How cities and business can work together for growth

Discussion paper | June 2016
This discussion paper was produced for the second Global Cities Business Alliance (GCBA) Symposium in June 2016. It is a follow-up to the inaugural report, City–business interaction: current trends and future outlook, published in June 2015, which was based on a survey of some 2,000 businesses from a wide range of industries, sectors and countries. This new report draws on additional local research and interviews with business and city leaders conducted by alliance partners around the world to identify a range of models for city–business interactions. Analytical support was provided by McKinsey & Company. The views expressed are those of the GCBA.
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Context

As urbanisation continues to drive global growth, cities are becoming more important to business, and more interdependent with business. Collaborations between cities and business hold out the promise of significant progress in improving long-term economic growth, resilience and quality of life. In 2015, our inaugural report City–business interaction: current trends and future outlook identified opportunities for business and city leaders to work together in a number of key areas – in particular, smart growth, doing more with less and winning support for change.

Yet despite this potential for productive collaboration, a 2015 survey indicated that few business executives felt they had satisfactory dealings with cities. For their part, city authorities felt that companies could improve interactions with them by being more focused in their approach. These findings suggest there is considerable scope to improve the way that businesses and cities interact. Many cities are facing big challenges, and businesses could play a larger role in solving them if city authorities and business leaders had more productive dialogues.

To understand how best to promote such dialogues, partners in the Global Cities Business Alliance conducted interviews with local business and city leaders. An analysis of the results identified a variety of successful mechanisms and good practices that city and business leaders can follow to improve the effectiveness of their interactions. This report groups the practices into four broad models, characterised according to a) whether the interactions are led by cities, businesses or jointly, and b) whether the majority of these interactions are strategic or operational in nature.

Models for success

Each of these four models is shaped by the local city context and business needs, but the models are fluid rather than sharply defined. Cities and businesses can shift between, combine or adapt them.

I. Top-down city-led model

This model is most common in cities with a strong city authority that is either highly independent and autonomous, or closely aligned with central government. The channels of interaction are typically dominated by the government agency for economic development or planning. Centralised planning plays a large role in shaping the business agenda. There is little organised business representation and advocacy, so interactions between business and government tend to be direct, with few third-party forums.
The top-down city-led model has helped fuel the growth of several cities. It works best when certain key success factors are in place: clear, transparent and consistent policy making and planning by city authorities; ease of doing business, with an accessible and approachable government; careful navigation of conflicts between short-term business interests and long-term city development; and channels for businesses to contribute to strategic planning.

II. City-led convening model
This model is often seen in mature cities with a strong sense of identity and a clear agenda, but whose authorities are split between boroughs or districts, or have limited powers in regulation, tax collection, and spending and investment. In this model, city authorities interact with business by convening business groups or using independent third-party groups. They typically consult businesses while defining their strategic agenda and cooperate with them on initiatives to drive it forward. This cooperation often extends beyond innovation, skills, growth and other business issues to a broader social and economic agenda. Advocacy is an important form of interaction, and may involve a city joining forces with its business community to influence national government.

When this model works well, it engenders a shared commitment to a city’s long-term strategic interests, and fosters partnerships between businesses and the city and between the businesses themselves, helping to achieve results quickly and on a broad scale. The key success factors include: a representative business voice; balance between business and social needs; an empowered and visionary mayor; and the ability to invest in the development agenda.

III. Business-community-led model
In cities with a strong business presence but no consolidated city authority, interactions can be driven by the business community. The city may have a fragmented or localised authority, be subject to a strong regional or national authority, or lack a mature infrastructure and independent investment or spending power. In such cases, chambers of commerce and other business groups can take the lead in setting the agenda, and will often be involved in influencing a combination of district, city and state authorities or government agencies on issues from business conditions to a city’s broad long-term agenda.

This approach can help generate consensus and ownership and overcome or mitigate the effects of partisan politics or changes in government agendas. When city projects gain business buy-in from the start, they are more likely to secure private-sector support with funding or execution. The key success factors for this model include striking a balance between business interests and the city’s other strategic needs, and between tactical needs and the broader development strategy; a representative and unified business voice; and a clear framework of city authorities.
IV. Direct operational model

Interactions between cities and businesses are not always formal and organised. Many cities, particularly those still developing authority infrastructures, work in informal ways, with individual businesses interacting directly with the relevant city or government agency. In this model, city-specific third-party organisations and structures are rare. This does not mean that interactions are passive or fortuitous, but they tend to focus on operational needs.

Direct operational partnerships and collaborations between cities and businesses can be a powerful way to promote growth and execute ambitious projects effectively. The key success factors for this model include: direct informal relationships; openness and transparency; long-term planning; and incentives and accountability.

Conclusion

Models for interactions between cities and businesses range across a broad spectrum. The right model for a given city will be shaped by its circumstances, but even within one city or model, businesses with different priorities and philosophies on the role of business in the community may interact with the city in different ways. Cities and businesses pursuing one model may also identify needs and challenges best addressed by borrowing mechanisms from a different model or shifting the model entirely.

Some factors are conducive to success in all models, although more crucial to some than others. These are a clear and aligned view of strategic priorities and the broader agenda; a sense that businesses are working together as a community with shared interests; transparency and approachability among city authorities; the use of business expertise to help city authorities understand how to overcome challenges and achieve objectives; and open communication and a long-term view of relationships. When these success factors are present and an effective model for interaction is in place, collaborations between cities and businesses can yield transformative results that benefit both sides through strategic economic development, the successful completion of special projects and enhanced operational effectiveness.

This report seeks to highlight the variety of models and mechanisms that cities and businesses are pursuing to capture the benefits of cooperation. Further discussion will be needed to establish how these models can be used most successfully and what role the Global Cities Business Alliance could play in improving their effectiveness.
Cities are centres of economic growth, social and cultural activity, and political life. Urbanisation continues apace: by 2050, two-thirds of the world’s population will live in cities. As the world’s centre of economic gravity shifts eastwards, the rapid expansion of cities in emerging markets will drive nearly half of GDP growth over the next ten years. Cities and businesses are becoming more interdependent, and collaborations between them hold the promise of making significant improvements to cities’ long-term economic growth, resilience and quality of life.

In 2015, our inaugural report, *City–business interaction: current trends and future outlook*, argued that “To thrive, cities need to harness the dynamism, innovation and resources of the private sector. In return, businesses can make a practical contribution to developing cities as centres for talent, creativity and innovation; and in being good places to live.” The report outlined the prizes to be gained if business and city leaders could work together in a number of key areas:

- **Smart growth:** taking a strategic approach to growth, with clear targets, public- and private-sector investment, support for enterprise, appropriate regulation and incentives, and effective long-term city planning.

- **Doing more with less:** unlocking efficiency by harnessing business expertise, technology and data, deploying private-sector investment, and developing well-executed public–private partnerships.

- **Winning support for change:** building a shared long-term vision of the future through deep, sustained interaction between cities and business, supported by stakeholder engagement, consensus and mutual accountability, and quantifiable goals and performance-management systems.

However, survey results presented in the same report suggest that much more needs to be done to secure these prizes. Few business executives felt they had satisfactory dealings with cities. When asked “How satisfied are you with your interactions with the city administration on business conditions?”, fewer than 20 percent were very or extremely satisfied *(Exhibit 1).*
How cities and business can work together for growth

More than twice as many executives answered “don’t know or not applicable,” which suggests that their businesses do not take a sufficiently strategic approach to interacting with city authorities, either because they focus more on engaging with national institutions or view cities merely as marketplaces rather than as complex sets of stakeholders. For their part, the city authorities felt that companies could improve city-business interactions by being clearer about their objectives and what they expect from a city.

These findings suggest there is a big opportunity to improve the way that businesses and city authorities interact. Cities are facing critical challenges, and business could play a larger part in solving them if there were more productive dialogues between city authorities and business leaders.

To understand how these dialogues could become more effective, partners in the Global Cities Business Alliance conducted research and interviews with local business and city leaders in a sample of major cities to investigate how city-business interactions work in those settings. We found that interactions take a range of different forms, and that some tend to be more successful than others under particular sets of circumstances. By drawing on a variety of interaction models and mechanisms, we have identified good practices that could help city-business interactions become more productive.

Exhibit 1

How executives view their interactions with cities

Responses to survey question: How satisfied are you with interactions on business conditions involving the city’s administration?

% of respondents, n=1,013

<table>
<thead>
<tr>
<th>Satisfied Level</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extremely or very satisfied</td>
<td>17</td>
</tr>
<tr>
<td>Somewhat satisfied</td>
<td>35</td>
</tr>
<tr>
<td>Not at all satisfied</td>
<td>7</td>
</tr>
<tr>
<td>Don’t know or not applicable</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: Economic Conditions Snapshot, March 2015: McKinsey Global Survey results, n = 1,013
Models for success
Interactions between cities and businesses take many forms and cover a wide range of activities and issues. For the purposes of this report, we have characterised them in terms of a) whether the interactions are led by cities, by businesses or jointly, and b) whether the majority of these interactions are strategic or operational in nature. By classifying interactions in this way, we arrived at four broad models (Exhibit 2).

Exhibit 2
City–business interactions tend to follow one of four models

- **City-led**
  - Direct operational model: Largely informal and direct interactions between businesses and individuals from different parts of city authorities, often tactical or ad hoc in nature.

- **Business-led**
  - Business-community-led model: Sense of community brings businesses together to lead interactions with city authorities and promote cooperation and development.

- **Co-led**
  - City-led convening model: City is active in establishing or promoting interactions with business but has limited authority, so plays a “softer” role by convening businesses to drive the agenda.

- **Top-down city-led model**
  - City authority leads interactions and sets the agenda through top-down planning and development initiatives.

Each model exemplifies a different mix of challenges, mechanisms and success factors. However, the models are fluid rather than sharply defined or mutually exclusive. Approaches vary from case to case, depending on the context. Cities and businesses can shift between models, adapt them or combine them.

Our analysis of city–business interactions across this range of models identified a set of key success factors. Each model depends on a different mix of these success factors best suited to its unique circumstances and needs (Exhibit 3).
Shanghai transforms itself into a progressive global city

Administered through the centralised framework of the Chinese Communist Party, Shanghai was the first Chinese city to shift away from official economic growth targets to focus on more targeted high-quality growth. A centrepiece of the city’s recently completed twelfth five-year plan was the Four Centres initiative to develop Shanghai into an international financial, trade, shipping and economic centre by attracting more foreign investment in these areas.

Businesses engage with the city through chambers of commerce, and also participate in initiatives to support Shanghai’s growth plan, such as:

- The Shanghai Free Trade Zone, launched in 2013 and one of the first in mainland China
- Access to funding through policy initiatives, tax incentives, programmes to encourage capital funds and other schemes
- High-tech parks that capitalise on the opening up of previously restricted industries, such as healthcare and banking
- The designation of specialist functional zones – for innovation, business, recreation, gateway, manufacturing and goods delivery – to attract talent and foster inclusive economic development.
I. Top-down city-led model

The top-down city-led model is most common in cities with a strong city authority that is either highly independent and autonomous, or closely aligned with central government. This model is particularly well suited to planned economies and cities that are growing rapidly in line with a clear centralised plan.

In this model, the channels of interaction are typically dominated by the city authority’s agency for economic development or planning. Centralised planning plays a large role in shaping the business agenda. There is little organised business representation and advocacy, so interactions between business and government tend to be direct, with no involvement from third-party forums and business organisations.

This top-down city-led model has helped fuel the growth of several cities, and under the right conditions it can be highly effective for pursuing a clear path to growth in line with city priorities. An example is the internationalisation of Shanghai through its “Four Centres” initiative. The initiative sought to position the city as a financial, trade, shipping and economic centre, and was cascaded down from China’s national five-year plan and presented as a priority in Shanghai’s twelfth five-year plan. There were opportunities for business input – from China’s domestic chambers of commerce, for instance – but these were limited.1

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Similarly, Singapore has a story of accelerated growth, from colonial port to – according to the World Bank index – the easiest city in the world for doing business. Singapore’s government has worked to optimise business conditions through a market-driven, top-down strategic approach focused on attracting and retaining investment from major multinational companies. This approach is guided by business needs and views, while controlling long-term planning, encouraging enterprise and innovation, and providing for social needs such as education and housing. These measures have created prime conditions for business and fostered a thriving business community. They have allowed Singapore to react to changing economic conditions and reinvent itself more than once, from entrepôt to hi-tech manufacturing centre to global hub for multinational business.

Another city, Dubai, has transformed itself into an international centre for business and tourism by making huge investments in infrastructure as part of a strategic move to shift its economy away from exclusive dependence on oil. The Dubai government set out its vision in the 1990s, established the Dubai Department of Tourism and Commerce Marketing in 1997, and promoted tourism by investing in infrastructure and attractions, liberalising some social restrictions, building an institutional framework and developing training for skills needed in the tourism sector. By 2012, the travel and tourism industry accounted for 20 percent of Dubai’s GDP, with a further economic contribution coming from sector-related activities.2

This model works best for cities and businesses when certain key success factors are in place:

- **Clear, transparent and consistent policy making and planning by city authorities.** The top-down city-led model tends to occur more frequently in cities with stable long-term leadership. An official from the Beijing Municipal Commission of Commerce commented that as cities and businesses develop their collaboration, governments need to be consistent in policy making and implementation, as that will be beneficial for long-term business planning.2

- **Ease of doing business, with an accessible and approachable government.** Singapore’s government has worked to improve conditions for business by minimizing red tape, maintaining a high-quality civil service and ensuring its government agencies are approachable.

- **Careful navigation of conflicts between short-term business interests and long-term city development.** Examples of such conflicts include the tension described by the Beijing official between “energy-guzzling and heavily polluting projects [that] are no longer encouraged in Chinese cities” and the need to clearly communicate policy changes that will affect the long-term interests of business.

- **Channels for businesses to contribute to strategic planning.** Singapore calls on an international panel of business experts for guidance that feeds into top-down economic planning and government policy.

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2 Statistics from the Dubai Department of Tourism and Commerce Marketing.
How Singapore became the world’s best city for doing business

As a city state, Singapore is in a strong position to have an empowered, aligned government with a top-down approach. Its government focuses on attracting and retaining investment from foreign multinationals by optimising policy and government initiatives. By streamlining bureaucracy, introducing business-friendly regulations and making city authorities more accessible and transparent, the government has created an environment that has taken Singapore to a top ranking in the World Bank’s index for ease of doing business. These efforts have been supported by Singapore’s Economic Development Board, which attracts multinational corporations through measures such as favourable tax rates and government investment in talent.

The government also plays a driving role in social and economic matters such as art and culture (where its involvement is increasing), housing (90 percent of the population live in government-subsidised housing), planning (the Urban Development Authority guides land use through a long-term master plan) and support for enterprise (through a range of initiatives such as the Spring scheme for small and medium-sized enterprises and the Block 71 startup hub).

However, top-down does not mean one-way. The city learns from business, convening an international panel of experts to inform its strategy and planning. It takes lessons in innovation and tech from the private sector in projects such as Smart Singapore, a programme to become the first smart city in the world. And its civil service incorporates best talent practices from business in areas such as compensation, meritocracy, training and development, and employee engagement.
II. City-led convening model

Another way for city authorities to drive interactions with business is through a city-led convening – rather than top-down – model. This model is often seen in mature cities that possess a strong sense of identity and a clear agenda, but have a city authority that is fragmented between boroughs or districts or has limited autonomy because of strong regional or national authorities. Such cities typically have fewer direct powers over regulation, tax collection, and spending and investment than those pursuing a top-down city-led model.

In this model, city authorities typically assemble business groups (such as the London Enterprise Panel, the London Business Advisory Council and the DC Economic Partnership) and use independent third-party groups (such as London First, the Partnership for New York City and the DC Chamber of Commerce) as vehicles for interacting with business. Boston’s John Barros, chief of economic development in the Mayor’s Office of Economic Development, explains that “interactions are mutually coordinated by the City and businesses for one-on-one engagement. In addition ... we find it equally inviting to promote opportunities for collaboration through external networks through trade and member associations.”

This model may involve city authorities and businesses identifying shared interests and joining forces to influence national government. Cities following the convening model tend to consult businesses while defining their strategic agenda and then cooperate with them on special projects and initiatives to drive the agenda forward. This cooperation can often extend beyond clear-cut business issues such as innovation, skills and growth to a city’s broader social and economic agenda.

Gizachew Andargeh, the international business manager for the Office of the Deputy Mayor for Planning and Economic Development in the District of Columbia, notes that “cities and businesses can work collaboratively to solve complex civic issues – such as engaging lower and middle-lower and middle-income students with public-private sector workforce development.” In one such example, the DC government partnered with General Assembly, a technology workforce retraining scheme, to provide educational scholarships in programming for 20 to 25 lower-income individuals.

The city-led convening model can be a highly effective basis for partnership in situations where a strategic city authority maintains an open dialogue with a representative business community through collaborative structures and forums. When it works well, it engenders a sense of shared commitment to a city’s long-term strategic interests, and fosters partnerships both between businesses and the city and between the businesses themselves, helping to achieve results quickly and on a broad scale.

In Berlin, the dynamic growth, regeneration and entrepreneurialism that have characterised the past twenty-five years have been underpinned by a strong and empowered city-state government that works closely with businesses. A case in point is the Berlin Partner for Business and Technology, a public-private partnership dedicated to promoting the city that includes the Senate of Berlin and over 200 companies. It promotes city and business networks and offers services advising on location, financing, talent, technology, international activities and local borough-level support. It also operates individual projects and services in partnership with the city government, such as the successful global “Be Berlin” marketing campaign, the implementation of Berlin’s smart-city strategy and the running of the Business Location Centre, a one-stop agency providing advice and support for companies launching in or relocating to Berlin.
New York has a strong city development body and active business groups

The New York City Economic Development Corporation (NYCEDC) is a highly active body that undertakes real estate management and rent collection for the city, manages programmes to support key city initiatives and provides financing and technical assistance to businesses, developers and non-profits. Its mission is to make New York a global model for inclusive innovation and economic growth by strengthening the city’s competitive position and facilitating investments to support high-quality jobs and cultivate dynamic, resilient and liveable communities.

New York also has strong business groups such as the Partnership for New York City, which includes CEOs, entrepreneurs and small business and community leaders. It sets out to “engage the business community in efforts to advance the economy of New York City and maintain the city’s position as the center of world commerce, finance and innovation.”3 It conducts research, undertakes policy and issue advocacy, and participates in policy formation at city, state and federal levels.

Its investment arm, the Partnership Fund for New York City, invests directly in economic development opportunities to seed growth, expand opportunities and promote public-sector innovation. The fund has raised more than $110 million and made more than a hundred investments through five programmes: FinTech Innovation Lab, NY Digital Health Accelerator, NY Fashion Tech Lab, Bioaccelerator NYC Prize and NYC Seed.

Boston cooperates with businesses to promote economic development and deliver on city priorities

The Mayor’s Office of Economic Development in Boston engages with business to attract companies to the city and strengthen its position for growth both domestically and internationally. Interactions between the city and businesses are coordinated mutually and include one-on-one and group engagement and collaboration through external networks such as the Greater Boston Chamber of Commerce and other trade and member associations.

In Boston, John Barros acknowledged “public-private partnerships have played critical roles in driving creativity and innovation in the City of Boston. Most recently, the City joined the Commonwealth of Massachusetts, the Massachusetts Competitive Partnership, private sector leads including Vertex Pharmaceuticals, and MassChallenge, the world’s largest accelerator, to launch a new digital health hub in Boston. Through this kind of partnership, we will help advance amazing new technologies.” These include:

- **Innovation.** Established in 2010, MassChallenge is the largest startup incubator in the world. It provides space, mentorship and coaching through a four-month accelerator programme, and awards funding to winning teams. It will also manage a new government initiative to bring public, private, academic and healthcare leaders together in a public–private partnership to build a digital health innovation hub that provides start-ups with space, programming and an industry network.

- **Education and skills.** The business community supports a number of initiatives to build pathways from school to college and career, such as the mayor’s summer jobs programme and the Adopt a Boston Public School initiative to build long-term partnerships between schools and businesses.
In Washington DC, Gizachew Andargeh commented that “City Hall sponsors several technology start-up incubators, including 1776, Hive and Howard Hub. These incubators provide educational and community-based support, as well as real estate, to select start-up initiatives. 1776 … provides seed funding to start-ups transforming industries in education, energy and sustainability, health and transportation.”

In Boston, John Barros pointed to the Mayor’s summer jobs program, a collaboration between the city and the Boston Private Industry Council that “includes a network of approximately 300 Boston-based businesses that employ over 3,300 youth annually, contributing significantly to the Mayor’s annual goal of 10,000-plus youth summer jobs.”

The key success factors for this model include:

- **A representative business voice.** This is one of the main challenges facing this model, and requires business groups not only to be representative in their composition, but also to take a coherent strategic view and make specific requests as they communicate with government and shape the city’s agenda, rather than lobbying for individual interests and ad hoc issues. According to Fiona Fletcher-Smith, Executive Director of Development, Enterprise and Environment with the Greater London Authority, “discussions would be more meaningful and productive if businesses took a more strategic approach to their engagement with the Mayor.”

- **Balance between business and social needs.** City authorities need to maintain a careful balance between business interests and the city’s broader needs and ensure that social priorities are not marginalised.

- **An empowered and visionary mayor.** The mayor plays a crucial role as the voice of the city and its strategic decision maker – a role that is even more important when the authority’s powers are fragmented. One challenge for cities with limited legislative, operational and tax-raising powers is to build and preserve the soft power and influence of the office of the mayor, given their heavy reliance on consensus and support in getting things done.

- **Ability to co-invest in the development agenda.** Cities need businesses to contribute expertise and resources in support of public-private funding solutions for special projects.

### III. Business-community-led model

In cities that lack a consolidated city authority but have a strong business presence, the business community can take more of a driving role in interactions with the city authorities. The city in question may have a fragmented or localised authority, be subject to a strong regional or national authority, or lack tax-raising and spending powers.

In such cases, chambers of commerce and other business groups can take a leading role in setting the agenda for city-business interactions. Advocacy typically dominates these interactions, and is often conducted between consolidated business groups and sets of government bodies, such as combinations of district, city and state authorities or government agencies. The focus of these interactions can vary from discussions of current business conditions and needs to the development of a city’s comprehensive long-term agenda.
In Sydney, local business communities played a role in the national government’s decision to set up the Greater Sydney Commission in 2015 as a partnership between state and local governments to improve long-term planning for the city. An unelected independent government body, it has the power to create overarching planning proposals and a mandate to work with local governments on local planning controls. Before it was created, interactions between the city and businesses were largely driven by the business chambers for Sydney and Western Sydney, which engage authorities at state and city level, and by the Committee for Sydney, an independent thinktank set up to help Sydney collaborate to compete.

A business-community-led approach can help to generate consensus and ownership and overcome or mitigate the effects of partisan politics or changes in government agendas. When city projects gain business buy-in from the start, they are more likely to secure private-sector support, such as help with funding or execution.

In the US, World Business Chicago brings together business leaders from across sectors to define the long-term vision for the city, as set out in its “Plan for Economic Growth & Jobs.” The organisation also establishes workstreams to manage initiatives such as ChicagoMade, which promotes Chicago as an innovation hub, and Skills for Chicagoland’s Future. In addition, it offers a range of business advocacy services and collaborations to “create jobs, cultivate talent, and put Chicago at the forefront of the global economy.”

The key success factors for this model of city–business interaction include:

- **Striking a balance between the commercial interests of the business community and the city’s other strategic needs.** In cities with no single authority or strategic body, it is especially important for the authorities concerned to maintain a clear view of all the city’s interests so as not to skew the agenda towards business at the expense of local social and economic needs, or towards large well-connected corporations at the expense of start-ups and smaller enterprises.

* World Business Chicago website at www.worldbusinesschicago.com/
Business interests must be taken into account where applicable, such as in infrastructure and regeneration initiatives, to secure private-sector contributions and participation.

- **Striking a balance between tactical needs and the broader development strategy.** Business groups are likely to focus on generic business enablers such as regulation, taxation and infrastructure, but they can also play a role in a city’s broader agenda for strategic growth in areas ranging from climate resilience to cultural life and public education.

- **Representative and unified business voice.** To prevent city interactions becoming fragmented, business groups should gather together in representative bodies and ensure they are unified in their advocacy agenda.

- **Clear framework of city authorities.** Where direct contact with a single counterpart in city government is not possible, businesses need to establish clear touchpoints with the relevant authorities. In fragmented city governments, clarity on the roles and responsibilities of different agencies is crucial.
The Sydney business community helps drive broad civic engagement

Until recently, Sydney lacked a consolidated city government. Instead, authority was shared between the state government of New South Wales, 38 local councils and the mayor’s office for the central business district. In the absence of any single point of contact at city level, city–business interactions have tended to be initiated by the business community, particularly the Sydney and West Sydney chambers of commerce.

Businesses also help to drive civic engagement through the Committee of Sydney, which brings together leaders from business, government departments, universities, the third sector and other fields to enhance Sydney’s economic, social, cultural and environmental conditions and make it a competitive and liveable global city. The committee collaborates with government authorities on issues such as transport, planning, talent and liveability, and organises publications and events. It also played a key role in advocating the creation of the Greater Sydney Commission, a consolidated governance body set up in 2015 to integrate planning at a city level by working closely with state government and local councils and communities.

This model, shared by several other cities throughout the world, shows how business leaders can drive a city’s agenda. Such an approach relies on broad reach beyond the business community, influential and respected leaders, and a collaborative partnership-based approach to interacting with city bodies.
World Business Chicago convenes business leaders to help shape the city’s long-term vision

World Business Chicago (WBC) started as a private organisation run by business leaders before becoming a public-private partnership in 2000. A third of its funding comes from the public sector, and membership is by invitation from the mayor. WBC acts as the main channel for collaboration between the city government and business to promote economic development, define the city’s long-term vision and tackle - business priorities and broader challenges for the city’s future.

WBC offers a range of advocacy support for business, including relocation and retention services, research and data on the local economy, and the promotion of Chicago as a place to do business. Its major initiatives include:

- **Seed Chicago**, a Kickstarter page to raise funds for business growth and job creation. From the initial group of projects, 52 percent succeeded in attracting investment.
- **Chicago Career Tech Program** and **Skills for Chicagoland’s Future**, a scheme to develop skills in technical trades. After five cohorts, its placement rates were 20 percent higher than those of traditional programmes.
- **Sister Cities International**, a marketing partnership with 28 peer cities around the globe.
IV. Direct operational model

Interactions between cities and businesses are not always formal and organised. Many cities, particularly those still developing authority infrastructures, work in informal ways, with individual businesses interacting directly with the city, often on specific operational matters. This model covers the widest range of structures and interaction mechanisms of any of the four models, and is likely to borrow heavily from other models or switch between them over time.

In the direct operational model, most interactions take the form of direct one-to-one contact between a business and the relevant city or government agency. Business-interest groups and third-party organisations do not play a major role in shaping city policy. This does not mean that interactions are passive or unstructured, but they do tend to be focused on transactions and operational needs, both long- and short-term.

For instance, in Buenos Aires, which has a high degree of political autonomy, there are no city-focused business organisations, only city-based national business advocacy groups. The city’s main interactions with business take the form of events to facilitate business and innovation. As noted by Juan Ignacio Maquieyra, undersecretary of international and institutional relations, these events support the city’s goal of “opening to the world” to “bring back to the City of Buenos Aires the confidence that companies have lost in Argentina, and reduce social and economic deficits by using this investment as a trigger to create new jobs for middle and lower classes.”

In this model, cities and businesses interact through three key mechanisms:

- Long-term informal relationships between business leaders and their counterparts in city authorities.
- Collaborations to optimise the business and investment environment and the regulatory framework through which individual businesses navigate policy, taxation, permissions and so on. An example is Rio de Janeiro’s investment promotion agency, Rio Negocios, whose president, Marcelo Haddad, explains that “Our main question is, how can we, the city, serve [businesses] well?”
- Public–private partnerships, which are becoming common in areas such as infrastructure development.

Cities following this model can forge great success by undertaking joint development with businesses through project-based partnerships. For example, Bangkok relies on public–private partnerships to develop and operate infrastructure such as its metro system and road network. Special projects such as the Olympic Games also benefit from effective partnerships for building infrastructure, tackling regeneration and improvement, and managing operations.

Another area where cities can collaborate effectively with businesses in this model is in optimising the conditions for growth. Cities can gear their regulatory and business environment to attract investment and foster growth through agencies like the Buenos Aires Investor Assistance Centre, which provides advice and information to facilitate business and investment projects. Similarly, Invest in Bogota – a public–private partnership between the chamber of commerce, the city government and the regional government of Cundinamarca – boosts foreign investment through free investment-support services.

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Mexico City interacts with businesses in a more fragmented, operational way

In Mexico City, where there are few formal channels for city authorities and businesses to interact, the government sees engagement with businesses as driven by citizen’s needs, not by corporations. The city’s priorities are innovation, renewable energy, youth employment, mobility and technology transfer, and the government encourages the private sector to invest in these priorities through fiscal incentives and public–private partnerships.

While personal relationships are key to success in the Mexican way of doing business, transparency is paramount in Mexico City’s interactions with business. Businesses leaders recognise the opportunity to cooperate through formal channels, and point out both the need for the government to have very clear structure and rules, and the need for businesses to be more active with the organisations such as business associations and city halls in order to have more impact with government.
Bangkok develops its infrastructure through project-based public-private partnerships

The Thai government is seeking to strengthen its relationships with the private sector through the use of public-private partnerships to encourage investment in the country’s capital-intensive infrastructure projects. To address the challenges investors face, the government is working to streamline processes, improve transparency, make requirements more flexible, collect more data and foster competition.

Bangkok relies on public-private partnerships for many of its projects and programmes. A prime example is the city’s Mass Rapid Transit Authority, where partnerships range from service contracts to management, lease and concession contracts. The private sector has also invested in the creation and operation of the Bangkok Sky Train, and continues to be involved in operating its extension line. In addition, the government has turned to public-private partnerships to finance the development of an expressway road network.

More broadly, businesses also interact with the city through various national chambers of commerce that facilitate cooperation and work with the government on issues affecting business.
Direct operational partnerships and collaborations between cities and businesses can be a powerful way to promote growth and execute ambitious projects effectively. The key success factors for this model include:

- **Direct informal relationships.** Leaders should cultivate the right long-term relationships and foster partnerships not only for transactional and operational purposes, but also to serve a broader strategic development agenda.

- **Openness and transparency.** When interactions are direct rather than conducted through third-party organisations and frameworks, transparency is key. For example, a formal framework and open bidding process for public–private partnerships will build trust and accountability and deliver better results. Equally, foreign businesses and those that have not cultivated long-term relationships need access to government and transparency on processes and regulations.

- **Long-term planning.** City authorities should take a long-term view to ensure that projects are aligned with broader goals and that businesses are able to conduct their own long-term planning accordingly. Early engagement – for example, at the pre-procurement stage – can be helpful in this respect.

- **Incentives and accountability.** To ensure delivery, projects need clear incentives and enforced accountability. For example, public–private partnerships work best when cities define concrete, measurable goals and when project objectives align with profits and incentives for the business partners involved.
How cities and business can work together for growth
Conclusion

Interactions between cities and business take many forms, and there is no single recipe for success. The right model for a given city will be shaped by its circumstances, and particularly by the city authority’s powers, governance structure, priorities, and civil infrastructure, and by the respective agendas of the city and its businesses. What businesses and cities contribute to the model will also vary by context. Even within one city or model, businesses with different priorities and needs may interact with the city in different ways, and take different views of the role of business in the local community and the value and purpose of interactions with city institutions. Approaches will also evolve over time.

However, a few high-level factors tend to contribute to success in all models:

- A clear and aligned view of strategic priorities and the broader agenda.
- A sense that businesses are working together as a community with shared interests.
- Transparency and approachability among city authorities.
- The use of business expertise to help city authorities understand how to overcome challenges and achieve objectives.
- Open communication and a long-term view of relationships to foster familiarity and interaction, whether through formal structures or informal personal relationships.

Greater awareness of the range of viable interaction models and the mutual benefits of cooperation could make city–business interactions more thoughtful and deliberate, and more satisfactory for both sides. An understanding of the models outlined in this report, along with the interaction mechanisms they use and their conditions for success, could help business and city leaders to understand their own interaction models and identify the mechanisms that best fit their context and needs.

The models are neither prescriptive nor mutually exclusive, and in some cases city and business leaders may identify needs and challenges that could be better served by taking mechanisms from other models or adopting entirely new models. For example, a city authority facing a large-scale infrastructure challenge could encourage public–private partnerships and take steps to make its bidding process more open and transparent. A city that faces socioeconomic instability stemming from rapid growth could create formal convening mechanisms to enlist the help of businesses in addressing the challenge.
A business community concerned about a city’s economic growth trajectory could unite to advocate a formal development plan and make the case for city authorities to play a larger role in strategic planning in consultation with business leaders.

Businesses that are attuned to the way complex urban challenges are evolving also have the opportunity to reshape their business models accordingly, whether that means moving from a product to a service to an outcome provider, pioneering innovative models to support smart-city or big-data initiatives, or collaborating with cities to create new markets for addressing sustainable development, climate change and other challenges.

When an effective model for interaction and the relevant success factors are in place, collaborations between cities and businesses can yield transformative results that benefit both sides:

- **By supporting strategic developments** such as innovation hubs in Boston and London, industry and sector development in Dubai and Shanghai, and collaborations to support long-term economic growth in New York, Chicago and Buenos Aires.
- **By maximising the impact of special projects** such as the Olympic Games, similar infrastructure-heavy international events and initiatives that address particular socioeconomic issues.
- **By improving operational effectiveness** through measures such as the introduction of streamlined regulations, favourable business conditions and investment services in Singapore, Buenos Aires and Bogota, or through government initiatives designed to engage the private sector in improving resource efficiency or meeting other environmental and social goals.

This report has sought to highlight the variety of models and mechanisms that cities and businesses are pursuing to capture the benefits of cooperation. Further discussion will be needed to answer related questions, such as:

- What additional roles could business and city leaders play in creating and sustaining the conditions for success for each of these models?
- What mechanisms could help cities and businesses take their relationship beyond a narrow enterprise agenda to one based on broader economic, social and environmental objectives, such as supporting culture, quality of life, social equality and inclusion, and resilience?
- How can cities build a clear and tangible vision for a multi-stakeholder strategy with joint ownership by city and business leaders?
- What would it take to motivate a business to see greater value in engaging with a city, or to deepen an existing relationship?
- What role could the Global Cities Business Alliance play in establishing a library of good practices to help city and business leaders refine their approach to their interactions?
- How could the GCBA help cities and businesses develop a better understanding of how their interactions can benefit them both?
Hong Kong breaks the mould

Hong Kong, a special administrative region of China, exhibits characteristics of several of the models described in this report, but without conforming to any of them. It has a strong unitary government that engages in long-term planning – especially for infrastructure, land use, housing and economics – and undertakes numerous business-development initiatives in sectors such as finance, technology, logistics and tourism. However, the processes it uses are not top down, but involve formal and informal engagement with leading companies, industry groups and chambers of commerce, which are constantly asked for their input.

Business is also formally represented in Hong Kong’s government: the Legislative Council reserves almost half of its seats for representatives from industries and business groups. In addition, when making decisions on public policy, whether economic or otherwise, the government draws extensively on contributions from commissions and advisory committees made up largely of business leaders.

The Hong Kong model is eclectic and pragmatic. The government promotes the private funding of infrastructure development, but also engages in large-scale infrastructure investment in its own right. Though it takes a free-market approach, its public-housing programme makes it the world’s largest landlord, and it is the majority shareholder in Hong Kong Disneyland and the Mass Transit Railway Corporation. Hong Kong is regularly cited by the Heritage Foundation and the Fraser Institute as the world’s freest economy, yet it did not introduce comprehensive competition law until 2015.

The model is not without its problems, however. Huge income disparities, the government’s emphatically pro-business outlook and its long-standing relationships with leaders who dominate key industries have led to social and political unrest. Pragmatism and the closeness of the links between government and business have helped make Hong Kong one of the world’s leading business cities, but it continues to face challenges in balancing its commercial interests with its civic wellbeing.
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