Regional Competitiveness
Towards an Agenda for London

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OneLondon Lecture
London, United Kingdom
20 June 2003


Additional information may be found at the website of the Institute for Strategy and Competitiveness, www.isc.hbs.edu
Regional Competitiveness

London

• London continues to be one of most competitive cities in the global economy, and a core contributor to UK economic performance
  – London has the highest GDP per capita in the UK
  – London has achieved above UK average employment and GDP per capita growth in the last five years

• London’s situation mirrors some of the key competitiveness challenges facing the UK economy as a whole
  – E.g., infrastructure investments, especially in local transportation

• But London also has a set of unique issues
  – E.g., revitalization of inner city neighborhoods

• London can lead the UK in developing a new type of private-public cooperation for regional competitiveness
Topics

• Foundations of regional competitiveness

• Inner city revitalization

• New roles in economic development
The most important sources of prosperity are created not inherited.

Productivity does not depend on what industries a region competes in, but on how it competes.

The prosperity of a region depends on the productivity of all its industries.

Innovation is vital for long-term increases in productivity.
Average Wages and Employment Growth  
Per Capita Income versus Growth in Employment

Source: Office for National Statistics

GDP Per Capita, 1999

Annual Growth in Employment, 1996-2000

Source: Office for National Statistics
Average Wages and Income Growth
Per Capita Income versus Growth in Per Capita Income

GDP per capita, 1999

Annual GDP per capita Growth Rate, 1989-1999

Source: Office for National Statistics

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Export Performance of UK Regions

Exports per Employee, 2000

Scotland, East, South East, London, North East, West Midlands, East Midlands, Wales, Northern Ireland, South West, North West, Yorkshire

Average Exports = £5,562

Source: Office for National Statistics
Research & Development Activity of UK Regions

The Top 2 regions account for 43% of all R&D expenditures but only 24% of employment.

Source: Office for National Statistics; R&D includes business, government, and institutions of higher education.
# Leading British University U.S. Patent Holders

Total Patents per University, 1996-2000

<table>
<thead>
<tr>
<th>Rank</th>
<th>University Name</th>
<th>Patents</th>
</tr>
</thead>
<tbody>
<tr>
<td>55.</td>
<td>IMPERIAL COLLEGE OF SCIENCE, TECHNOLOGY &amp; MEDICINE</td>
<td>36</td>
</tr>
<tr>
<td>102.</td>
<td>UNIVERSITY COLLEGE OF LONDON</td>
<td>23</td>
</tr>
<tr>
<td>102.</td>
<td>ISIS INNOVATION LTD. (OXFORD UNIVERSITY)</td>
<td>23</td>
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<tr>
<td>107.</td>
<td>VICTORIA UNIVERSITY OF MANCHESTER</td>
<td>22</td>
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<tr>
<td>137.</td>
<td>UNIVERSITY OF STRATHCLYDE</td>
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<tr>
<td>164.</td>
<td>UNIVERSITY OF SHEFFIELD</td>
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<td>164.</td>
<td>UNIVERSITY OF SOUTHHAMPTON</td>
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<td>180.</td>
<td>UNIVERSITY OF MANCHESTER</td>
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<tr>
<td>213.</td>
<td>UNIVERSITY OF GLASGOW THE, UNIVERSITY COURT OF</td>
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<td>UNIVERSITY OF BIRMINGHAM</td>
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<td>237.</td>
<td>UNIVERSITY OF WARWICK</td>
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<td>261.</td>
<td>UNIVERSITY OF NOTTINGHAM</td>
<td>8</td>
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<tr>
<td>289.</td>
<td>UNIVERSITY COLLEGE CARDIFF CONSULTANTS LIMITED</td>
<td>7</td>
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<tr>
<td>289.</td>
<td>UNIVERSITY OF EDINBURGH</td>
<td>7</td>
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<tr>
<td>289.</td>
<td>UNIVERSITY OF KEELE</td>
<td>7</td>
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<tr>
<td>331.</td>
<td>DE MONTFORT UNIVERSITY</td>
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<tr>
<td>331.</td>
<td>ROYAL FREE HOSPITAL SCHOOL OF MEDICINE</td>
<td>6</td>
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<tr>
<td>331.</td>
<td>UNIVERSITY OF LIVERPOOL</td>
<td>6</td>
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<tr>
<td>395.</td>
<td>CAMBRIDGE UNIVERSITY TECHNICAL SERVICES LTD.</td>
<td>5</td>
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<tr>
<td>395.</td>
<td>KING'S COLLEGE LONDON</td>
<td>5</td>
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<tr>
<td>395.</td>
<td>NEWCASTLE UNIVERSITY VENTURES LIMITED</td>
<td>5</td>
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<td>395.</td>
<td>UNIVERSITY COURT OF THE UNIVERSITY OF DUNDEE</td>
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<td>395.</td>
<td>UNIVERSITY OF ABERDEEN</td>
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<td>UNIVERSITY OF LEEDS</td>
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<td>395.</td>
<td>UNIVERSITY OF LEICESTER</td>
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</tbody>
</table>
## Patents by Organization
### Boston Metropolitan Area

<table>
<thead>
<tr>
<th>Organizational Name</th>
<th>Patents Issued from 1995 to 1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  DIGITAL EQUIPMENT CORPORATION</td>
<td>454</td>
</tr>
<tr>
<td>2  MASSACHUSETTS INSTITUTE OF TECHNOLOGY</td>
<td>372</td>
</tr>
<tr>
<td>3  POLAROID CORPORATION</td>
<td>224</td>
</tr>
<tr>
<td>4  ANALOG DEVICES, INC.</td>
<td>141</td>
</tr>
<tr>
<td>5  GENERAL HOSPITAL CORPORATION</td>
<td>138</td>
</tr>
<tr>
<td>6  HARVARD COLLEGE, PRESIDENT AND FELLOWS</td>
<td>105</td>
</tr>
<tr>
<td>7  GENETICS INSTITUTE, INC.</td>
<td>84</td>
</tr>
<tr>
<td>8  BOSTON SCIENTIFIC CORPORATION</td>
<td>82</td>
</tr>
<tr>
<td>9  EMC CORPORATION</td>
<td>82</td>
</tr>
<tr>
<td>10 MOTOROLA, INC.</td>
<td>80</td>
</tr>
<tr>
<td>11 QUANTUM CORP. (CA)</td>
<td>80</td>
</tr>
<tr>
<td>12 HEWLETT-PACKARD COMPANY</td>
<td>79</td>
</tr>
<tr>
<td>13 DAVIDSON TEXTRON INC.</td>
<td>74</td>
</tr>
<tr>
<td>14 GENERAL ELECTRIC COMPANY</td>
<td>72</td>
</tr>
<tr>
<td>15 RAYTHEON COMPANY</td>
<td>70</td>
</tr>
<tr>
<td>16 SAINT GOBAIN/NORTON INDUSTRIAL CERAMICS CORP.</td>
<td>69</td>
</tr>
<tr>
<td>17 CHARLES STARK DRAPER LABORATORY, INC.</td>
<td>66</td>
</tr>
<tr>
<td>18 BOSTON UNIVERSITY</td>
<td>65</td>
</tr>
<tr>
<td>19 OSRAM SYLVANIA INC.</td>
<td>64</td>
</tr>
<tr>
<td>20 BRIGHAM AND WOMEN’S HOSPITAL</td>
<td>62</td>
</tr>
</tbody>
</table>

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Note: Includes only patents assigned from innovators in the Boston-Worcester-Lawrence-Lowell-Brocktn MA to the organization

Source: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School
Productivity, Innovation, and the Business Environment

Context for Firm Strategy and Rivalry

- A local context and rules that encourage investment and sustained upgrading
  - e.g., Intellectual property protection
- Meritocratic incentive systems across all major institutions
- Open and vigorous competition among locally based rivals

Factor (Input) Conditions

- Presence of high quality, specialized inputs available to firms
  - Human resources
  - Capital resources
  - Physical infrastructure
  - Administrative infrastructure
  - Information infrastructure
  - Scientific and technological infrastructure
  - Natural resources

Demand Conditions

- Sophisticated and demanding local customer(s)
- Local customer needs that anticipate those elsewhere
- Unusual local demand in specialized segments that can be served nationally and globally

Related and Supporting Industries

- Access to capable, locally based suppliers and firms in related fields
- Presence of clusters instead of isolated industries

• Successful economic development is a process of successive economic upgrading, in which the business environment in a nation or region evolves to support and encourage increasingly sophisticated ways of competing
The California Wine Cluster

Grapes

Fertilizer, Pesticides, Herbicides

Irrigation Technology

Grapes/Vineyards

State Government Agencies (e.g., Select Committee on Wine Production and Economy)

Wineries/Processing Facilities

Educational, Research, & Trade Organizations (e.g., Wine Institute, UC Davis, Culinary Institutes)

Growers/Vineyards

Public Relations and Advertising

Specialized Publications (e.g., Wine Spectator, Trade Journal)

Labels

Caps and Corks

Bottles

Winemaking Equipment

Food Cluster

Tourism Cluster

Sources: California Wine Institute, Internet search, California State Legislature. Based on research by MBA 1997 students R. Alexander, R. Arney, N. Black, E. Frost, and A. Shivananda.
The Boston Life Sciences Cluster

**Note:** Employment numbers are given inside boxes were available.

Source: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School
London Financial Services

- Universities
- Bank of England
- FSA/Regulatory Bodies
- Stock Exchange
- Secondary Market
- Asset Management
- Corporate Treasury
- Pension
- Individual Investors
- Debt Capital Markets
- Equity Capital Markets
- Accounting Services
- Legal Services
- Management Consultancy
- Telecom/IT Services

London Financial Services Cluster

Commodities/Futures
Investment Banking
Commercial/Retail Banking
Sales/Trading
Real Estate
Insurance
Venture Capital/Private Equity

Source: Research by HBS students G. Juhn, R. Kumar, S. Lachmi-Niwas, J. Swearengin, and E. Wan-Mu Wang, 2003
Institutions for Collaboration

**General**
- Chambers of Commerce
- Professional associations
- School networks
- University partner groups
- Religious networks
- Joint private/public advisory councils
- Competitiveness councils

**Cluster-specific**
- Industry associations
- Specialized professional associations and societies
- Alumni groups of core cluster companies
- Incubators

**Institutions for collaboration (IFC)** are formal and informal organizations that
- facilitate the exchange of information and technology
- conduct joint activities
- foster coordination among firms

**IFCs can improve the business environment by**
- creating **relationships** and level of trust that make them more effective
- defining of **common standards**
- conducting or facilitating the organization of **collective action** in areas such as procurement, information gathering, or international marketing
- defining and communicating common **beliefs and attitudes**
- providing mechanisms to develop a common economic or **cluster agenda**
Influences on Competitiveness
Multiple Geographic Levels

World Economy
Groups of Neighboring Nations
  e.g. European Union
Nations
  e.g. United Kingdom
States, Provinces
Metropolitan Areas
  e.g. London
Smaller Cities and Counties
<table>
<thead>
<tr>
<th></th>
<th>Traded Clusters</th>
<th>Local Clusters</th>
<th>Natural Endowment-Dependent Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Share of Employment</strong></td>
<td>31.8%</td>
<td>67.4%</td>
<td>0.8%</td>
</tr>
<tr>
<td><strong>Employment Growth Rate, 1990 to 2000</strong></td>
<td>1.7%</td>
<td>2.8%</td>
<td>-1.0%</td>
</tr>
<tr>
<td><strong>Average Wage</strong></td>
<td>$45,040</td>
<td>$27,169</td>
<td>$32,129</td>
</tr>
<tr>
<td><strong>Relative Wage</strong></td>
<td>137.0%</td>
<td>82.6%</td>
<td>97.7%</td>
</tr>
<tr>
<td><strong>Wage Growth</strong></td>
<td>5.0%</td>
<td>3.6%</td>
<td>1.9%</td>
</tr>
<tr>
<td><strong>Relative Productivity</strong></td>
<td>144.1</td>
<td>79.3</td>
<td>140.1</td>
</tr>
<tr>
<td><strong>Patents per 10,000 Employees</strong></td>
<td>21.1</td>
<td>1.3</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>Number of SIC Industries</strong></td>
<td>590</td>
<td>241</td>
<td>48</td>
</tr>
</tbody>
</table>

Note: 2000 data, except relative productivity which is 1997 data.
Specialization of Regional Economies
Select U.S. Geographic Areas

- **Chicago**
  - Communications Equipment
  - Processed Food
  - Heavy Machinery

- **Houston**
  - Heavy Construction Services
  - Oil and Gas
  - Aerospace Vehicles and Defense

- **Pittsburgh, PA**
  - Construction Materials
  - Metal Manufacturing
  - Education and Knowledge Creation

- **Seattle-Bellevue-Everett, WA**
  - Aerospace Vehicles and Defense
  - Fishing and Fishing Products
  - Analytical Instruments

- **San Francisco-Oakland-San Jose Bay Area**
  - Communications Equipment
  - Agricultural Products
  - Information Technology

- **Los Angeles Area**
  - Apparel
  - Building Fixtures, Equipment and Services
  - Entertainment

- **San Diego**
  - Leather and Sporting Goods
  - Power Generation
  - Education and Knowledge Creation

- **Wichita, KS**
  - Aerospace Vehicles and Defense
  - Heavy Machinery
  - Oil and Gas

- **Boston**
  - Analytical Instruments
  - Education and Knowledge Creation
  - Communications Equipment

- **Raleigh-Durham, NC**
  - Communications Equipment
  - Information Technology
  - Education and Knowledge Creation

- **Atlanta, GA**
  - Construction Materials
  - Transportation and Logistics
  - Business Services

- **Denver, CO**
  - Leather and Sporting Goods
  - Oil and Gas
  - Aerospace Vehicles and Defense

Note: Clusters listed are the three highest ranking clusters in terms of share of national employment
Source: Cluster Mapping Project, Institute for Strategy and Competitiveness, Harvard Business School
Topics

• Foundations of regional competitiveness

• Inner city revitalization

• New roles in economic development
A New Integration of Economic and Social Policy

• There is no inherent conflict between capitalism and the needs of society

A productive and growing economy requires:

• Rising skill levels
• Safe working conditions
• Healthy workers who live in decent housing in safe neighborhoods
• A sense of opportunity
• Bringing underemployed citizens into the productive workforce
• Low levels of corporate pollution (pollution is a sign of unproductive use of physical resources)
Economic Development in Distressed Inner City Areas

Premises of the New Model

• Inner-city distress is as much an economic as a social problem

• A healthy business and jobs base must be created in or near inner-city communities, rather than depending on jobs in the suburbs

• Economic development in inner cities must be approached from a competitiveness perspective, and be based on business opportunities in the inner city that are genuinely profitable

• There are existing and potential competitive advantages of inner cities that can support viable businesses and jobs
The Competitive Advantages of Inner Cities

Illusory

- Low-Cost Real Estate
- Low-Cost Labor

Existing and Potential

- Strategic Location
- Available Human Resources
- Integration with Citywide and Regional Business Clusters
- Local Market Demand
The 2002 UK Inner City 100 Performance

- Average 5 year growth rate: 503%
- Average annual revenues 2001: £6.0 M
- Average number of full-time employees: 64

UK Inner City 100 companies created 3,541 jobs between 1997 and 2001
Inner Cities in the New Economy

• E-commerce, outsourcing, and modern just-in-time competition enhance the value of inner-city locations

• Inner cities have a growing human resource advantage amid tight and more diverse labor markets

• Inner cities are efficient locations from which to support urban growth clusters such as entertainment, education, health care, and financial services

• Underserved, heterogeneous inner-city markets represent the growth markets of the future
The Role of Inner Cities in Regional Prosperity

• **Equity** of opportunity

• Inner-City vitality **frees up resources** now required to address social and economic disadvantage

• Enhances the **return to public investment in transportation infrastructure**, expands the **housing stock**, and **mitigates urban sprawl**

• More **efficient spatial organization** of regional industry

• Ease constraints to **regional** economic growth through utilizing the inner-city’s labor force, land, and infrastructure more fully

• **Substantial growth and profit opportunities** in the inner city itself
City Growth Strategies Project

- Eighteen-month project launched in January 2002
- Four pilot cities: London (four areas*), Nottingham, Plymouth, St. Helens

CGS aims to bring business, government and community leaders together around local growth strategies in urban areas

ICIC and SBS are working closely with the Regional Development Authorities responsible for each city to link urban and regional revitalization strategies

Key accomplishments to date include:
- Establishing CGS Strategy Boards consisting of mostly local private sector representatives
- Conducting rigorous research to identify and prioritize industry clusters in their neighborhoods and evaluate the overall business environment of their respective areas
- Identifying key opportunities and challenges facing their target clusters and overall business environment
- Building consensus and buy-in to the CGS concept among local government, businesses and universities

Note: *The City Fringe; the London Borough of Haringey; Heathrow "city"and London South Central
Topics

• Foundations of regional competitiveness

• Inner city revitalization

• New roles in economic development
Shifting Responsibilities for Economic Development

**Old Model**

- Government drives economic development through policy decisions and incentives

**New Model**

- Economic development is a collaborative process involving multiple levels of government, companies, educational and research institutions, and institutions for collaboration (IFCs)
Appropriate Roles of Government in Cluster Development

• A successful cluster policy builds on sound overall economic policies and improvements in the general business environment

• Government policy should reinforce established and emerging clusters rather than attempt to create entirely new ones

• Government should support the development of all clusters, not choose among them

• Government, in cooperation with the private sector, must identify all existing and emerging clusters

• To qualify as an emerging cluster there must be
  – Some viable companies present
  – A core of cluster-specific advantages in the diamond

• Government’s role in cluster initiatives is as facilitator and participant. The most successful cluster initiatives are a public-private partnership
The Australian Wine Cluster
History

1930
First oenology course at Roseworthy Agricultural College

1955
Australian Wine Research Institute founded

1965
Australian Wine Bureau established

1970
Winemaking school at Charles Sturt University founded

1980
Australian Wine and Brandy Corporation established

1990
Winemaker’s Federation of Australia established

1991 to 1998
New organizations created for education, research, market information, and export promotions

1950s
Import of European winery technology

1960s
Recruiting of experienced foreign investors, e.g. Wolf Bass

1970s
Continued inflow of foreign capital and management

1980s
Creation of large number of new wineries

1990s
Surge in exports and international acquisitions

The Australian Wine Cluster
Recently Founded Institutions for Collaboration

Winemakers’ Federation of Australia
- Established in 1990
- Focus: Public policy representation of companies in the wine cluster
- Funding: Member companies

Cooperative Centre for Viticulture
- Established in 1991
- Focus: Coordination of research and education policy in viticulture
- Funding: Other cluster organizations

Australian Wine Export Council
- Established in 1992
- Focus: Wine export promotion through international offices in London and San Francisco
- Funding: Government; cluster organizations

Grape and Wine R&D Corporation
- Established in 1991 as statutory body
- Focus: Funding of research and development activities
- Funding: Government; statutory levy

Wine Industry Information Service
- Established in 1998
- Focus: Information collection, organization, and dissemination
- Funding: Cluster organizations

Wine Industry National Education and Training Council
- Established in 1995
- Focus: Coordination, integration, and standard maintenance for vocational training and education
- Funding: Government; other cluster organizations

The Evolution of Regional Economies
San Diego

Climate and Geography

Hospitality and Tourism

U.S. Military

Transportation and Logistics

Aerospace Vehicles and Defense

Power Generation

Biotech / Pharmaceuticals

Analytical Instruments

Medical Devices

Education and Knowledge Creation

Information Technology

Transportation and Logistics

Information Technology

Medical Devices

Biotech / Pharmaceuticals

Education and Knowledge Creation

Analytical Instruments

Aerospace Vehicles and Defense

Transportation and Logistics

Hospitality and Tourism

Climate and Geography

U.S. Military

Bioscience Research Centers

Roles of Government in Economic Development

• **Improve the macroeconomic, political, legal, and social context**
  – Establish a **stable and predictable** macroeconomic, legal, and political environment
  – Improve the **social conditions** of citizens

• **Upgrade the general microeconomic business environment**
  – Improve the availability, quality, and efficiency of **cross-cutting or general purpose inputs, infrastructure, and institutions**
  – Set **overall rules and incentives** governing competition that encourage productivity growth

• **Facilitate cluster formation and upgrading**
  – Identify **existing and emerging clusters**
  – Convene and participate in the identification of **cluster constraints and action plans** to address them

• **Lead a collaborative process of economic change**
  – Create institutions and **processes for upgrading competitiveness** that inform citizens and mobilize the private sector, government at all levels, educational and other institutions, and civil society to take action
Roles of the Private Sector in Economic Development

- A company’s competitive advantage is partly the result of the local environment
- Company membership in a cluster offers collective benefits
- Private investment in “public goods” is justified

- Take an active role in upgrading the local infrastructure
- Nurture local suppliers and attract new supplier investments
- Work closely with local educational and research institutions to upgrade quality and create specialized programs addressing cluster needs
- Provide government with information and substantive input on regulatory issues and constraints bearing on cluster development
- Focus corporate philanthropy on enhancing the local business environment

- An important role for trade associations
  - Greater influence
  - Cost sharing
## New Roles of Business and Industry Associations

### Traditional Roles
- Lobby government
  - Trade and regulations
- Convene meetings for networking

### New Roles
- Negotiate with government
  - Trade and regulations
- Information collection and dissemination
  - E.g. regular benchmarking
- Joint marketing
  - E.g. trade fairs, missions
- Training
  - E.g. curriculum for managers
  - Close collaboration with outside educational institutions
  - Sponsoring of targeted scholarships
- Research
  - E.g. university partnerships
  - Standard setting and testing
  - Specialized research institutes
- Procurement
  - E.g. joint purchasing programs
- Environmental
  - E.g. demonstration projects
  - Research sponsorship

### Cluster activation and enabling
Back-Up
The UK Business Environment
Overview

<table>
<thead>
<tr>
<th>Competitive Advantages</th>
<th>Competitive Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Highly <strong>open</strong> to international trade and investment</td>
<td>• Weak and deteriorating <strong>physical infrastructure</strong></td>
</tr>
<tr>
<td>• Very low <strong>regulatory barriers</strong> to competition at the national level</td>
<td>• <strong>Skill deficits</strong> in the labor force despite favorable international rankings on educational achievement</td>
</tr>
<tr>
<td>• Sophisticated <strong>capital markets</strong>, especially equity markets</td>
<td>• Constrained access to <strong>debt</strong> capital</td>
</tr>
<tr>
<td></td>
<td>• Low levels of <strong>R&amp;D</strong> investment and <strong>commercialization</strong> infrastructure despite strong science base</td>
</tr>
<tr>
<td></td>
<td>• Large <strong>regional</strong> differences in the quality of the business environment</td>
</tr>
<tr>
<td></td>
<td>• Limited presence / effectiveness of <strong>institutions for collaboration</strong></td>
</tr>
</tbody>
</table>

# UK Companies’ Operations and Strategy

## Overview

### Competitive Advantages

- Sophisticated **marketing and branding**
- Strengths in **supply chain management, distribution, and retailing**
- High level of **professional** versus family management and use of incentive compensation
- High level of **internationalization**

### Competitive Disadvantages

- Low **capital stock**
- Low investments in **innovation**
- Compete less on **unique value** (versus cost) than advanced nation peers
- Some indications of low uptake of **modern management techniques**
- Some indications that **manufacturing** is lagging the overall economy

UK Competitiveness in 2003: Overall Assessment

• The UK’s **competitiveness has significantly improved** since the early 1980s. Past reforms have been successful in raising productivity and prosperity growth
  – The UK has clearly reversed its decline and established a positive trendline
• Past and current reforms will **continue to drive improvements** for years to come
• However, a **performance gap** remains which will close only slowly at current productivity growth rates
• Changes in the international environment leave **no room for complacency**
  – Countries across the world are also improving competitiveness
  – The implementation of EU rules and regulation will lead to a convergence of important contextual conditions in European countries
• UK managers see current conditions as favorable, but **remain wary** about the future competitiveness of their country
  – There are concerns about the ability to maintain the achievements of past reforms
• The UK needs to transition to the **next stage of competitiveness policy** to extend and complement past reforms

Moving To The Next Stage

• **Past policy reforms** in the UK where directed at the most pressing barriers to competitiveness *at that time*
  – Low flexibility of product and labor markets
  – High costs of doing business
  – High tax burden

• These reforms were **successful** in making the UK a more flexible and relatively low cost location for business
  – Strong foreign direct investment inflows
  – Increase of prosperity, productivity, and wages

• At the current, higher level of prosperity, **a new set of barriers** for further upgrading of UK competitiveness have to be addressed
  – Competitiveness agenda 2003 for government and companies
The UK Competitiveness Agenda 2003

**Public investment**
- Investment in physical infrastructure, skill upgrading, and science and technology capacity

**Policy**
- Continue efforts to enhance competition and revitalize disadvantaged communities
- Reform of science and technology policy
- Develop a more comprehensive strategy for training in advanced managerial skills
- Create a national consensus about the UK’s competitive distinctiveness in the global economy

**Regions**
- Stronger regional focus in economic policy

**Structure and Institutions**
- Move from government-led development to private sector-led development
- New and more effective institutions for collaboration
- Stronger role for universities and public research institutions in the regional and national business environment

**Management**
- Reorientation of strategy towards innovation and unique goods and services
- Stepped up corporate investment in innovative capacity, skills, modern production technology, and IT to support more sustainable competitive advantages
- More prominent role for business leaders in competitiveness and cluster development
Research Agenda

• Systematic evaluation of UK management training levels and skills at multiple levels of management

• Effect of financial markets and strategy and investment choices

• Effect of regional business environments on company performance

• Role of clusters in company strategy and performance

• Inventory and assessment of institutions for collaboration versus peer countries

• Role of companies in upgrading business environment through collective action and corporate philanthropy
City Growth Strategies Project
Four Pilot Cities

- St Helens
- Plymouth
- Nottingham
- London
  - Heathrow City
  - London South-Central
  - City Fringe
  - Haringey
Six Key Objectives of City Growth Strategies

- Help local leaders create a new vision for their inner city by identifying market-based strategies and engaging the private sector.
- Make the inner-city a more competitive location for business.
- Increase income, wealth, and job opportunities for inner-city residents.
- Change perceptions and attitudes regarding opportunities in inner cities.
- Create leadership and institutions that will push the agenda forward.
- Increase productivity of the region by revitalizing inner city.
City Growth Strategies Process

Phase 1: Training and Team Development
- Identify
  - Corporate Champions
  - Strategy Teams
  - Research Teams
  - Project Managers
- Build Support
- Conduct preliminary assessment
- Identify CGS target area and demographics
- Identify business clusters

Phase 2: Research and Strategy Development
- Examine business environment
- Interview IC companies
- Analyze business clusters and opportunities for growth
- Develop strategies

Phase 3: Communication and Implementation
- Communicate findings and implement strategies
- Identify implementation vehicles and resources
- Build momentum for action

Phase 4: Evaluation and Incubation
- Increase scale of successful initiatives
- Create metrics of success and measure progress
- Communicate learnings

Jan 02 - April 02
- Identify
  - Corporate Champions
  - Strategy Teams
  - Research Teams
  - Project Managers
- Build Support
- Conduct preliminary assessment
- Identify CGS target area and demographics
- Identify business clusters

May 02 - June 03
- Examine business environment
- Interview IC companies
- Analyze business clusters and opportunities for growth
- Develop strategies

Jun 03 - Oct 03
- Communicate findings and implement strategies
- Identify implementation vehicles and resources
- Build momentum for action

Nov 03 - March 04
- Increase scale of successful initiatives
- Create metrics of success and measure progress
- Communicate learnings

Drive to Action
## Progress and Challenges to Date

<table>
<thead>
<tr>
<th>Progress</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Developed new institutional capacity and leadership teams</td>
<td>• There is little prior understanding of the inner city economy. Existing</td>
</tr>
<tr>
<td>• Private sector is actively engaged, though the extent of involvement</td>
<td>efforts are fragmented and multiple regeneration schemes have led to</td>
</tr>
<tr>
<td>varies across teams. Over 50 businesses interviewed in each area.</td>
<td>fatigue</td>
</tr>
<tr>
<td>• There are a significant number of initiatives under way that build on</td>
<td>• Need for leadership capacity building and shift away from traditional</td>
</tr>
<tr>
<td>competitive advantages and approach inner city areas with a market</td>
<td>public sector predominance in issues of urban economic development. Need</td>
</tr>
<tr>
<td>perspective rather than charity</td>
<td>sound economic argument for inner city revitalization</td>
</tr>
<tr>
<td>• Strong base of economic development research to build on</td>
<td>• Inner city cluster efforts are new to the UK. Development practitioners</td>
</tr>
<tr>
<td>• Effort to link with regional economic development strategies</td>
<td>and business community are less familiar with the concept.</td>
</tr>
</tbody>
</table>
City Growth Strategies Focuses on Seven Pilot Areas

<table>
<thead>
<tr>
<th>CGS Pilot Areas</th>
<th>CGS Area Demographics*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three cities</td>
<td>Population</td>
</tr>
<tr>
<td>• Nottingham</td>
<td>70,000</td>
</tr>
<tr>
<td>• Plymouth</td>
<td>241,000</td>
</tr>
<tr>
<td>• St Helens</td>
<td>176,800</td>
</tr>
<tr>
<td>Four areas of London</td>
<td></td>
</tr>
<tr>
<td>• City Fringe</td>
<td>80,500</td>
</tr>
<tr>
<td>• Haringey</td>
<td>132,000</td>
</tr>
<tr>
<td>• Heathrow City</td>
<td>110,800</td>
</tr>
<tr>
<td>• London South Central</td>
<td>67,500</td>
</tr>
</tbody>
</table>

*Data as reported by pilots. Year of data varies by pilot according to what information is available locally. Numbers are from 1998, 2000, and 2001.
Pilot Area Descriptions

City Fringe
- The City Fringe crosses parts of the 4 London Boroughs of Camden, Islington, Hackney and Tower Hamlets. Approximately 14 wards in total.

Haringey
- The Haringey City Growth area covers the 11 wards to the East of the borough of Haringey

Heathrow City
- Heathrow City target area consists of nine wards immediately neighboring Heathrow airport in the towns of Southall, Hayes and Hounslow

London South Central
- LSC consists of six wards which are to the south of the River Thames. LSC is defined by an arc south of the Thames, running from Vauxhall Bridge in the southwest, through Elephant and Castle up to the Design Museum, Butler’s Wharf in the northeast
Focus Clusters of Four London Areas

City Fringe
- Financial & Related Business Services
- The Creative Industries, including Manufacturing and ICT
- Catering & Hospitality
- Health & Social Care
- Construction

Haringey
- Clothing
- Creative & Cultural Industries
- Food (manufacturing, wholesale, retail)
- Manufacturing
- Information & Communications Technology (ICT)
- Retail

Heathrow City
- Media and Creative Industries
- Fashion and Clothing
- Food
- Hospitality
- Logistics
- Environmental Technology
- Construction

London South Central
- Publishing/printing/digital media
- Information & Communications Technologies
- Business Services
- Health/Social Care
- Retail
A Number of Focus Clusters are Common across the London Pilot Areas

<table>
<thead>
<tr>
<th>Clusters shared by 2 areas</th>
<th>Clusters shared by 3 areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Business Services</td>
<td>• Information and Communications Technology</td>
</tr>
<tr>
<td>• Manufacturing</td>
<td>• Food</td>
</tr>
<tr>
<td>• Hospitality</td>
<td></td>
</tr>
<tr>
<td>• Clothing</td>
<td></td>
</tr>
<tr>
<td>• Health &amp; Social Care</td>
<td></td>
</tr>
<tr>
<td>• Construction</td>
<td></td>
</tr>
<tr>
<td>• Retail</td>
<td></td>
</tr>
</tbody>
</table>
Common Business Environment Issues

Business Retention & Land / Business Premises

- Address issues of affordable business premises, availability of development land and build business outreach programs to inner city businesses to enhance retention and attract new businesses.

Public & Private Finance

- Address issues of available and appropriate access to capital and the dissemination of financial information.

Entrepreneurship / workforce development

- Address issues around identifying, attracting and developing entrepreneurs and address recruitment, retention, advancement and training issues.

Pilot area Perception vs. Reality

- Develop fact based marketing language to change the perception about doing business in the pilot areas.
## 2002 UK vs. US INNER CITY 100

<table>
<thead>
<tr>
<th>Category</th>
<th>UK</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average 5-year growth rate</td>
<td>503%</td>
<td>647%</td>
</tr>
<tr>
<td>Average sales</td>
<td>$10 million</td>
<td>$25 million</td>
</tr>
<tr>
<td>% of companies who rate location from good to excellent</td>
<td>82%</td>
<td>91%</td>
</tr>
<tr>
<td>Top competitive advantages</td>
<td>Transportation</td>
<td>Transportation</td>
</tr>
<tr>
<td></td>
<td>Customers</td>
<td>Workforce</td>
</tr>
<tr>
<td>Average # of full-time employees</td>
<td>64</td>
<td>112</td>
</tr>
<tr>
<td>Total employees</td>
<td>7,000</td>
<td>17,000</td>
</tr>
<tr>
<td>New jobs created</td>
<td>4,559</td>
<td>9,100</td>
</tr>
</tbody>
</table>
The 2001 UK Inner City 100 Performance

- Average 5 year growth rate: 274%
- Average revenues in 2000: £5.1 M
- Average number of full-time employees: 64

Employment of the UK *Inner City 100* increased by 161% between 1996 and 2000, creating 3,541 jobs.
COMPETITIVE ADVANTAGES AND DISADVANTAGES

- 90% of all Inner City 100 companies in the United States rated their location as a good or excellent place to do business.

- The most cited competitive advantages of an inner city location:
  - Proximity to customers
  - Proximity to transportation
  - Available and diverse workforce
  - Available real estate
  - High-speed Internet access

- The most cited competitive disadvantages of an inner city location:
  - *Perception* of crime (actual crime was rarely cited)
  - Government regulations
  - Access to capital
  - Condition of real estate
  - Local competition