

Amsterdam University of Applied Sciences

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Published in:
New urban economies

[Link to publication](#)

Citation for published version (APA):

van Winden, W., & de Carvalho, L. (2015). Economic Intelligence For Cities: Strategies And Pitfalls. In W. van Winden, & L. de Carvalho (Eds.), *New urban economies: How can cities foster economic development and develop 'new urban economies'* (pp. 46-48). (Urbact II capitalisation). URBACT.

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ECONOMIC INTELLIGENCE FOR CITIES: STRATEGIES AND PITFALLS

✍ By Willem van Winden
and Luís de Carvalho*

WHY CITIES NEED ECONOMIC INTELLIGENCE

The economies of Europe's cities are changing fast, and it is not easy to predict which segments of the local economy will grow and which ones will decline. Yet, cities must make decisions as to where to invest, and face a number of questions that are difficult to answer: Where do we put our bets? Should we go for biotech, ICT, or any other sector that may have growth potential? Do we want to attract large foreign companies, or rather support our local indigenous smaller firms, or must we promote the start-up scene? Or is it better not to go for any particular industry but just improve the quality of life in the city, hoping that this will help to retain skilled people and attract high tech firms?

To answer these complex questions properly, the relevant city managers must have thorough and deep knowledge about the local economy. Each city is unique and has its own particularities and specific

growth opportunities. Also, city managers need to understand how global and national economic trends will affect the city's economy. From where and how do they get their management information?

To avoid mistakes and find real clues about what is really happening in their economies, cities must make their own analysis. For this, they need 'economic intelligence', which can be defined as smart information system in order to know, understand and anticipate the outside environment¹. How can cities do this? How to make sure to have the right knowledge and information as a basis for adequate policy decisions? Across Europe, cities deploy several strategies. In this article, we present some tools, techniques, practices and insights.

DATA, DASHBOARDS, OBSERVATORIES

A simple and relatively cheap way to obtain economic intelligence is to collect available statistics and present them in a systematic way. An increasing number of cities and regions have set up 'economic dashboards', consisting of key indicators that show how the economy is doing, through time and in comparison with other cities.

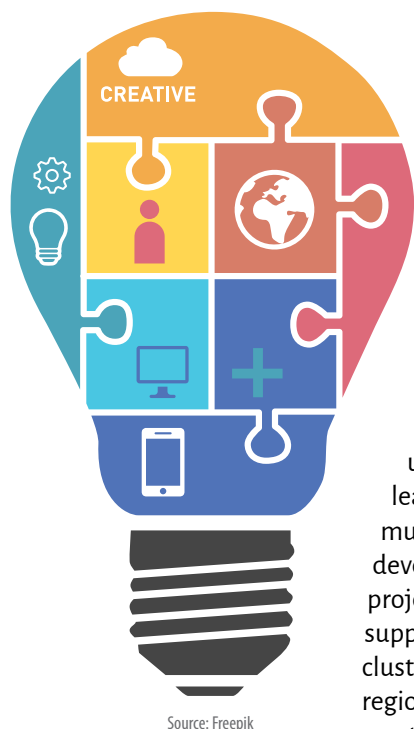
San Diego's fairly basic regional economic dashboard uses 20 different metrics to track the region's standing among the 25 most populous U.S. metropolitan areas². It measures basics like unemployment rate, GDP, exports, patents, and venture capital investments in the region. For each indicator, the dashboard shows how the city ranks compared to its competitors. So, each year, San Diego knows where it stands among other metro areas. Note that the economy does not stop at the borders of the core city: it is important to collect data at the metro level and not just for the administrative districts of the core city.

Amsterdam goes one step further: it also measures more specifically how its target economic clusters are developing. Its dashboard was developed in the context of a joint initiative of many institutions in the

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1 <http://lexicon.ft.com/Term?term=economic-intelligence>

2 <http://www.sandiegobusiness.org/research>



Source: Freepik

region. To boost the region's competitiveness, partners in the region installed an 'Economic Board', in which actors from the triple helix (city, universities, business leaders, surrounding municipalities) together develop policies and projects. The Board supports eight target clusters in which the region stands out and wants to become top

in Europe: creative industries, ICT, life sciences/health, horticulture/agrifood, tourism, finance/business services, logistics and high tech materials. The Board set up a dashboard that shows general economic data about the region and benchmarks it against competitors (comparable to the San Diego case). But also it measures each cluster's economic performance (employment, turnover, number of start-ups etc.), and shows how many projects are going on in each cluster, how much funding they receive, and how many actors from the triple helix are involved, how many cluster meetings were held, etc. In this way, the dashboard gives an indication on how the cluster communities are evolving. Moreover, it quantifies the progress of the region in a number of cross cutting 'key themes': knowledge & innovation, human capital, international connectivity, and general business climate. It assesses how each cluster contributes to these themes.

THE ART OF INTERPRETATION

Collecting statistics is important and relevant, but what do the data actually mean? And what are the implications for policy? The same numbers may give rise to different opinions and interpretations. With this in mind, the city of **Tampere** in Finland developed a new innovative intelligence approach as a basis for policy decisions. Bi-annually, the city creates what it calls a 'situational picture'. Comparable to the previous examples, a dedicated team collects and structures the relevant and available data (based on readily available statistics, but also annual reports, city rankings and several other sources) on the state of

the regional economy, with a focus on its innovation potential. Data are collected in a six key areas: R&D funding, growth companies, higher education institutes, innovation platforms, internationality, and business environment. For each of these six areas, spider diagrams are drawn, showing how Tampere is faring compared to the previous two years. Each indicator gets a colour: green, indicating growth or progress, or red, meaning stagnation or decline. This renders a very visual picture showing where there is progress and where the city region is falling behind.

So far, nothing new: many cities do this. But then comes the interpretation part: what do the data actually mean? What are the causes of growth and decline, and what could – and should – be the policy implications? It is here that Tampere takes the next step: the data is discussed collaboratively, in a series of meetings with key players from different backgrounds: government officials, investors, employees of large firms, entrepreneurs, and academics. In a structured way, the participants discuss and interpret and contextualise the data, bringing their specific experience and particular backgrounds, and add additional qualitative information. This is a smart way of collecting intelligence that really 'makes sense', involving a diverse group of local experts who are not only knowledgeable in their specific field but also committed to the future of their own city. The process generates thorough insights into the state of the Tampere region that are helpful to support regional decision making.

GO OUTSIDE, TALK TO PEOPLE, AND FIND OUT ABOUT THE NEWEST DEVELOPMENTS

Economic intelligence requires smart information management in order to know, understand and anticipate the external environment. A key (but somewhat less conventional) strategy for urban managers is to leave the office, and collect intelligence first hand: by talking with company managers, investors, entrepreneurs, start-ups; by visiting meet-ups of local business clubs and associations, going to conferences, etc. These are the places and events where business people exchange and share information, where they discuss the new trends they see, and how they plan to respond, but also how they perceive the qualities and opportunities of the city, or particular locations.



This type of inside knowledge, information and ‘gossip’ cannot be found in any statistics, but is very relevant for urban economic policy makers, so they should better be around. As Joep Brouwers, vice-director of Brainport Development (**Eindhoven’s** economic development organisation) puts it: “I am happy when many desks here are empty: it means that our staff are somewhere in the city, listening to what’s going on”. This way, Brainport is able to spot emerging economic trends and opportunities for the region in an early stage, and to respond if needed. Also, Brainport’s ‘outgoing’ orientation and culture helps to build trust between companies and Brainport.

The city of **Dublin** learned – the hard way – to listen carefully to the stakeholders before making investment decisions. Some years back, the city planned new hotspots for innovative companies, without fully understanding the needs of these companies. As Jamie Cudden, working for the Dublin City Council, says: “We did not collect intelligence. We thought that we, the city planners, knew well what businesses would need. But we were wrong: firms were not very interested in ‘our’ developments and moved to other locations in the city: so we ended up always choosing locations that nobody wanted”.

Since, the council has learned its lesson: when developing new business locations, it closely involves the end users in the process: the city organises sessions where firm representatives are heard.

A FINAL WARNING

Going out to consult companies, and involving them before making decisions is a good approach. But there are risks in the approach and pitfalls to be avoided. First, there is the temptation of listening mainly (or even only) to the bigger and more influential companies. They are easy to spot, know their way into the city hall and have contact with key political decision makers. However, they do not necessarily have the best ideas for economic development policy. To detect new economic opportunities, cities must reach out to a wider spectrum of economic actors, including small companies in emerging industries, “almost like a social worker reaching to difficult youth” as Mr Brouwers put it.

Second, companies will defend their own particular interests, so city managers must keep a critical attitude. It is evident that the self-interest of particular companies or sectors may not always coincide with the interest of the city as a whole. Declining industries and organisations have an extra reason to ‘engage with policy’ (read: lobby for support). A classical case from the 1970s and 1980s is the German Ruhr area, where the old boys network of declining heavy industries (well organised and politically very influential) managed to secure massive state aid, hindering the necessary re-orientation of the region towards new growth opportunities. ●

INTERESTING LINKS

- **Urban Audit database (Eurostat):**
<http://www.eea.europa.eu/data-and-maps/data/external/urban-audit-database>
- **The OECD Regional Database** provides a unique set of comparable statistics and indicators on about 2,000 regions in 34 countries. It currently encompasses yearly time series for around 40 indicators of demography, economic accounts, labour market, social and innovation themes in the OECD member countries and other economies.
<http://stats.oecd.org/Index.aspx?Datasetcode=CITIES>
- **The OECD Metropolitan Database** provides a set of economic, environmental, social and demographic estimated indicators on the 275 OECD metropolitan areas (functional urban areas with 500,000 or more inhabitants).
<http://stats.oecd.org/Index.aspx?Datasetcode=CITIES>
- **The Brookings Institute** has a ‘global metro monitor’ with economic data on the world’s 300 largest metropolitan areas.
<http://www.brookings.edu/research/reports2/2015/01/22-global-metro-monitor>