

Lettera

Club The European House-Ambrosetti

Although this newsletter is part of the activities of The European House-Ambrosetti Club, its content may not reflect the views of the various Club members.

Creativity and the Development of Cities

The theme of this *Lettera* is cities, but its content—with obvious modifications—is also applicable to larger areas (provinces, regions, nations, groups of nations)

THE ROLE OF CITIES IN THE 21ST CENTURY

Cities are almost as old as man himself, born, probably, of the confluence of various routes of communication when different tribes met to exchange goods, and those involved in these exchanges began to live there. Cities have always grown¹ or declined (and sometimes even disappeared) on the basis of the growth or decline of these “exchanges”. It is no accident that the Chinese world for “city” is comprised of two ideograms: the first which means “wall” and the second “market”; in other words, “market defended by walls”. In addition to the exchange of merchandise, in this way man **also exchanged ideas**.

In our increasingly globalized, rapidly-changing and highly-competitive world, innovation—in all areas—is of ever-greater importance. At the basis of innovation is **creativity** which is its “raw material”. Creativity is directly proportional to the flow of new ideas that surrounds us. **Cities** have always played this role of **cross-fertilization**, but for society—both current and future—this capability of cities will be of increasing importance.

There are three ways in which cities fulfill this role: creating conditions that facilitate the exchange of ideas, creating jobs that require creativity² and attracting larger numbers of creative individuals (“creatives”) desirous of filling these jobs. The better cities fulfill this role, the more they will develop and attract resources and investment.

Today, more than 50% of the world population lives in cities (compared with 3% two centuries ago) and this percentage continues to grow. In addition, every day, more than one billion people travel from the countryside to the city for the express purpose of “exchanging” (ideas, goods, services or labor).

CITIES COMPETE

Within the current context, this role of exchanging and creating ideas has become increasingly “prestigious” and therefore the world's cities are increasingly in competition to produce and better attract (ideas, people, resources) on a global level. It is expected³ that within just a few decades, there will be only a small number (four or five) of “world capitals”. In other words, cities which attract and produce best (potential candidates: New York, London, Shanghai, Tokyo) and twenty or so “regional capitals”, i.e., leader cities only on a continental or sub-continental level. Behind these will probably be a hundred or so “provincial capitals” with a creative capability and ability to attract only within highly-specialized niches.

¹ A Sometimes cities also took on an administrative role which, generally, reinforced the role of a place of “exchange”.

² Jobs in which the “worker” must solve complex problems on a daily basis using his or her own mental capacity (for example, scientists, architects, designers, planners, professionals, etc.).

³ Please refer to the study entitled “Le città dei creativi” prepared in 2005 by The European House-Ambrosetti for ANCE - Associazione Nazionale Costruttori Edili (Italian Association of Building Contractors).

This result will be the fruit of the **migration of the best resources** (both human and financial) towards those cities seen as holding most interest, but, through their policies and initiatives, **local governments will will compete to attract these flows** and to facilitate the success of their own cities. Already, the most visionary cities are investing significant amounts of energy and capital into precise strategies to reinforce the creative capacity and appeal of their cities. For example, both London and Shanghai have created a specific municipal agency (respectively, Creative London Association and Creative Shanghai) with the purpose of increasing creativity in their cities. For example, over a period of approximately five years, Creative Shanghai has created 75 “creative parks”—start-up incubators focused, in each park, on a sector held to be especially creative: software, computer animation, fashion, design, music, media, architecture, etc. These parks have already seen the birth of thousands of companies owned by young and highly-innovative entrepreneurs.

THE WINNING WEAPON IS STRATEGIC COMPETENCIES

The energy invested must be concentrated on the strategic competencies of the city in order not to become spread thin across too many fronts

A **competence** is a specific capability the city is able to transform into activity, such as manufacturing, services, education, scientific research, health, public administration, etc.

The “**components**” of a city’s **competence** are:

1. **Knowledge** (quality) **accumulated** in groups of people in the area.
2. **Individuals** (quantity) with accumulated knowledge (point 1 above).
3. **Knowledge and know-how** (quality and quantity) accumulated in **physical databases** (of all kinds) located in the area.
4. **Economic structures** (companies, institutions, etc.) to receive the individuals mentioned in point 2, with their respective modes of operation to facilitate the emerging of the competence.
5. **Physical infrastructure and infostructure** (quality and equipment) that can facilitate the emerging of the competence.
6. **Self-awareness** (and pride) of the majority of the city’s population that it has that specific competence.

Competencies become **distinctive** when they are at an overall level (in terms of efficacy and intensity) that is higher than that of “direct” competitor cities. The truly **strategic** ones, i.e., those fundamental to the development of the city, are generally few in number (normally less than five).

IMPROVING COMPETENCIES REQUIRES VISION AND STRATEGY

A city's **strategic competencies** are often **formed over centuries** as a result of specific historical and geographical factors. For example, textile districts near rivers and streams to benefit from hydro-energy, or the financial services in London the result of the need to finance trade in a great empire. Intervening proactively in competencies that exist, are in the process of being formed, or even to import new ones, requires significant effort which -in order to avoid wasting energy- must be focused on a small number of carefully-defined, prioritized goals.

This requires that the **city** have a **vision of where it would like to go** in the medium-to-long term and identify which competencies it holds to be strategic and worthy of being a priority. This vision must be broken down into a small number of long-term **macro goals** that are **quantitative and quantifiable**. To attain this, there must be a **strategy** that defines the priority moves and actions.

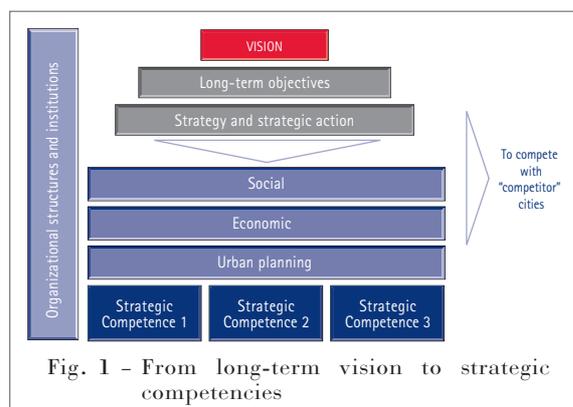


Fig. 1 - From long-term vision to strategic competencies

The most successful cities are able to collocate their (limited number) of strategic competencies within a vision that embraces them all (“set like a diamond in a tiara”) in a synergic way. For example, the vision developed by Barcelona in 1986 was: “Over the next 30 years we want to become the no. 1 city in southern Europe in terms of commerce, services and tourism.”⁴ Just as important is to make sure that the vision and competencies also indirectly benefit (through improved services, improved human resources, greater number of visitors, improved knowledge-generating centers, etc.) the **majority of other operators** and players in the city.

This also ensures concrete answers to **key questions about territorial competition**⁵:

- Why should a company locate here?
- Why should a company already present in the area decide to remain?
- Why should a taxpayer, or a family decide to live and pay taxes here?
- Why should a tourist decide to visit here?
- Why should talented employees decide to work here?
- Why should a student decide to study here?

TO COMPETE REQUIRES INNOVATION

Competing means **producing the best** in the areas in which one competes. No city, not even megalopolises, can be the best in everything. As a result, cities compete by being the best in those areas which form part of their strategic competencies.

⁴ This vision was included in writing in Barcelona's first strategic plan. The plan was formulated and signed by all the city's key players and was personally countersigned by King Juan Carlos.

⁵ See Lettera Club no. 22 “La competitività territoriale” – December/January 2009.

Global competition requires that the best they produce always be on a level of **worldwide excellence**. In addition, the rapidity with which things change means always being in the **forefront** in order not to be overtaken by the competition.

As a result, the strategic competencies of a city must continuously **innovate and innovative themselves** in order to be successful.

They must **innovate the “products”** of their competencies in order to be competitive with the “products” of the competencies of rival cities.

But they must also **be innovative with themselves** because the speed with which things change often renders established steel had for Sheffield and how in two decades—following the decline of the steel industry in virtually all advanced countries—the city was forced to completely innovate its strategic competencies. Today, Sheffield is in the vanguard in the United Kingdom for digital media.

Innovation must also involve the institutions and governmental and administrative systems. Local bureaucracy must also renew itself in order to compete in the development of strategic competencies.

CREATIVITY IS THE RAW MATERIAL TO BE PRODUCED

Innovating means finding new ways to **provide value** for the goods and services of organizations.

Those who innovate in a company or in government must be well-acquainted with the specific nature of the activity of his/her organization in order to understand how to provide value to users. However, the **raw material** required is **new and different ideas** on which to draw to find solutions that provide enhanced value.

In reality, one can innovate if there is a possibility of drawing on **flows of different ideas** and to **create more easily**. The possibility of creating more easily within an organization depends on many factors traceable to the way in which the organization itself operates, but also within the external context (the city) in which the organization is situated.

Cities can, therefore, significantly increase their own capacity for **creative cross-fertilization**. As a result, a modern vision of the city is that of being fertile terrain for creativity.

THERE ARE THREE KEY ASPECTS

To boost the creativity⁶ of the city requires acting simultaneously on three fronts: economic, social, urban planning.

In each of these, activity must facilitate the **exchange of ideas** within the city and outside it and to **make life easier** for “creative talent”. The goals to be set are:

1. Economic aspect

- Renewal of companies and services to generate a continuous search for innovation.
- Availability of services to facilitate creative work.

2. Social aspect

- Open social context that “involves” and does not impede freedom of thought.
- Cultural resources to increase the amount of creative talent and, consequently, the flow of new and different ideas.
- Diversity and tolerance to increase attractiveness for those with “different” ideas.
- Quality of life to attract the best resources.

⁶ Please refer to the study entitled “Le città dei creativi” prepared in 2005 by The European House-Ambrosetti for ANCE - Associazione Nazionale Costruttori Edili (Italian Association of Building Contractors).

SUMMARY

1. The role of cities in the 21st century

- Cities are essentially places of commercial **exchange**, but also of **ideas**.
- The role of a place for the exchange of ideas will be increasingly important.
- Our globalized world—increasingly rapid and competitive—requires massive doses of: **innovation** in everything, and therefore **creativity** which originates from the exchange of ideas.



2. Cities compete

- To produce innovative ideas, cities across the world attempt to **attract the best human and financial** resources.
- Globalization makes it possible for every city to **compete throughout the world**.
- Competition between cities to attract the best is, and will continue to be, **extremely tough**.

3. The winning weapon is strategic competencies

- A strategic competence of a city is a specific capability **the city is able to have emerge**.
- For a competence to emerge involves many players **across-the-board**.
- Cities compete by strengthening or acquiring strategic competencies.



5. To compete requires innovation

- Competing means **producing the best** using one's own competencies.
- Global competition requires that the best one produces always be at the **vanguard**.
- As a result, the strategic competencies of a city must **innovate and innovate themselves** in order to be successful.

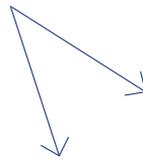
4. A strategic vision is required to improve competencies

- The goal is to **focus efforts** (investment) on strategic competencies.
- To focus efforts, a long-term **strategic vision** is needed.
- A strategy is also required in order to realize it.



6. Creativity is the raw material to be produced

- Innovating means finding new ways to **provide value** for the goods and services of organizations.
- Innovating is easier when there is the possibility of **creating more easily**.
- Cities can significantly increase their own capacity for **creative cross-fertilization**.



7. There are three key aspects

- To boost the creativity of the city requires acting simultaneously on three fronts:
 - o Economic
 - o Social
 - o Urban
- Planning In each of these, activity must facilitate the **exchange of ideas** within the city and outside it and **make life easier** for "creative talent".

8. Goals and points of leverage for improving strategic competencies

- The goal is to increase:
- The **number of organizations** involved in a specific competence.
 - The **efficacy** of these organizations.
 - Their **level of innovation**.
- While at the same time increasing the **flow of innovative ideas** and the **quality and quantity of talent**.

9. Conditions for success

- Be **ambitious**
- Move **quickly**
- Invest in **short-, medium- and long-term change**
- Communicate with and **involve** residents of the city.

Conclusion

Each Italian city must:

1. Have a development **vision** and a **strategy**
2. Improve its **strategic competencies**
3. Increase the **level of innovation** and, therefore, increase the number of jobs with high creativity-content and **attract the best talent** to fill them
4. Have a **broad-based** and enlightened leadership
5. **Communicate to the world in a clear, straight-forward manner** their key competencies (the city's points of excellence), which should be no more than five.

If this is not done, they will be on the road to sure decline.



THE CITIES OF THE FUTURE ARE THOSE THAT HAVE ALREADY CHOSEN ONE

3. Urban planning

- Population density, multifunctionality and developed communications network to maximize interaction.
- Periphery (suburbs) that is not “peripheral” in order to draw on the creative energy found there.
- Physical and digital infrastructure to facilitate creative and innovative work to the maximum.
- Recognition and image for the city to attract talent interested in its competencies.

GOALS AND POINTS OF LEVERAGE FOR IMPROVING STRATEGIC COMPETENCIES

Increasing the creative fertility of a city is not sufficient for on-going improvement of its strategic competencies; it also requires increasing:

- The **number of organizations** pertinent for a specific competence
- The **efficacy** of these organizations
- Their **level of innovation**

While at the same time increasing the **flow of innovative ideas** and the **quality and quantity of talent**.

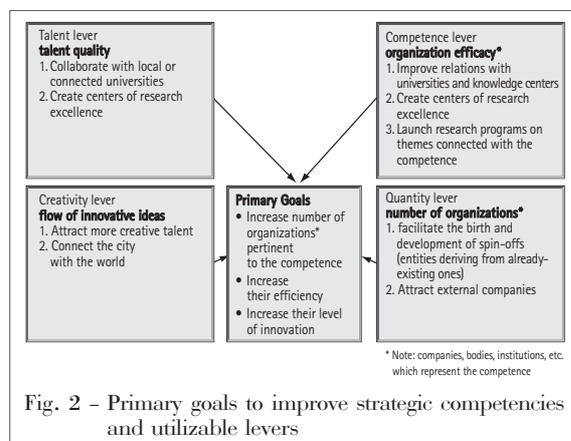


Fig. 2 – Primary goals to improve strategic competencies and utilizable levers

This means operating on both a “micro” level (increase the number and improving the level of “creatives” who work in the organizations); increase the innovative efficacy of these organizations) and a “macro” level (increase the number of ideas circulating in the city as well as their ‘diversity’; increase the number of jobs requiring creativity; increase the number of organizations focused on innovation).

The graphic above (Fig. 2) is, in a certain sense, the “piano” available to the leaders of a city on which they can play the various “keys” (levers) depending on the strategy and historical-environmental context. Each key can involve important and complex actions and policies. However, each must contribute to meeting the primary goals.

Launching **intensely focused research programs** (“Apollo”⁷) programs in miniature) with clear and quantifiable objectives, and the allocation of funds in a truly meritocratic way, if

possible with the parallel creation of world centers of excellence on specific themes, has been seen to be much more effective than simply increasing Research & Development spending across-the-board to all those requesting it (who may be deserving to varying degrees).

Even medium-sized and small cities have succeeded in creating (sometimes from nothing) **worldwide centers of excellence** on themes relevant to their special competencies. For example, Poitiers in France has built a worldwide center of excellence for technologies tied to virtual reality and computer animation, including the construction of a science learning center that attracts millions of visitors per year.

But even the creation of specialized projects and technological parks often prove to be a failure if they are not firmly anchored to one of the city’s strategic competencies.

CONDITIONS FOR SUCCESS

For the overwhelming majority of cities which have succeeded in entering into a development cycle, a number of clear conditions that have led to their success are always present:

- **Be ambitious**
- **Move quickly**
- **Invest in short-, medium- and long-term change**
- **Communicate with and involve residents of the city.**

CONCLUSIONS

Today, each Italian city must:

1. Have a development **vision** and a **strategy**.
2. Improve its **strategic competencies**.
3. Increase the **level of innovation** and, therefore, increase the number of jobs with high creativity-content and **attract the best talent** to fill them.
4. Have a **broad-based and enlightened leadership** (a group of leaders within the various social components) to act as a team irrespective of differences of opinion, in order to strategically lead the city over the long-term.
5. Communicate to the world in a clear, straight-forward manner their key competencies (the city’s points of excellence), which should be no more than five⁸.

If this is not done, they will be on the road to sure decline because:

“The cities of the future are those who have already chosen one”.

⁷ In 1960, US President John Fitzgerald Kennedy launched the Apollo program to land an American on the moon within the decade to follow. The funds required for research were significant, but all well-targeted and absolutely allocated on the basis of merit. The spin-offs for the country were immense and resulted in thousands of patents from base-line research which would later prove key for technological development: freeze-dried products, microelectronics, Goretex®, etc.

⁸ This also requires buildings “symbolic” of this approach (for example, the Guggenheim Museum in Bilbao) or major events (Olympics, World Championships, World Expos, etc.).

The next *Lettera* will be dedicated to “Africa: an opportunity for Italy and Europe”.

The European House-Ambrosetti *Lettera Club* draws on the analysis, these and solutions developed as part of Club activities and, more generally, the professional activity of The European House-Ambrosetti Group. We are aware that we offer an observatory of information and relational network, including on an international level, that is extremely high-level, but at the same time we are cognizant of the fact that we are not the sole “repositories of truth”. In order to be of assistance to Italy and Europe—one of our key commitments—we sincerely hope that each *Lettera* will provide the basis for a large number of critical suggestions, both in terms of content and more generally, from those who receive it.

Please send your suggestions and comments to letteraclub@ambrosetti.eu. We thank you in advance for your invaluable collaboration.

If you are interested in the activities of The European House Ambrosetti Club, please contact Silvia Lovati at the e-mail address: club@ambrosetti.eu or call: +39 02 467531.

VOLUME V
NO. 31
Lettera
The European House-Ambrosetti Club
All rights reserved.
EXECUTIVE EDITOR:
Nino Ciravegna
Printed by: TFM
Via San Pio da Petralcina, 15/17
20010 Pogliano Milanese

EDITORIAL OFFICES:
The European House-Ambrosetti S.p.A.
Via F. Albani, 21
20149 Milan
Tel. +39 02 467531
Fax +39 02 46753333
For additional information:
letteraclub@ambrosetti.eu
Registered with the Tribunal of Milan
No. 493 dated 20.07.06

