unfolds. Managing the six identified capitals (Intellectual and social capital – people and knowledge; Democratic capital – participation and consultation; Cultural capital – values, behaviours and public expressions; Environmental capital – natural resources; Technical capital – man-made capital and infrastructure; and Financial capital – money and assets) effectively means taking a holistic approach, since each of the capitals depends on the others. The necessity of taking a holistic approach is one of the themes to emerge particularly strongly from the knowledge-based economy. Success factors of individual cities differ, however, despite differences, they have a common denominator. All cities have to solve a variety of problems in a variety of environments by identification of five key strategic steps: developing a vision and strategy, building confidence in the city, establishing partnerships, attracting specific factors and implementing key projects. Taking into account the fact that cities are becoming the generator of economic development and a source of growth for the national economy, the need to identify the development stage and the oversight of ranking and positioning of cities and regions (the level of categorization), upon which the preparation of appropriate strategic and development guidelines for cities and urban regions can take place, is emerging.

Chapter 4 (City Partnerships and Networks) starts with the theoretical background regarding the topic of city partnerships is discussed, starting with some general remarks on strategic city management and how city partnerships fit into this concept. Then, the focus is put on the terminology used throughout this paper. Furthermore, the idea of city partnerships is explained in detail including the origins and historical importance of city partnerships and their status quo in Europe and around the globe. A possible classification system for city partnerships is given as well, which is followed by a description of the most important international organizations relevant for cities that are engaged in networking initiatives. Furthermore, key findings in the area of city partnerships are summarized and explained in the end.

Chapter 5 (System of indicators for measuring performance development of cities) is based on recognition that cities are becoming generators of economic development and a source of growth for the national economy. Therefore, there is an increasing urge to identify the stages of development and positioning of cities upon which the adequate preparation of strategic and development guidelines is dependent. Comparison upon the level of their development efficiency calls for indicators, which measure the performance of cities, are representative and comparable between countries. Considering this necessity, at the present many different urban indicators and institutions, seeking compilation and analysis of collected data, can be quoted. Performance measurement systems, developed for internal use in some cities already show a degree of measurement feasibility. The fundamental problem represents their inconsistency and incomparability (over time and between cities), their use therefore cannot be approved in a wider context (benchmark) of situations. Theoretical background and set of indicators, composed by international institutions are usually related to the context of the global cities' comparison, in national framework identified by a large number of people; understandable, expected and reasonable. In the case of medium-sized cities we consequently have to question the applicability of the methodology and indicators used mostly in cases of large, global cities by internationally recognized institutions. With the established set of qualitative indicators and assistance of computer program for multi-parameter decision-making processes this chapter also seeks to compare the performance development of selected European cities.

Chapter 6 (Foreign direct investment and cities) presents the main characteristics of foreign direct investments. Chapter starts with a general description of international capital flows and continues with the presentation of effects of foreign direct investments. International investments bring a lot of different effects to the host economy, which depend mostly on the form of international capital flows and on readiness of the host country to openness. Within positive effects of foreign direct investments the most frequent are the increase of employment, technology and knowledge transfer, better use of infrastructure and local services and additional tax revenue. On the other side, several studies present also risks of foreign direct investments such as crowding-out of domestic companies, adverse competition and pressure on current accounts. Host economies therefore have to attract investments with positive effects which will be easily realized if conditions for investments are favourable. A lot of successful cities have their own tools and strategies for attracting foreign direct investments and maximizing their benefits. In this chapter such strategy is presented.

Chapter 7 (Innovations for sustainability) starts with a general introduction to the term “sustainability”, a phrase which could be found in every political text, in every single project and in every text book for students, dealing with development of companies, cities and states. Through her own definition the author stresses out the importance of understanding the concept of sustainability and the responsible use of the term. The similar problem is manifested by using the term “innovations” without truly understand what they actually are and how shall we managed them. Speaking of urban development by not knowing the significance of innovations cannot and will not lead to progress. Through innovation types, in theory mostly created for companies, the solution for municipalities and public organizations is shown. Choosing the right type of innovation and the most suitable way of financing them community’s development projects almost cannot fail. The chapter is concluded with urgent analogy between big urban centers and smaller towns and municipalities.

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