

OECD Territorial Reviews

Competitive Cities: A New Entrepreneurial Paradigm in Spatial Development

Summary in English

Competitiveness agenda has profoundly changed the mode of urban governance...

Economic globalisation and the subsequent intensification of inter-city competition have caused a profound change in the governance of cities. It is the change in the mode of policy planning from managerialism, which is primarily concerned with effective provision of social welfare services to citizens, to entrepreneurialism, which is strongly characterised by proeconomic-growth strategic approaches, risk-taking, innovation and an orientation toward the private-sector.

The change has been most evident in urban spatial development, which has long been preoccupied with the managerial mode of policy making, ultimately aiming at efficiently managing the diverse spatial needs by land-use control and infrastructure provision. Fundamental changes began to emerge in the 1970s, initially in the policies for inner city problems, which had then become increasingly evident in many large cities, particularly previously affluent industrial cities. The policy response to these problems had long been “additional public service provision to people with special needs”.

However, as the root cause of the problems has gradually begun to be diagnosed as the collapse of the economic infrastructure there, the policy approach started to change drastically, from targeting more and more public resources into such areas to meet “special” or “additional” needs, to creating new industry and new jobs by attracting an economically active population back into the inner areas and regenerating the economic infrastructures.

The entrepreneurialism has also been a dominant approach in former industrial cities that were struggling to restructure their economic base. However, it has further spread into more buoyant cities with growing industries, and even into the most successful world cities, such as New York, London and Tokyo, becoming the mainstream of urban policy planning. Such shift has been accelerated by the dynamism in urban hierarchy created by economic globalisation, and by an edgy insecurity at all levels of the urban hierarchy where today’s success is not guaranteed to continue tomorrow. With the irreversible trend of global economic integration, there is a growing recognition among policy planners that the only way that cities can secure competitive advantages over their perceived

competitors in an ever-intensifying inter-city competition is by pursuing entrepreneurial strategies. Under such circumstances, entrepreneurialism is becoming a key feature in urban policy, and it is now widely acknowledged that the extent to which a city can achieve this paradigm shift will determine its competitiveness in the global market.

Entrepreneurial approaches have distinctive characteristics...

The new approaches in urban spatial development, commonly referred to as “urban entrepreneurialism”, have some distinctive characteristics. First, it ultimately aims at fostering and encouraging local economic development. Hence, it is intrinsically initiatory and pro-economic growth, trying to initiate economic growth rather than control and manage it. In the context of spatial development policy, it takes the form of “positive planning”, which tries to create economic growth by pro-active means, as compared to the traditional “passive planning”, which is more concerned with the management of land use.

Second, while the previous approaches were basically led by the public sector, the new approaches are becoming increasingly market-driven, aiming at making full use of market mechanisms to achieve public goals with less public intervention.

Third, urban entrepreneurialism involves fundamental change in the attitudes towards, and relationship with, the private sector, being both pro-private-sector and willing to collaborate with it. Strategic alliances were formed between the public and private sectors, and public-private partnership provides the essential institutional framework for cities to compete in the global market by combining private resources and expertise with local governmental powers.

Lastly, policy planning in the new approaches shows strong characteristics once distinctive to private businesses, such as risk-taking, inventiveness, promotional and profit motivation. Many methods employed by policy planners originated in the private sector. Above all, strategic planning forms the backbone of the new approaches, as a means to plan effectively for and manage the future at a time when the future itself appears increasingly uncertain.

Entrepreneurial approaches have produced diverse policy innovations in urban spatial developments...

This shift towards urban entrepreneurialism opened up a new dimension in urban spatial development by bringing in various policy innovations, which have been achieved by applying corporate strategic planning methodology to public policy planning. Resources have been strategically allocated for spatial development to maximize the positive effects of city promotion and branding. In fact, policy measures for urban economic regeneration have been increasingly centred around image-enhancing and place-marketing initiatives to project cities as attractive place to live, work and invest. Measures called “imagineering” and “re-branding” have been extensively employed to redefine and re-image cities endowed with negative images inherited from the industrial era. Flagship developments have been employed as “hard-branding” to produce a significant impact on city image with their large scale, high profile, and innovative design by internationally-famed architects.

The entrepreneurial approaches identified and exploited new potential for urban economic regeneration in such policies as cultural policy and eventhosting, which do not traditionally belong to the urban policy portfolio. Whereas cultural policy used to be pursued essentially as a welfare service to provide access to artistic and cultural heritages for wider social groups, it has now acquired a status as a strategic tool for city promotion, based on the premise that it possesses the potential to enhance city image and attractiveness as well as to boost urban tourism. It is also expected to contribute to the diversification of the local economic base by encouraging local cultural production to grow into major knowledge industries.

In the policies for building and housing, which form the physical fabrics of urban space, entrepreneurial approaches aim to harness the private sectors' power for urban spatial development, and exploit market potential to the fullest by introducing new modes of regulatory measures to stimulate private innovation and strengthen market functioning.

Fragmentation in various forms...

The rapid mainstreaming of urban entrepreneurialism caused significant changes in urban spatial development policy over the past years. The changes are characterised by fragmentation in one form or another.

From government to governance

Fragmentation occurred in the institutional framework for spatial development, taking the form of change from government towards governance. New kinds of partnerships have been formed between actors within formal governments, and between formal governments and the economy and civil society; increasingly spatial development policy is formed by a wide range of organisations and their partnerships, rather than local governments acting as the single and foremost agent to plan and implement spatial development strategies as has traditionally been the case.

The real power to form spatial development strategies lies within a broader coalition of forces within which government and administration have only a facilitative and co-ordinating role to play. In this framework, policy planning is no longer a process of hierarchical government but a complex process that involves coalition formation and negotiation. This diffuse and multi-faceted form of rule through diverse actors has become a predominant characteristic of the institutional framework that supports urban entrepreneurialism in spatial development.

Project-based approaches

Emphasis on the encouragement of private investment created the tendency for urban planning to be fragmented into individual projects, with comprehensive city planning giving way to project-driven practices.

Partnerships and coalitions were also formed on a specific project basis. Such practices often resulted in a piecemeal approach to urban development that lacked strategic foresight or long-term planning, posing a difficulty for citizens to see where their cities are going.

Fragmented planning ideologies

Varied degrees of emphasis on the importance of competitiveness objectives between cities, levels of governments, policy planners and citizens created fragmentation in the form of sharply different policy agenda among actors in spatial development, as in cases where strong pressure by the central government is in sharp contrast with local governments that still see their role in terms of traditional public service provider.

Policy pitfalls must be avoided...

Urban entrepreneurialism has produced spectacular results in successful cases, demonstrating its potential for urban economic regeneration. However, in other cases, it was revealed that urban entrepreneurialism was hardly adequate in addressing the long-standing urban issues that it was conceived for in the first place. In worst cases, it has been criticised as having widened the various forms of division in cities. Such mixed results appear to indicate that urban entrepreneurialism is not a panacea, and policy experiences over the past decades have shown that challenges exist for urban entrepreneurialism to realise its full potential and prepare itself for the new policy context in the 21st century by overcoming certain pitfalls.

Building unique assets

First, too much dependence of planners on a handful of successful cases as “good practices” resulted in an ironic situation that place-marketing, which originally aimed at differentiating a city from others, has in fact seriously undermined the local distinctiveness and uniqueness of many cities, and created “analogous cities”, which refers to the situation where it is difficult to differentiate a city from others both in actual physical forms and place marketing narratives. Planners’ efforts to appeal to stereotyped images of knowledge workers’ tastes also contributed to the creation of built environments that are strongly characterised by similarities in tastes and their consumption-oriented nature, which favours selected social groups with considerable disposable income.

Similarities have not only been evident in physical renovation policy but also in promotional incentives offered to external investors. The adoption of similar templates for city promotion strategies by cities that engage in place competition would trigger the competition of “offering more of the same”, which in turn would create a buyers’ market and undermine the efficacy of such strategies that entail considerable financial burdens on tax-payers.

Urban entrepreneurialism has aimed at being creative in policy planning; however, the emergence of analogous cities and analogous strategies appears to cast doubt on strategies that attempt to pursue strategies similar to those already employed more successfully in other locations, and clearly point to the necessity to re-construct future policy planning around the notion of identifying and building up unique local assets rather than focusing too much on image creation. Place promotion without unique local assets would fail to leave long-lasting effects on the local economy.

Avoiding short-termism

Past policy experience strongly indicates that in order for urban entrepreneurialism to address effectively long-standing urban issues, it is necessary to incorporate policy measures to translate short-term impacts gained by city promotional strategies into long-term effects on local economies. Such a process requires local capacity to assimilate short term economic gains into long-standing economic restructuring. Thus, policy efforts to build up local economic capacity are essential, and these are precisely what have often been neglected by policy planners who are under pressure to maximise short-term gains by attracting external elements.

Short-termism arising from profit-maximising motives in entrepreneurial approaches creates the danger of precluding longer-term perspectives for city competitiveness. In fact, many local governments are allocating increasingly high budgets to city promotion strategies as manifestation of their entrepreneurialism. However, excessive occupation with the narrow aspects of city promotional objectives sometimes obscures the importance of long-term efforts towards local capacity-building. When the fiscal constraints on local capacity-building programmes, such as education, job-training and technological development of local firms, are aggravated by loss-making flagship developments, which have been promoted as profitmaking at the outset, the detrimental effects on the local economy would be considerable. The highly volatile nature of property markets would further heighten the risks involved. Policy planners should reflect soberly on what is at stake in adopting such high risk strategies and where the balance should lie.

The neglect of long-term policy could lead to the dualism of image and reality, where city promotion strategy simply becomes a “carnival mask” that creates the impression of regeneration and vibrancy within cities, but, in reality, does nothing to address the underlying problems that necessitated regeneration programmes in the first place. Such a situation is what urban policy planners should avoid.

Holistic approach

Urban policy planners are increasingly required to address wider policy objectives; not only economic but also social, environmental and cultural policies are demanding policy planners’ attention. It is also expected to play a positive role in a global policy agenda rather than simply reacting to it. This sea change will have implications for urban entrepreneurialism.

What has become clear from past experience is that optimality in certain policy objectives does not necessarily correspond to optimality in others. Thus, strategies based on narrowly defined policy objectives would not result in the improvement of overall outcomes, with broader social, cultural and environmental objectives often residualised or diluted as they tend to be overridden by a centralised agenda of economic objectives.

Hence, urban entrepreneurialism should adopt more holistic approaches by incorporating wider policy objectives into coherent and complementary strategies. For example, market-led approaches, which have become the guiding principle due to their capacity to respond to rapid changes, should aim at achieving wider policy goals by positively interacting with market forces, not simply by following them.

Learning process through wider participation

Public-private partnership provided a collaborative framework that is flexible and efficient. However, the narrowness of the scope of stakeholders that participate in the process has often made it difficult for residents to share the strategies coming out of such partnerships. The corporatist mode of decision making sometimes created the image that important decisions were made behind closed doors in an elitist circle to which ordinary citizens did not have proper access. The absence of effective means of securing accountability has been criticised as “the private management of public policy”, and further made it difficult for citizens to share the entrepreneurial philosophy exercised in such processes. Such criticism suggests that urban entrepreneurialism has often failed to secure citizen support, which is crucial for the long-term viability and effectiveness, as well as the democratic legitimacy, of entrepreneurial strategies.

An entrepreneurial urban economy will only emerge through an active process to nurture entrepreneurial culture among residents. All the actors in the local economy, including residents, business executives and government officials, have to learn how to be entrepreneurial. However, thinking and behaving entrepreneurially, or competitively, is not something that actors know how to do automatically. To engender widespread entrepreneurialism among residents, residents’ capacity for strategic thinking should be enhanced by an inclusive policy process. They should be allowed a chance to think strategically about the economic issues that policy planners face. To build such capacity in residents, learning is essential, and an inclusive and open process in strategy planning with a wide range of participants would offer such an opportunity.

Learning to collaborate in such a “communicative and collaborative planning” process would develop a richer and more broadly-based understanding, through which collective approaches to resolving conflicts may emerge. Securing wider participation in the strategy planning process should provide such learning experience. Future urban entrepreneurialism should be supported by an institutional framework that represents such accountability, empowerment and partnership.

New role of local governments

The widened scope of participants will pose a challenge for local governments. There is a widespread concern about the efficacy of traditional local government structures and practices in planning in the face of the shift from government towards governance. To continue to play a central role, they need to develop new styles of operation which are amenable to contemporary modes of governance. This would require a departure from hierarchical and bureaucratically-determined practices that are driven by rules and regulations and which are slow to respond to new demands that arise.

New modes of entrepreneurial urban governance would be increasingly structured by organisational forms involving negotiative networks stretching across governments, governmental agencies, private and third-sectors, and there would be significant change in the mode and culture of interaction between them. In order to prepare for that change, local governments will need to operate in a more pluralist way than in the past, alongside a wide variety of public and private actors. It will be their task to stimulate and assist other actors to play their part instead of, as well as, making provision themselves. In other words, the emphasis in the role of local governments would shift towards “enabling

governments” from “providing governments”. This creates a new emphasis on negotiation and network-building skills in the public sector.

These capacities would enable local government planners to mobilise effective networks which could work in an integrated fashion towards achieving broad environmental, economic, social and cultural planning aims. By strengthening such capacities, local governments would continue to play the central role in the process of policy making and implementation as mediators and catalysts, with their unique strategic overview, local expertise and sensitivity to local interests. A strong and coherent leadership role played by local governments is crucial for urban entrepreneurialism to flourish in the fragmented structure of urban governance.

Final question...

The essence of urban entrepreneurialism is to apply innovative thinking to policy planning in a strategic way, based on long-term vision. Such attitude is an essential property not only of competitive private enterprises in the global market, but also of competitive cities in inter-city competition on a global scale. Urban entrepreneurialism should manifest itself in identifying and building up unique local assets, in harnessing “old policy tools” with totally new perspectives, and in mobilising the collective potential of all the actors in the local economy by motivating and empowering them.

The question that a policy planner employing an entrepreneurial approach should always ask himself is just how entrepreneurial his approach is in this sense.

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