

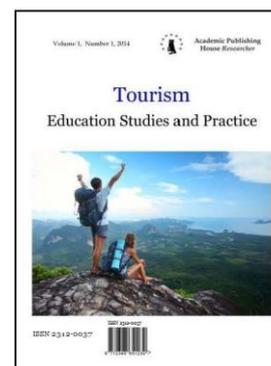
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Competitiveness as the Basis of Economic Development of a City (the case of St. Petersburg)

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Abstract

In the Russian Federation, the meaning and the use of the term “city competitiveness” has evolved significantly in recent times. However, the lack of consensus among Russian scholars about this concept partially explains the economic situation in last decades, and has become the core problem in urban policy. This paper proposes the ways to assess competitiveness, and clarifies its complex signification. Firstly, it reviews existing resources from the extensive literature on the topic. Then, some advices are given on how to achieve competitiveness. The main conclusion is that this set of actions could be considered as a first step towards generating more testable propositions.

Keywords: competitiveness, economic growth and vitality, advantage.

1. Introduction and Relevance

One of the ways to increase the rate of social and economic development of a country is not only to sustain competition between businesses, but also between administrative-territorial areas. Hence, nowadays a city is gradually becoming an independent entity operating in competition processes at all levels. A municipal government aims to ensure own sustainable progress in terms of growing personal income as well as operating profit, poverty reduction, prosperity, stabilization of political and economic conditions. Results of such improvement depend on the capability of management body to conduct competitive advantages of a city and to create the necessary prerequisites for their broadening.

City competitiveness can be defined as the set of factors - policies, institutions, strategies and processes – that determines the level of sustainable productivity of a city. Productivity is an economic measure of the efficiency in converting inputs into useful outputs. In other words, productivity-based competitiveness is supposed to set an adequate level of economic growth and vitality.

Area competitive ability has become the field of interest to foreign researchers since the early 80's XX century, such as M.E. Porter (2010), P. Krugman (2000) and other representatives of Harvard Business School. In 2008, the World Economic Forum created the Global Agenda Council on Competitiveness, whose mission is to deepen and broaden the understanding of competitiveness and provide a network for global leaders. Moreover, the Russian scientists, like R. Fatkhutdinov (2009), M. Vinokurova (2009) and V. Andreev (2005), have written papers concerning to city and region competitiveness. Although many western scholars have addressed the topic in detail, there is little research in Russian academia in this field. So, the management issue of

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competitive advantages of localities still remains open, and public authorities are in the process of elaborating any comprehensive approach.

As cities are thus viewed as the drivers of economic growth and vitality and the number of city dwellers worldwide keeps rising, the importance and actuality of urban competitiveness are beyond any doubt. So, the research question emerges: how might many city-level initiatives improve on different areas of competitiveness? The hypothesis is that the improvement can be realized by the application of a system taxonomy as one of interactive parts, including governance framework, regulation of the business environment, core physical infrastructure and city's social capital.

The aim of this study is to equip authorities with competitiveness tools, give practical recommendations on how to conduct and stimulate competitive advantages to ensure prosperity and attractiveness of a locality based on the case of Saint-Petersburg.

The research proposal consists of the following parts. First of all, it is the literature review where theoretical and case studies in the field of city competitive ability are examined. The second part contains the conception of the research methodology. Subsequently, the presentation of the research's results takes place. Finally, the conclusions are made.

2. Materials and Methods

The goal of the proposal is to create a robust body of knowledge to address the city's questions on benchmarking its performance, revealing and conducting its competitive advantages, and ensuring the prosperity and attractiveness in the context of St. Petersburg. The approach to the research is a qualitative case study based on the complex usage of a variety of methods during collection, analysis and interpretation of information. As Robert Yin asserts (2013), the case study method is an empirical inquiry that investigates a contemporary phenomenon within its real-life context.

The data was obtained largely through the analysis of written documents from the extensive literature on the topic. They are different reports focused on case studies of individual cities around the world, the Government Regulation "About the strategy of economic and social development of St. Petersburg for the period up to 2030" (2014) and other documents and statistics from the Rosstat (Federal State Statistics Service) and official sites of St. Petersburg's committees. According to the mentioned channels of information, SWOT analysis was carried out to reveal current stance, problems, prospects and competitive advantages of the city.

Then, the comparison method was used to achieve representation through replication, that is, by compare St. Petersburg with European and North American cities in a systematic way, examining different levels of the variables involved. In other words, cities were not selected into a sample to be representative of an ideal competitive model. In contrast, cities were chosen to be representative of different possible stances and their successes or failures. So, the comparative case study included four stages of work: (1) determining the present situation; (2) gathering information about the background to the present situation; (3) collection and processing more specific data to test the hypothesis; (4) presenting recommendations for action.

To conclude, the above-described methodology can be considered as a first step towards generating more testable propositions and a starting point for future research on competitiveness as the basis of economic development of a city.

3. Discussion

City competitiveness is extremely important field of knowledge: municipal authorities might design development strategy as provided by productivity-based competitiveness to ensure prosperity of an urban area and good public services for its citizens. Never before has the world urbanized at the speed and the scale that it is doing today. Nowadays more than half of the world's population settles down in cities and their dwellers account over 80 percent of global GDP. According to the United Nations (2014), globally, an additional 2.5 billion people will move to urban areas by 2050. That is why the achievement of the research's purpose to suggest ways on how to make a locality attractive and conduct its competitive advantages will be lifeblood of regions and nations.

This part of research proposal is aimed to analyze such articles as: "The competitiveness of cities" by the Global Agenda Council on Competitiveness (2014); "Competitive cities for jobs and

growth : what, who, and how” created by Austin Francis Louis Kilroy, Megha Mukim, Stefano Negri; (2015); “Plugging the infrastructure gap: How can cities attract private investment?” written by Jonathan Andrews and Richard Forster (2014); “City Creditworthiness Initiative: A Partnership to Deliver Municipal Finance” posted on the World Economic Forum’s website (2015).

The logic of the selection of these articles can be explained by several points. First of all, they give strong background information in terms of city competitiveness and its displays universally. Secondly, information value contained in the works is ensured by its practicality. It means that there are lots of real study cases backed by grounded theory overtones. Besides, the more specific theme is reflected – finding the ways of how to work out urban development strategy based on using city competitive advantages.

The first work to analyze is “The competitiveness of cities” written under the direction of Professor Razeen Sally and posted on the World Economic Forum’s website in 2014. In a nutshell, the report presents a model of drivers of city competitiveness as well as a number of representative case studies. It is aimed to encourage a rich global dialogue on this issue and shine a light on creative and path-breaking initiatives that address the multiplicity of challenges facing today’s cities.

The author identifies common tendency in the development of modern cities and sets out six global so-called megatrends that directly bear on city competitiveness: (1) urbanization, demographics and the emerging middle class; (2) rising inequality; (3) sustainability; (4) technological change; (5) industrial clusters and global value chains; and (6) governance. The author concludes that as part of strategy for ensuring prosperity of localities, municipal governments must consider these megatrends: take advantage of positive ones, as well as mitigate negative forces. And the question is how cities can best balance these forces leads to the competitiveness agenda for urban areas.

As it is said above, the Forum’s study examines 33 cases of cities around the world with different endowments and at varying stages of development. The observation is made in conclusion. Prosperous cities use the four-part model, including institutions, policies of the business environment, public services and education. Each component is important, and they should not be considered in isolation. Rather, the interaction of all four parts plays a crucial role in successful realization of this concept.

On the consideration of the above, the significance of this work for the research proposal is the following: it gives a wide range of aspects of city competitiveness understanding and elicits modern economic trends relevant to urban areas. Besides, it contains the analytical framework and the global survey of cities to be of use as an analysis of the competitiveness of St. Petersburg will be carried out.

The second contemporary work is “Competitive cities for jobs and growth: what, who, and how” created by Austin Francis Louis Kilroy, Megha Mukim and Stefano Negri. Using several methodologies on the basis of best practice, data availability, replicability, and simplicity the authors look at two central questions: what makes a city competitive; and how can more cities become competitive. According to the researches a city is defined as competitive if it contributes to creating jobs, raising productivity and increasing incomes of citizens. So, the authors provide ample support for the view that improving area competitive ability is a path to eradicate poverty and promote shared prosperity worldwide.

What do competitive cities do? Most jobs come from the private sector and well-being cities facilitate individual sector to expand. That means growing existing firms, attracting investors and nurturing start-ups. Moreover, competitive cities have found niche products and markets in tradable goods and services, and simply become better at what they already do.

Who does it? Most probable improvements on different areas of competitiveness are under the purview of mayors and city officials. Now they have the purpose to set local taxes, build city infrastructure and boost a city image. However, public authorities are most efficient when they act in collaboration with private sector, as well as leverage regional and national relations.

How does it get done? Firstly, cities need to identify strategic priorities and spend money on them. Secondly, learn from mistakes and tackle problems during implementation. Finally, they have to recruit smart people into government.

The importance of this article for the research proposal lies in containing the evidence-based approach to economic development strategies that maximize such outcomes of cities as output and

employment growth, labor productivity, and household disposable income. Overall, the city competitiveness opportunity is huge. If every average city managed to do as well as a competitive-city, the world could add 19 million extra jobs annually.

The third article is “Plugging the infrastructure gap: How can cities attract private investment?” written by Jonathan Andrews and Richard Forster and posted in the global magazine called *Cities Today* in September 2014. It is devoted to the problem of capital formation in cities—public investments as well as private ones - which is critical to their development. The authors explore how with better governance mechanisms and greater revenue raising powers, local governments can demonstrate that they are a creditworthy investment.

“So what is the best way to make cities attractive to investors and to enable the financing and delivery of the critical urban infrastructure needed for them to become cities of the future?” (Siemens, PwC, & Berwin Leighton Paisner, 2014, p. 14). This question for many years has been challenging city authorities, and in this article J. Andrews and R. Forster introduce their vision of the current problem.

So, according to the report putting in place transparent and unprejudiced governance systems is essential for providing confidence to investors. Next the authors discuss an updating urban tax and non-tax collection strategies to boost revenue while rationalizing expenditure. It might include renovating taxpayers’ assessments, improving accounting practices, setting up new revenue collection networks and adopting sound debt and treasury management practices. They prove the existence of positive association between updating financial management and the raising of private capital for infrastructure. Also, the reader’s attention is drawn to the role of development banks as key figures in mobilizing resources for local governments: offering risk insurance and guarantees, supporting domestic credit markets, providing competitive local currency debt financing, adding more innovative development finance approaches and tools.

The article overall has a lot of information that is rather useful to any modern local authority, it shows the reader that each city has a room for development in terms of its legal governance frameworks, innovation, branding and competitiveness in general. It is relevant for the paper because all given advices are backed by study cases – best projects that have been put into practice. As a matter of this experience research work will be carried out in St. Petersburg. To conclude Andrews and Forster explain the importance of taking into account local conditions before beginning the long trek towards creditworthiness. In October 2013 a City Creditworthiness Initiative was set up by the World Bank that will be considered as a part of review presented below in the text.

Thus, the next piece of work to be reviewed is “City Creditworthiness Initiative: A Partnership to Deliver Municipal Finance”. It is devoted to the City Creditworthiness Initiative which assists city leaders to identify actions that will improve financial performance of their urban areas and bring them to creditworthiness.

Firstly, the article introduces background information concerning creditworthiness figures worldwide. Only about 4 percent of the 500 largest cities in developing countries are deemed creditworthy; most cities are absolutely invisible to investors, although they have great potential for development and can meet demands of citizens as well as investors.

Secondly, the thorough strategy of the City Creditworthiness Initiative is described. There are four long-term crucial goals that local authorities are supposed to achieve to be creditworthy: (1) strengthening the administration’s financial management policies and practices, as well as overall financial performance; (2) development of an enabling legal and regulatory, institutional, and policy framework for responsible revenue and debt collection at the national level; (3) improvement of the “demand” side of financing by creating attractive projects that boost green growth; (4) improvement of the “supply” side of financing by engaging with private sector investors.

Finally, the specific examples are presented including description of conjuncture in a city with its problems, list of actions to be taken and achieved results. This article is very useful as it gives the strong base for identifying strengths and weaknesses in an urban economy in terms of creditworthiness. Besides, it suggests key points on how to set municipalities on the path towards improved performance and competitiveness as a result. These recommendations might be appropriate for Saint-Petersburg as well.

To sum up, the articles of a significant importance to city competitiveness field were described and reviewed. They give the strong understanding of fundamental notions, lots of real city cases and wide range of actions that municipal authorities might take to become more competitive and prosperous. Nevertheless, all the given advices are general, but when cities begin the long trek towards competitiveness, they need to be mindful of tailoring to local conditions. And it is important to take into account competitive advantages characteristic of a specific city. On the consideration of the above, the recommendations from the authors are great, but should not be taken as a final word for achieving the paper's goal. Saint-Petersburg with its local conditions will be explored carefully to design a strategy of city development based on conducting competitive advantages.

Next, the indication of the findings that were obtained through the mentioned methods is presented. The research question has been raised at the beginning of the paper: How might many city-level initiatives improve on different areas of Saint-Petersburg's competitiveness? And the answer is that the improvement can be realized by the application of a system taxonomy as one of interactive parts, including governance framework, regulation of the business environment, core physical infrastructure and city's social capital.

Several suggestions were made:

1. There is a gap in Russian academia in the field of city competitiveness.
2. The application of a system and comprehensive approach to the competitiveness policy within the scope of the city with the involvement of experts might be crucial in the designing of a development strategy. Moreover, the existent theoretical evidence and global experience should be considered.
3. The insufficient stimulation mechanisms of private sector have a place as well as lots bureaucratic obstacles caused by the lack of legal regulation. So, there is a room for making St. Petersburg attractive for investors.
4. There is a shortage of development resources, especially manpower and bankroll. It can be explained by the large amount of migrants, common labor and the investment activity decay.
5. There is no one ready receipt for reaching the competitiveness. Foreign experience is rather useful but should not be simply duplicated and adopted to St. Petersburg. The city has its own competitive advantages as well as cultural, historical and geographical heritage that should be considered before settling lines of the development.

4. Conclusion

Improving the competitiveness of cities is a pathway to eradicate extreme poverty and promote shared prosperity. Several millions of additional jobs could be created every year and, thus, other problems at the city- and national-level could be tackled if more cities performed at the standard of the world's best. It is a core issue, especially in Russia, because there is no consensus about precisely what competitive city means in Russian academia. That is why the problem concerning the management of the city competitive advantages in the context of Saint-Petersburg has emerged in this study.

The literature review of the proposal describes the main theoretical aspects on the topic. In addition, the observation of the real case studies shows how creative and innovative initiatives are put into place by cities to manage the most important competitive challenges.

To investigate such a complex phenomenon as city competitiveness the research used the comparative case study. Despite the fact that the current research has the room to be improved, some recommendations were made. First of all, there is a necessity to define the term "city competitiveness" and apply it to the context of St. Petersburg. Secondly, it is required to create and implement a new management model of St. Petersburg's economic advancement based on the peak efficient use of available resources in the area. Thirdly, the city should be a climate-smart place for new businesses and investments. It might be carried out by preferential taxation as well as by creation of infrastructure and engineering support. Finally, it is important to form different business clusters in the key industries of the city.

It is time to have a much stronger focus on the competitiveness of cities. Since urban area's competitiveness shapes the nature of the contemporary cities, it shapes the nature of the world we are living in, and thus it shapes the nature of our lives. That is why it is an essential field of knowledge that every city-level initiatives should consider. The cities are so different, however,

many of their successes, failures and challenges are common. It is hoped that this paper will be considered not as the final word, but as a point of departure to create new strategies and policies relevant to the realities and complexities of cities around the world.

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