

Urban Competitiveness and Local Development

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Abstract: *Local development and urban competitiveness became in the last decades some of the most used terms in strategic management of local community and regional development policies.*

In fact, current environmental conditions characterized by the continuous increase of the competition, the limited access to financial and human resources, determine the local communities to intensify their concerns for increasing the attractiveness of the area in order to attract foreign investments, different sources of financing, companies and high-skilled people, all of these with implicit effects on the regional development of the area.

This paper aims to present different approaches to the concept of urban competitiveness, how to determine and evaluate the urban competitiveness, the implications of urban competitiveness growth on local development and some particular ways to implement it at a local level.

Keywords: *urban competitiveness, key indicators, strategic management, local development, local communities, strategic objectives*

Introduction

The context of nowadays competition imposes an increasing preoccupation of both individuals and companies of any kind for raising competitiveness and improving individual and organizational performance.

Steadily, “competition” and “performance” terms have made their way to the current business vocabulary being regarded as a major and permanent concern. The “performance” and “competitiveness” terms are nowadays associated both with individuals and with every kind of organization, institution or any kind of strategic unit. Nowadays we are talking therefore about performance of an individual, performance and skills of employees, performance management and of competitiveness and performances inside a company, institution, or recently, urban/regional/national performance and competitiveness.

1. Theoretical Approaches towards the Competitiveness Term

According to Cambridge Dictionary, competitiveness is regarded as “the quality of being as good as or better than others of a comparable nature”.

The management literature defines competitiveness and performance as being a strategic and integrated process which delivers the success desired by organizations through improving employees’ performances and developing individual and team-work skills [2, 17]. Also, another perspective over competitiveness regards it as an omnipresent in nowadays business environment, being included in the content of certain disciplines, being used at all the organizational levels [3, 115]. It reflects an entity’s approach towards performance and includes sub-processes such as: defining the strategy (planning/establishing goals and strategic objectives), implementing the strategy and the activity plans, as well as assessing the performance rate.

If in what concerns individuals and organizations competitiveness and performance sum up those attributes that favor organizational success, being materialized in a series of characteristics, which in fact determines the satisfaction of different categories of interest of organizational stakeholders which finally leads to a favorable image of the organization as perceived by employees, business partners, and general public [5, p.49], a favourable image and position on market and a competitive advantage.

In what concerns the concept of *regional/national competitiveness*, actually there are several approaches towards this concept materialized in different sets of indicators that allow measuring and comparing competitiveness and performance of regions and countries worldwide.

World Economic Forum introduced for the first time in 2000 in Global Competitiveness Report the concept of *Growth Competitiveness Index*. Annual Competitiveness Report 2001 identified a set of over 200 indicators that

measure competitiveness, out of which 95 are considered “key indicators” targeting 11 major areas of analysis: Economical performances; Internationalization degree; The capital (value and structure); Education; Productivity; Remuneration and Workforce cost; Costs related to unprofitable companies; Taxes; Science and Technology; Computerization degree; Transport and infrastructure; Environmental protection framework and management. [4, 17]

The index determined in 2000 by Michael Porter was replaced in 2006 by *Global Competitiveness Index* on the occasion of World Economic Forum 2006. The new index was introduced by Xavier Sala-i-Martin on the occasion of World Economic Forum organized in Geneva in 2006 and presented in Global Competitiveness Report 2006-2007. [8, 55]

According to the European Framework, the Growth Competitiveness Index is assessed based on 12 fundamental domains:

- Institutions,
- Infrastructure,
- Macroeconomic environment,
- Health and primary education,
- Higher education and training;
- Goods market efficiency;
- Labor market efficiency;
- Financial market development;
- Techological readiness;
- Market size;
- Business sophistication and Innovation

Altogether these 12 pillars condition the accomplishment of the three major goals of Europe 2020 Strategy: Smart Growth, Inclusive and Sustainable Growth (as presented in the figure no. 1).

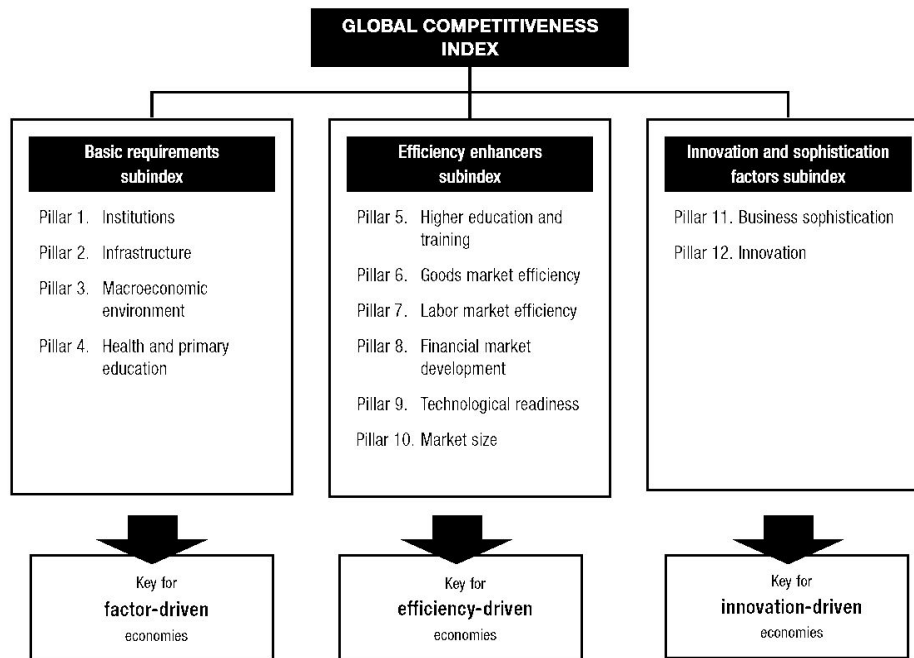


Figure no. 1 The model of global competitiveness index according to the Europe 2020 competitiveness report
 Source: [11, 7]

Urban competitiveness is linked with the globalization phenomena and the harsh competition between local communities for attracting income and foreign investors, public and private investments, tourists and quality labor-force, high qualified and with high potential of creativity and innovation.

In this context, we face a new dilemma: Performing, competitive cities attract investors, prosperous businesses, tourists and high qualified working places? Does the presence of these factors determine the raise in performance and competitiveness of a local community and its position among flourishing communities? [4, 32]

Literature includes a lot of **different theoretical approaches and definitions** for Urban/ Regional Competitiveness.

Michael Storper [9, 264] analyses and defines the urban competitiveness from two different perspectives, the one of companies and the one of citizens. Hence, the urban competitiveness represents the capacity of the urban region to attract income and prosperous, performing and competitive companies who hold a stable or increasing market share. On the other hand, the urban competitiveness is directly linked with the creation of certain high and stable living standard for citizens.

Kresl presents the term of urban competitiveness strictly related to the citizen and to the city capacity to offer attractive life conditions for its citizens. According to his opinion urban competitiveness is “referring to the degree to which a city or an urban region, in comparison with other competing cities, is able to provide the jobs, income, cultural recreation amenities, degree of social cohesion, governance and urban environment” [6, 17].

In 2000 European Commission identified 10 essential characteristics of competitiveness urban. These characteristics are mainly related to:

- well-developed infrastructure for services, transport, IT and connectivity, research and development, cultural and social events, etc.
- high skilled workforce and an inclusive climate in society,
- efficient and responsible governance and a good reputation.

We can therefore conclude that the urban competitiveness is directly influenced by its human, economic, cultural, touristic resources and also by vision and strategic orientation of community’s managers. The effects of increasing urban competitiveness leads to attracting companies interested in implementing their business in local area, high-skilled people and concluding partnership with other competitive urban areas which finally facilitate know-how, good practices and experience transfer with decisive results on local development.

2. Factors Influencing Regional and Urban Competitiveness

Gardiner created in 2004 the “Pyramidal Model of Regional Companies”. According to this model regional competitiveness and, implicitly, urban competitiveness has its own sources in the existence at a regional scale of eight factors for success, called sources of competitiveness: economic structure, innovative activity, regional accessibility, environment, regional culture, urban scale, social structure and, last but not least human capital. [5, 57-72]



Figure no. 2 Gardiner pyramidal model of urban competitiveness [4, 19]

These eight sources of competitiveness have a direct influence over regional performance materialized according to Gardiner’s model in the high efficiency and employment rate.

Based on these ideas, regional competitiveness is measured and reflects eventually in quality of life, indexes that illustrate the capacity of the region to attract and maintain high skilled people and investors through the services and opportunities offered in areas such: social, economic, cultural, health etc.

Apart from the life quality, high regional competitiveness of an area also reflects in aspects such as:

- position and image of the region at a national or even European or global scale;
- favorable business environment for developing performing companies having a high value added and profitability, which use latest generation technology, invest in research-development, education;
- creating new working-places higher remunerated , which attract young and high-skilled people;

According to Gardiner, regional competitiveness/urban competitiveness is the direct result of several characteristics of economic, social, cultural, technological potential, correlated with aspects linked to the access, natural resources and general environment of the region.

Gardiner et al. appreciates that urban competitiveness appears as a consequence of the economic growth and development of the region, through the start-up and development of new profitable companies that determines on one hand the increase of GDP in the region and, implicitly of productivity and, on the other hand contributes to the creation of new workplaces. The soar in employment rate has effects on the quality of life, consumption, standard life, the raise in goods and services request in all activity sectors.

As it results from the Gardiner pyramidal model of urban competitiveness, the purpose of every local community consists of improving the living-quality for all the citizens and the conditions for local companies, aspects that determine an improvement of working and employment rate.

In fact, we can conclude that urban competitiveness can be analysed from three different perspectives: the one of the citizen, the one of the investors and SME's, and the one of other local communities interested in establishing new strategic partnerships or twinning agreements.

3. The Evaluation System for Regional and Urban Competitiveness

Assessing urban competitiveness is realized based on a system of macroeconomic indicators that reflect the performances of the urban region and that allow drawing comparisons between different regions and measuring regional disparities.

The introduction of an only assessment and measuring system for the urban competitiveness based on several indicators allows not only the comparison and ranking of regions depending on their competitiveness, but also might represent an initial step for building multiannual strategy plans of the region and for the strategic decision process. The index system must therefore be at the base of the region's strategic management, but can also be a way of assessing the performances of the managing team.

According to Voula - Charter of European Sustainable Cities and Tours [10, 133-154] urban competitiveness can be judged based on eleven urban performance indicators: local involvement; employment; city deficit; economic growth; urban mobility; urban metabolism, resources, consumption; environment; urban safety; public health; social justice; global change.

Research Institute Ambiente Italia proposed for the first time in 1999-2003 a selection of ten quantitative indicators in order to create an unique evaluation system of urban competitiveness and urban sustainability based on ECI – European Common Indicators System. These ten Key indicators serve for measuring urban performances in the field of: social inclusion, local governance, local/global city integration, local economy, environment, cultural heritage, quality of institutional environment. [1, 15]

Starting from the 10 Key quantitative indicators for evaluating the sustainable development of cities throughout EU, an analysis model for urban performance was later developed, being based on five categories of quantitative indicators. These ones were reunited in a model of a System of Indicators for measuring performance development of cities and of an evaluation matrix presented hereby. [4, 81]

Crt. no.	Qualitative Indicators	Quantitative Indicators
1.	Perception of local community	The overall level of satisfaction with the local community Public transport Social and health services Quality of the institutional environment Education (number of educational facilities in the city) Accommodation options and accessibility Employment opportunities

Crt. no.	Qualitative Indicators	Quantitative Indicators
2.	Local mobility	Systematic displacements (home-school and home-work) – private/public transport Number of daily trips unsystematic per capita Access to basic services (bakery, public transport, health facilities) Accessibility to educational institutions (by foot, public/private transport, bicycle)
3.	Enterprises	Enterprises for each activity sector RD Enterprises SMEs and large enterprises
4.	Environment	Noise exposure Environmental protection Preference for eco-products
5.	Quality of life	Subjective perception of poverty at local environment (high/moderate/low) Subjective perception of safety at local environment (completely safe/stable/low)

4. Some Figures Regarding Urban Competitiveness

A research undergone in 750 cities considered being the most performing between 2005 and 2012 presents the following aspects [7, 2-5,12]:

- 72% of these cities managed superior performances in the field of economic growth in comparison with their countries’;
- 10% of the most performing cities registered an annual increase of 9.2% in the employment rate, rather than 1.9% obtained by the rest of the cities
- Among the 750 biggest cities of the world, 75% faced since 2000 an economic growth superior to their own country, as well as an important development of employment rate;
- 75% of the new workplaces created during the last decades in these cities come from private companies which were stimulated to develop their business by the local administration through different employment and business development local strategies and policies;
- 10% of the most performing cities increased with 13.5% their GDP per inhabitant, compared to the 4.7% average obtained by medium cities;
- 10% of the most performing cities increased with 9.8% per year their family average income;
- 5% of the most performing cities attracted as much as the other 95% in matters of foreign investments;
- 18% of these cities overcame their countries’ average levels in the field of economic growth, employment rate and productivity;

5. Different Ways for Increasing Urban Competitiveness

The research “Les Villes compétitives pour l’emploi et la croissance” identifies the major strategies, politics and actions that led to reaching the goals in success and performance of competitive cities.

Therefore, the increase in performance and competitiveness is, for all these cities, the result of *vision, strategic approach* of the urban area considering all its *existing resources* (human, financial, environmental, economic, touristic etc.), but also the *resources that can be attracted*. The vision of the community’s rulers plays a major part in achieving success and an efficient use of these resources.

Also, success and urban competitiveness are tightly linked with the precise way in which urban areas manage to implement development strategies and reach the strategic goals proposed in the strategic plan. [7, 12-15]

This way, a major part is played by the three decision pillars that contribute to achieving success:

- **The Mayor and Local Council** must prove strategic vision, consistency in implementing the strategic plan. Also, these ones must possess knowledge of strategic management that allows them to know and understand the community they rule, to identify the strengths and weaknesses, opportunities and treats, the resources they dispose of, or that they can attract, financing programmes, grants and other supports that can be accessed.
- **Local partnerships and associations** for stimulating local development, solving some punctual problems of the community and organizing in common some social, sports, cultural events. Developing some public-private partnerships with different local participants determines a better mobilisation of all local resources (human, financial, material) for solving community’s problems, a more significant involvement of enterprises, NGOs, public organizations and citizens in the problems of the community. Also, these partnerships mobilize latent energies and unutilised resources of the community, determining the development of the belonging sense, promoting the image of the community and raising its notoriety on a regional, national, global scale.

- **Relationships with Governmental institutions** The problems concerning urban competitiveness and the increase in performance needs sometimes impressive measures that involve involving and mobilising certain resources at a national or regional level. Therefore, developing the infrastructure, according fiscal facilities to investors from a certain area, creating some “fiscal free zones”, protected areas, natural reservations are some of the measures that can determine local development and an increase in urban/regional competitiveness, but which impose the collaboration and the support of the government and of other institutions, organisations and NGOs that act at a national or even European level. These partnerships secure mainly the financial resources for developing these projects and offer them a strategic national character and an impact on the development of the entire region.

Conclusions

We can conclude that in the actual context of globalization, migration and limited access to financial resources, increasing urban competitiveness has to be the major concern for every local communities and also for their rulers as it represents one of the best solution for attracting income and foreign investors, public and private investments, tourists and quality labor-force, high qualified and with high potential of creativity and innovation, and finally for local development.

In this respect, the process of transforming of an urban community, with the goal of increasing its competitiveness, is the result of a strategic approach based on its **past** (history, location, previous development and performances, culture etc.), its **present** (existing resources and opportunities) and its **future** possibilities of transforming the community once with the permanent changes of society.

Strategic process orientated through the increase in urban performance and competitiveness has to be the result of *vision, strategic approach* of the urban area considering all its *existing resources* (human, financial, environmental, economic, touristic etc.), but also the *resources that can be attracted*.

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